

CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Prepared by:
Department of Finance

INTRODUCTORY SECTION

CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2011, 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, 2011, 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.

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 11) and the Schedule of Funding Progress (on page 52) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 schedule 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
March 7, 2012

CITY OF CORDELE, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Cordele, Georgia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Cordele, Georgia for the fiscal year ended June 30, 2011. 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 \$31,263,353 (*net assets*). Of this amount, \$6,519,467 (*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 \$718,064.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,049,011, an increase of \$1,050,510 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,400,804.
- The City's total long-term debt (excluding compensated absences) increased by \$202,846 during the current fiscal year. This change consisted of scheduled repayments of \$308,300 and the addition of capital leases and notes payable totaling \$511,146.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report for the fiscal year ended June 30, 2011, marks the ninth year of reporting under the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion & Analysis for State and Local Governments*, issued June 1999. This standard includes Government-wide statements along with Fund based financial statements. The primary role of the Statement of Net Assets and the Statement of Activities in the new government-wide financial statements is to demonstrate operational accountability, while the primary role of the Fund financial statements is to demonstrate fiscal accountability. Operational accountability requires that a government demonstrate the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to do so. Fiscal accountability requires that a government demonstrate compliance with public decisions concerning the raising and spending of public monies in the short term (usually one budgetary cycle or one year).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

The government-wide financial statements include not only the City of Cordele itself (known as the *primary government*), but also a legally separate Downtown Development Authority and Cordele Office Building Authority, for which the City has some degree of financial accountability. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

The City maintains 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, Capital Projects, and Economic Development Main Street 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

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 - 51 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 53 - 61 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 \$31,263,353 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (67%) 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	
	<u>FY2011</u>	<u>FY2010</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY2011</u>	<u>FY2010</u>
Current and other assets	\$ 6,015,896	\$ 4,876,366	\$ 7,368,942	\$ 7,393,706	\$ 13,384,838	\$ 12,270,072
Capital assets	12,420,060	11,701,959	13,672,000	13,946,609	26,092,060	25,648,568
Total assets	<u>18,435,956</u>	<u>16,578,325</u>	<u>21,040,942</u>	<u>21,340,315</u>	<u>39,476,898</u>	<u>37,918,640</u>
Current liabilities	1,545,382	1,450,902	1,279,060	875,179	2,824,442	2,326,081
Long-term liabilities	671,208	225,822	4,717,895	4,999,506	5,389,103	5,225,328
Total liabilities	<u>2,216,590</u>	<u>1,676,724</u>	<u>5,996,955</u>	<u>5,874,685</u>	<u>8,213,545</u>	<u>7,551,409</u>
Net assets:						
Invested in capital assets, net of related debt	12,180,128	11,438,124	8,672,559	8,677,317	20,852,687	20,115,441
Restricted	1,676,330	1,382,122	2,214,869	2,191,313	3,891,199	3,573,435
Unrestricted	2,362,908	2,081,355	4,156,559	4,597,000	6,519,467	6,678,355
Total net assets	<u>\$ 16,219,366</u>	<u>\$ 14,901,601</u>	<u>\$ 15,043,987</u>	<u>\$ 15,465,630</u>	<u>\$ 31,263,353</u>	<u>\$ 30,367,231</u>

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, 2011, were \$31,263,353 an increase of \$896,122 from June 30, 2010. Of total assets \$15,043,987 came from business-type activities and \$16,219,366 came from governmental activities.

A portion of the City's net assets (12%) or \$3,891,199 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (amounting to \$6,519,467) 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities

Governmental Activities. Governmental activities during the fiscal year ended June 30, 2011, increased the City of Cordele's net assets by \$1,317,765. Business-type activities during the same period decreased net assets by (\$421,643) for a total increase in net assets of \$896,122. The following chart shows the revenue and expenses by activity for the total primary government.

City of Cordele's Net Assets Fiscal Year Ending June 30 (Comparative)						
	Governmental Activities		Business-type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Revenues:						
Program revenues:						
Charges for services	\$ 891,793	\$ 1,123,285	\$ 5,751,003	\$ 5,802,016	\$ 6,642,796	\$ 6,925,301
Operating grants and contributions	259,254	304,812	-	-	259,254	304,812
Capital grants and contributions	1,823,723	831,814	740,010	1,111,591	2,563,733	1,943,405
General revenues:						
Property taxes	2,442,963	2,625,361	-	-	2,442,963	2,625,361
Sales taxes	1,936,609	2,002,387	-	-	1,936,609	2,002,387
Alcoholic beverages taxes	332,091	332,417	-	-	332,091	332,417
Other taxes	1,068,332	981,523	-	-	1,068,332	981,523
Franchise fees	1,267,351	1,251,998	-	-	1,267,351	1,251,998
Unrestricted investment earnings	342,182	149,745	56,593	82,961	398,775	232,706
Gain on sale of capital assets	77,758	13,785	-	-	77,758	13,785
Total revenues	10,442,056	9,617,127	6,547,606	6,996,568	16,989,662	16,613,695
Expenses:						
General government	1,353,246	1,827,298	-	-	1,353,246	1,827,298
Public works	2,371,593	2,116,992	-	-	2,371,593	2,116,992
Public safety	4,196,467	3,924,365	-	-	4,196,467	3,924,365
Community development	849,017	566,921	-	-	849,017	566,921
Central purchasing	30,564	131,325	-	-	30,564	131,325
Culture and recreation	270,800	423,932	-	-	270,800	423,932
Housing & Development	2,246	66,445	-	-	2,246	66,445
Interest on long-term debt	10,640	10,093	-	-	10,640	10,093
Water and sewer	-	-	4,195,596	3,863,889	4,195,596	3,863,889
Natural gas	-	-	1,949,819	2,178,689	1,949,819	2,178,689
Sanitation	-	-	863,552	861,634	863,552	861,634
Total expenses	9,084,573	9,067,371	7,008,967	6,904,212	16,093,540	15,971,583
Increase (decrease) in net assets before transfers	1,357,483	549,756	(461,361)	92,356	896,122	642,112
Transfers	(39,718)	483,590	39,718	(483,590)	-	-
Increase (decrease) in net assets	1,317,765	1,033,346	(421,643)	(391,234)	896,122	642,112
Net assets, beginning of year	14,901,601	13,868,255	15,465,630	15,856,864	30,367,231	29,725,119
Net assets, end of year	<u>\$ 16,219,366</u>	<u>\$ 14,901,601</u>	<u>\$ 15,043,987</u>	<u>\$ 15,465,630</u>	<u>\$ 31,263,353</u>	<u>\$ 30,367,231</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities. This chart shows total revenues from governmental activities of \$10,442,056 for 2011 and \$9,617,127 for 2010 while expenses were \$9,084,573 for 2011 and \$9,067,371 for 2010. The largest revenue source for governmental activities comes from property taxes at \$2,442,963 or 23% for 2011 and from property taxes at \$2,625,361 or 27% of revenues for 2010. The City of Cordele spent the greatest amount of its available funding on public safety at 46% for 2011 and at 43% for 2010.

Business-Type Activities. Business-type activities program expenses exceeded revenues by \$461,361 in 2011 and revenues exceeded expenses by \$92,356 in 2010 before transfers to governmental activities. The business-type activities largest revenue source is the Water/Sewer Fund in 2011 (57%) and the Water/Sewer Fund in 2010 (50%). The Water and Sewer Fund had the largest amount of expenses at 60% or \$4,195,596 for 2011 and 56% or \$3,863,889 for 2010.

Analysis of Balances

Governmental Activities Funds. The City of Cordele has three major governmental funds which are the General Fund, the Capital Projects Fund and the Economic Development Main Street Fund. At the end of FY 2011, these three funds had fund balances of \$1,558,718, \$693,975, and \$174,807 respectively. This is an increase of \$560,360 to the beginning fund balance of the General Fund, an increase of \$693,975 to the beginning fund balance of the Capital Projects Fund (new fund), and an increase of \$12,635 to the beginning fund balance of the Economic Development Main Street Fund.

The fund balances for the other governmental funds decreased by \$216,460. The final fund balance for these funds decreased from \$1,837,791 at the beginning of the year to \$1,621,511 at the end of the year.

Business-Type Activities Funds. The enterprise funds, which include the City's Water & Sewer Fund, Natural Gas Fund, and the Sanitation Fund showed a combined cash and cash equivalents balance of \$2,063,117 at the end of the year ending June 30, 2011. This is an increase of \$769,595 from the previous year.

The Water and Sewer Fund had ending cash and cash equivalents balance of \$1,499,224 for FY 2010-11. This is an increase of \$597,413 from the previous year.

The Gas Fund had ending cash and cash equivalents balance of \$563,893 for FY2010-11. This is an increase of \$172,182 from the previous year.

The Sanitation Fund had ending cash and cash equivalents balance of \$0 for FY2010-11. 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, 2011, governmental activities and business-type activities had capital assets of \$26,092,060 (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment, and infrastructure.

	Governmental Activities		Business-type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Land	\$ 4,889,257	\$ 4,889,257	\$ 326,299	\$ 326,299	\$ 5,215,556	\$ 5,215,556
Construction in progress	1,621,169	876,029	-	1,162,647	1,621,169	2,038,676
Buildings	1,848,975	1,708,945	766,731	811,966	2,615,706	2,520,911
Improvements other than buildings	39,623	309,212	12,392,055	11,629,785	12,431,678	11,938,997
Infrastructure	2,738,387	2,726,044	-	-	2,738,387	2,726,044
Machinery and and equipment	1,282,649	1,192,472	186,915	15,912	1,469,564	1,208,384
Total net assets	<u>\$ 12,420,060</u>	<u>\$ 11,701,959</u>	<u>\$ 13,672,000</u>	<u>\$ 13,946,609</u>	<u>\$ 26,092,060</u>	<u>\$ 25,648,568</u>

Additional information on the City's capital assets can be found in Note 6 of this report on pages 40 and 41.

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

At June 30, 2011, the City had \$919,568 of outstanding long-term debt related to the governmental activities and \$5,043,288 of long-term debt related to business-type activities for a total \$5,962,856 compared to the previous year's total of \$5,757,874. This is an addition of \$204,982.

Additional information on the City's debt can be found in Note 7 of this report on pages 42 - 45.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Factors Affecting the FY2011-12 Budget

The City Commission of the City of Cordele considered many factors when approving the City's FY 2012 budget and are very aware of present economic conditions and their effect on its citizens. Among the largest issues are the rising costs of maintaining services and the economic downturn-loss of revenues. The City Commission and its employees have made sacrifices to maintain services for the residents of the City and continue to do so with the hopes that 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.

Having noted the above, the City of Cordele is pleased to announce two major industries have committed to moving their base of operations to the City. One, a manufacturing-based facility, plans to bring 400 jobs to the area. The other, a service-based industry, plans to bring 500 jobs to the area.

Another exciting announcement is the location of the Cordele Inland Port/Intermodal Facility, which, when completed, will be a hub for incoming/outgoing freight to the Port of Savannah. The City anticipates the prospect of jobs created by the location of distribution and trucking facilities to enhance the movement of this freight.

Also, the City of Cordele is working in cooperation with local entities to locate a satellite campus of Darton College in the Downtown Area. This location will assist in revitalizing the Downtown Area, as well as produce jobs in the support businesses surrounding this campus. The City is very committed to providing an additional means of higher education to this immediate area.

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, 2011

ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Cordele Office Building Authority
Cash and cash equivalents	\$ 3,683,566	\$ 1,649,854	\$ 5,333,420	\$ 13,248	\$ 782,187
Investments	558,891	-	558,891	-	-
Taxes receivable	379,131	-	379,131	-	-
Accounts receivable, net of allowances	99,443	353,594	453,037	-	-
Due from other governments	213,115	-	213,115	-	-
Internal balances	377,250	(377,250)	-	-	-
Inventories	57,391	196,345	253,736	-	-
Prepaid expenditures / expenses	523	2,734	3,257	-	-
Restricted assets:					
Cash and cash equivalents	-	214,117	214,117	-	-
Investments	-	5,184,630	5,184,630	-	-
Deferred charges, unamortized balance	-	144,918	144,918	-	47,651
Mortgages receivable	646,586	-	646,586	-	-
Capital assets:					
Non-depreciable	6,510,426	326,299	6,836,725	-	-
Depreciable, net of accumulated depreciation	5,909,634	13,345,701	19,255,335	-	-
Total assets	<u>18,435,956</u>	<u>21,040,942</u>	<u>39,476,898</u>	<u>13,248</u>	<u>829,838</u>
LIABILITIES					
Accounts payable	674,245	718,546	1,392,791	-	-
Accrued liabilities	98,145	65,811	163,956	-	15,231
Unearned revenues	524,632	-	524,632	-	-
Liabilities payable from restricted assets:					
Bonds payable due within one year	-	245,000	245,000	-	330,000
Deposits payable	-	169,310	169,310	-	-
Compensated absences due within one year	183,036	43,847	226,883	-	-
Capital leases due within one year	40,324	-	40,324	-	-
Capital leases due in more than one year	199,608	-	199,608	-	-
Note payable due within one year	25,000	36,546	61,546	-	-
Note payable due in more than one year	471,600	287,895	759,495	-	-
Bonds payable due in more than one year	-	4,430,000	4,430,000	-	1,330,000
Total liabilities	<u>2,216,590</u>	<u>5,996,955</u>	<u>8,213,545</u>	<u>-</u>	<u>1,675,231</u>
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	12,180,128	8,672,559	20,852,687	-	-
Restricted	1,676,330	2,214,869	3,891,199	-	782,187
Unrestricted	2,362,908	4,156,559	6,519,467	13,248	(1,627,580)
Total net assets	<u>\$ 16,219,366</u>	<u>\$ 15,043,987</u>	<u>\$ 31,263,353</u>	<u>\$ 13,248</u>	<u>\$ (845,393)</u>

The accompanying notes are an integral part of these financial statements

CITY OF CORDELE, GEORGIA

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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
Primary government:									
Governmental activities:									
General government	\$ 1,353,246	\$ 555,392	\$ -	\$ -	\$ (797,854)	\$ -	\$ (797,854)	\$ -	\$ -
Public works	2,371,593	-	-	1,823,723	(547,870)	-	(547,870)	-	-
Public safety	4,196,467	311,955	206,583	-	(3,677,929)	-	(3,677,929)	-	-
Community development	849,017	-	52,671	-	(796,346)	-	(796,346)	-	-
Central purchasing	30,564	-	-	-	(30,564)	-	(30,564)	-	-
Culture and recreation	270,800	11,075	-	-	(259,725)	-	(259,725)	-	-
Housing and development	2,246	13,371	-	-	11,125	-	11,125	-	-
Interest on long-term debt	10,640	-	-	-	(10,640)	-	(10,640)	-	-
Total governmental activities	9,084,573	891,793	259,254	1,823,723	(6,109,803)	-	(6,109,803)	-	-
Business-type activities:									
Water and sewer	4,195,596	3,159,358	-	562,506	-	(473,732)	(473,732)	-	-
Natural gas	1,949,819	1,758,835	-	177,504	-	(13,480)	(13,480)	-	-
Sanitation	863,552	832,810	-	-	-	(30,742)	(30,742)	-	-
Total business-type activities	7,008,967	5,751,003	-	740,010	-	(517,954)	(517,954)	-	-
Total primary government	\$ 16,093,540	\$ 6,642,796	\$ 259,254	\$ 2,563,733	\$ (6,109,803)	\$ (517,954)	\$ (6,627,757)	\$ -	\$ -
Component units:									
Downtown Development Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cordele Office Building Authority	1,216,759	-	394,849	-	-	-	-	-	(821,910)
Total component units	\$ 1,216,759	\$ -	\$ 394,849	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (821,910)
General revenues:									
Property taxes					2,442,963	-	2,442,963	-	-
Sales taxes					1,936,609	-	1,936,609	-	-
Alcoholic beverage taxes					332,091	-	332,091	-	-
Franchise taxes					1,267,351	-	1,267,351	-	-
Hotel taxes					428,805	-	428,805	-	-
Other taxes					639,527	-	639,527	-	-
Unrestricted investment earnings					342,182	56,593	398,775	194	132
Gain on sale of capital assets					77,758	-	77,758	-	-
Transfers					(39,718)	39,718	-	-	-
Total general revenues and transfers					7,427,568	96,311	7,523,879	194	132
Change in net assets					1,317,765	(421,643)	896,122	194	(821,778)
Net assets, beginning of year					14,901,601	15,465,630	30,367,231	13,054	(23,615)
Net assets, end of year					\$ 16,219,366	\$ 15,043,987	\$ 31,263,353	\$ 13,248	\$ (845,393)

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

CITY OF CORDELE, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2011

ASSETS	General	Capital Projects Fund	Economic Development Fund Main Street District	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 1,041,240	\$ 763,202	\$ 154,807	\$ 1,523,211	\$ 3,482,460
Investments	288,058	-	-	270,833	558,891
Taxes receivable	329,255	-	-	49,876	379,131
Participants receivable	-	-	-	2,375	2,375
Accounts receivable	97,068	-	-	-	97,068
Due from other governments	213,115	-	-	-	213,115
Due from other funds	61,334	-	20,000	23,922	105,256
Inventories	57,391	-	-	-	57,391
Prepaid expenditures	523	-	-	-	523
Mortgage receivable	100,000	-	460,538	86,048	646,586
Total assets	<u>\$ 2,187,984</u>	<u>\$ 763,202</u>	<u>\$ 635,345</u>	<u>\$ 1,956,265</u>	<u>\$ 5,542,796</u>
LIABILITIES					
Accounts payable	\$ 179,081	\$ 69,227	\$ -	\$ 189,326	\$ 437,634
Accrued liabilities	92,647	-	-	-	92,647
Deferred revenues	218,225	-	460,538	64,094	742,857
Due to other funds	139,313	-	-	81,334	220,647
Total liabilities	<u>629,266</u>	<u>69,227</u>	<u>460,538</u>	<u>334,754</u>	<u>1,493,785</u>
FUND BALANCES					
Fund balances:					
Nonspendable:					
Inventories/prepays	57,914	-	-	-	57,914
Loans receivable	100,000	-	-	86,048	186,048
Endowment - Community clubhouse	-	-	-	50,236	50,236
Restricted for:					
Clubhouse expenses	-	-	-	274,902	274,902
Federal programs	-	-	174,807	109,385	284,192
Promotion of tourism	-	-	-	43,134	43,134
Law enforcement purposes	-	-	-	18,481	18,481
Capital projects	-	-	-	1,005,385	1,005,385
Assigned to:					
Downtown revitalization	-	-	-	33,940	33,940
Capital projects	-	693,975	-	-	693,975
Unassigned:					
General Fund	1,400,804	-	-	-	1,400,804
Total fund balances	<u>1,558,718</u>	<u>693,975</u>	<u>174,807</u>	<u>1,621,511</u>	<u>4,049,011</u>
Total liabilities and fund balances	<u>\$ 2,187,984</u>	<u>\$ 763,202</u>	<u>\$ 635,345</u>	<u>\$ 1,956,265</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.	12,420,060
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	218,225
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(925,066)
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.	457,136
Net assets of governmental activities	<u>\$ 16,219,366</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, 2011

	General	Capital Projects Fund	Economic Development Fund Main Street District	Other Governmental Funds	Totals Governmental Funds
Revenues					
Taxes	\$ 5,149,932	\$ -	\$ -	\$ 441,031	\$ 5,590,963
Licenses and permits	359,660	-	-	-	359,660
Intergovernmental	738,710	-	-	-	738,710
Charges for services	63,943	-	-	150,134	214,077
Fines and forfeitures	292,340	-	-	-	292,340
Administrative fees	643	-	-	-	643
Interest and penalties	250,257	-	18	91,001	341,276
Franchise and leases	1,267,351	-	-	-	1,267,351
Payments in lieu of taxes	292,255	-	-	-	292,255
Codes	12,538	-	-	-	12,538
Other revenues	150,052	1,141,462	12,617	52,671	1,356,802
Total revenues	8,577,681	1,141,462	12,635	734,837	10,466,615
Expenditures					
Current:					
General government	1,398,556	-	-	-	1,398,556
Public works	2,041,400	-	-	-	2,041,400
Public safety	3,916,069	-	-	-	3,916,069
Culture and recreation	241,743	-	-	18,000	259,743
Community development	306,789	-	-	480,885	787,674
Central purchasing	22,847	-	-	-	22,847
Debt service:					
Principal retirement	38,449	-	-	-	38,449
Interest and fiscal charges	11,217	-	-	-	11,217
Capital outlay	1,213,560	-	-	274,881	1,488,441
Total expenditures	9,190,630	-	-	773,766	9,964,396
Excess (deficiency) of revenues over (under) expenditures	(612,949)	1,141,462	12,635	(38,929)	502,219
Other financing sources (uses):					
Proceeds from sale of capital assets	79,109	-	-	-	79,109
Issuance of capital leases	14,546	-	-	-	14,546
Issuance of long-term debt	496,600	-	-	-	496,600
Transfers in from other funds	1,483,995	697,537	-	3,562	2,185,094
Payments to Cordele Office Building Authority	(2,246)	-	-	-	(2,246)
Transfers out to other funds	(898,695)	(1,145,024)	-	(181,093)	(2,224,812)
Total other financing sources (uses)	1,173,309	(447,487)	-	(177,531)	548,291
Net change in fund balances	560,360	693,975	12,635	(216,460)	1,050,510
Fund balances, beginning of year, as restated	998,358	-	162,172	1,837,971	2,998,501
Fund balances, end of year	\$ 1,558,718	\$ 693,975	\$ 174,807	\$ 1,621,511	\$ 4,049,011

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, 2011

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

Net change in fund balances - total governmental funds		\$ 1,050,510
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.		719,452
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.		(1,351)
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	\$ (321,448)	
Current year long-term assets not available for current-period expenditures	<u>218,225</u>	(103,223)
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.		(472,697)
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.		(1,559)
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	155,972	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(29,339)</u>	<u>126,633</u>
		<u><u>\$ 1,317,765</u></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, 2011

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Taxes	\$ 5,014,000	\$ 5,014,000	\$ 5,149,932	\$ 135,932
Licenses and permits	360,000	360,000	359,660	(340)
Intergovernmental	85,500	85,500	738,710	653,210
Charges for services	84,400	84,400	63,943	(20,457)
Fines and forfeitures	465,500	465,500	292,340	(173,160)
Administrative fees	600	600	643	43
Interest and penalties	185,000	185,000	250,257	65,257
Franchise and leases	1,313,000	1,313,000	1,267,351	(45,649)
Payments in lieu of taxes	411,800	411,800	292,255	(119,545)
Codes	13,000	13,000	12,538	(462)
Other revenues	136,000	136,000	150,052	14,052
Total revenues	8,068,800	8,068,800	8,577,681	508,881
Expenditures:				
Current:				
General government:				
Legislative	397,338	397,338	382,574	14,764
Executive	452,107	452,107	403,763	48,344
Judicial	73,264	73,264	67,555	5,709
Finance	613,591	613,591	544,664	68,927
Total general government	1,536,300	1,536,300	1,398,556	137,744
Public works:				
Highways and streets	2,020,330	2,020,330	2,041,400	(21,070)
Total public works	2,020,330	2,020,330	2,041,400	(21,070)
Public safety:				
Police	2,502,687	2,502,687	2,505,809	(3,122)
Fire	1,284,658	1,284,658	1,204,172	80,486
E-911	206,088	206,088	206,088	-
Total public safety	3,993,433	3,993,433	3,916,069	77,364
Community development	365,827	365,827	306,789	59,038
Central purchasing	-	-	22,847	(22,847)
Culture and recreation	236,745	236,745	241,743	(4,998)
Debt service:				
Principal retirement	38,805	38,805	38,449	356
Interest and fiscal charges	11,860	11,860	11,217	643
Total debt service	50,665	50,665	49,666	999

(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, 2011

	Budget Amounts		Actual	Variance
	Original	Final		
Expenditures (continued):				
Capital outlay	\$ 85,500	\$ 85,500	\$ 1,213,560	\$ (1,128,060)
Total expenditures	8,288,800	8,288,800	9,190,630	(901,830)
Deficiency of revenues under expenditures	(220,000)	(220,000)	(612,949)	(392,949)
Other financing sources (uses):				
Transfers in	210,000	210,000	1,483,995	1,273,995
Transfers out	-	-	(898,695)	(898,695)
Payments to Cordele Office Building Authority	-	-	(2,246)	(2,246)
Issuance of capital leases	-	-	14,546	14,546
Issuance of long-term debt	-	-	496,600	496,600
Proceeds from sale of capital assets	10,000	10,000	79,109	69,109
Total other financing sources (uses)	220,000	220,000	1,173,309	953,309
Net change in fund balances	-	-	560,360	560,360
Fund balance, beginning of year, as restated	998,358	998,358	998,358	-
Fund balance, end of year	\$ 998,358	\$ 998,358	\$ 1,558,718	\$ 560,360

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, 2011

	Original and Final Budget	Actual	Variance
Revenues:			
Interest earned	\$ 100	\$ 18	\$ (82)
Program income	12,618	12,617	(1)
Total revenues	<u>12,718</u>	<u>12,635</u>	<u>(83)</u>
Expenditures			
Community development	12,718	-	12,718
Total expenditures	<u>12,718</u>	<u>-</u>	<u>12,718</u>
Net change in fund balance	-	12,635	12,635
Fund balance, July 1	<u>162,172</u>	<u>162,172</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 162,172</u></u>	<u><u>\$ 174,807</u></u>	<u><u>\$ 12,635</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, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
CURRENT ASSETS					
Cash	\$ 1,138,541	\$ 511,313	\$ -	\$ 1,649,854	\$ 201,106
Accounts receivable (net of allowance for uncollectibles)	244,420	70,803	38,371	353,594	-
Due from other funds	55,582	59,809	-	115,391	-
Inventory	-	196,345	-	196,345	-
Prepaid expenses	-	2,734	-	2,734	-
Restricted assets					
Cash	44,907	-	-	44,907	-
Cash - customer deposits	116,630	52,580	-	169,210	-
Investments - sinking funds	199,146	-	-	199,146	-
Investments and certificates of deposit	3,188,547	1,796,937	-	4,985,484	-
Total current assets	4,987,773	2,690,521	38,371	7,716,665	201,106
NONCURRENT ASSETS					
Capital assets, at cost					
Land	317,299	9,000	-	326,299	-
Buildings	1,825,899	244,967	-	2,070,866	-
Improvements other than buildings	27,134,827	3,321,536	-	30,456,363	-
Machinery and equipment	1,781,486	604,029	-	2,385,515	-
	31,059,511	4,179,532	-	35,239,043	-
Less accumulated depreciation	18,965,951	2,601,092	-	21,567,043	-
Total capital assets	12,093,560	1,578,440	-	13,672,000	-
Bond issuance costs, unamortized balance	144,918	-	-	144,918	-
Total noncurrent assets	12,238,478	1,578,440	-	13,816,918	-
Total assets	17,226,251	4,268,961	38,371	21,533,583	201,106
CURRENT LIABILITIES					
Payable from current assets:					
Vouchers payable	281,509	363,432	73,605	718,546	6,064
Accrued other expenses	38,725	-	-	38,725	-
Accrued payroll and vacation	51,407	19,526	-	70,933	-
Unpaid claims and accrued estimated liability	-	-	-	-	230,547
Total	371,641	382,958	73,605	828,204	236,611
Payable from restricted assets:					
Current portion of revenue bonds	245,000	-	-	245,000	-
Current portion of note payable	36,546	-	-	36,546	-
Customer deposits	116,630	52,680	-	169,310	-
Total	398,176	52,680	-	450,856	-
Total current liabilities	769,817	435,638	73,605	1,279,060	236,611

(Continued)

CITY OF CORDELE, GEORGIA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
LONG-TERM LIABILITIES					
Note payable (net of current portion)	\$ 287,895	\$ -	\$ -	\$ 287,895	\$ -
Revenue bonds (net of current portion)	4,430,000	-	-	4,430,000	-
Total long-term liabilities	4,717,895	-	-	4,717,895	-
Total liabilities	5,487,712	435,638	73,605	5,996,955	236,611
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	7,094,119	1,578,440	-	8,672,559	-
Restricted for debt service	2,214,869	-	-	2,214,869	-
Unrestricted	2,429,551	2,254,883	(35,234)	4,649,200	(35,505)
Total net assets	<u>\$ 11,738,539</u>	<u>\$ 3,833,323</u>	<u>\$ (35,234)</u>	15,536,628	<u>\$ (35,505)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(492,641)	
Net assets of business-type activities				<u>\$ 15,043,987</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, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
Operating revenues:					
Charges for services	\$ 3,151,406	\$ 1,758,835	\$ 832,810	\$ 5,743,051	\$ -
Employee and employer contributions	-	-	-	-	1,141,719
Miscellaneous income	7,952	-	-	7,952	-
Total operating revenues	<u>3,159,358</u>	<u>1,758,835</u>	<u>832,810</u>	<u>5,751,003</u>	<u>1,141,719</u>
Operating expenses:					
Natural gas purchases	-	1,227,667	-	1,227,667	-
Production	1,562,987	-	-	1,562,987	-
Distribution	1,012,540	596,703	-	1,609,243	-
Collection	-	-	863,552	863,552	-
Health benefit costs	-	-	-	-	980,589
Miscellaneous expenses	-	-	-	-	6,064
Total operating expenses	<u>2,575,527</u>	<u>1,824,370</u>	<u>863,552</u>	<u>5,263,449</u>	<u>986,653</u>
Net operating income (loss) before depreciation	583,831	(65,535)	(30,742)	487,554	155,066
Depreciation expense	<u>1,004,490</u>	<u>130,272</u>	<u>-</u>	<u>1,134,762</u>	<u>-</u>
Operating income (loss)	<u>(420,659)</u>	<u>(195,807)</u>	<u>(30,742)</u>	<u>(647,208)</u>	<u>155,066</u>
Non-operating revenues (expenses):					
Interest revenue	32,220	24,373	-	56,593	906
Interest expense	(236,692)	-	-	(236,692)	-
Amortization of bond costs	(10,801)	-	-	(10,801)	-
Payments to Cordele Office Building Authority	<u>(392,602)</u>	<u>-</u>	<u>-</u>	<u>(392,602)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(607,875)</u>	<u>24,373</u>	<u>-</u>	<u>(583,502)</u>	<u>906</u>
Income (loss) before contributions and transfers	(1,028,534)	(171,434)	(30,742)	(1,230,710)	155,972
Capital contributions	562,506	177,504	-	740,010	-
Transfers in	760,449	582,146	1,158	1,343,753	-
Transfers out	<u>(318,615)</u>	<u>(985,420)</u>	<u>-</u>	<u>(1,304,035)</u>	<u>-</u>
Change in net assets	(24,194)	(397,204)	(29,584)	(450,982)	155,972
Net assets, July 1	<u>11,762,733</u>	<u>4,230,527</u>	<u>(5,650)</u>		<u>(191,477)</u>
Net assets, June 30	<u>\$ 11,738,539</u>	<u>\$ 3,833,323</u>	<u>\$ (35,234)</u>		<u>\$ (35,505)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				29,339	
Change in net assets of business-type activities				<u>\$ (421,643)</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, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers, including deposits	\$ 3,155,791	\$ 1,812,657	\$ 859,073	\$ 5,827,521	\$ -
Cash received from employer and employee contributions	-	-	-	-	1,141,719
Cash payments to:					
Suppliers and vendors	(1,226,209)	(1,063,092)	(860,231)	(3,149,532)	-
Medical providers and/or employees	-	-	-	-	(982,368)
Employees	(1,060,800)	(232,873)	-	(1,293,673)	-
City in lieu of taxes	(85,300)	(150,000)	-	(235,300)	-
Net cash provided by (used in) operating activities	783,482	366,692	(1,158)	1,149,016	159,351
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advances to other funds	(118,938)	(95,242)	-	(214,180)	-
Payments to Cordele Office Building Authority	(392,602)	-	-	(392,602)	-
Other contributions	1,346	-	-	1,346	-
Transfers from other funds	760,449	582,146	1,158	1,343,753	-
Transfers to other funds	(318,615)	(985,420)	-	(1,304,035)	-
Net cash provided by (used in) noncapital financing activities	(68,360)	(498,516)	1,158	(565,718)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Retirement of bonds	(235,000)	-	-	(235,000)	-
Interest on bonds	(236,863)	-	-	(236,863)	-
Purchase of capital assets	(711,762)	(148,390)	-	(860,152)	-
Principal payments on notes payable	(34,851)	-	-	(34,851)	-
Capital contributions	1,100,267	452,346	-	1,552,613	-
Net cash provided by capital and related financing activities	(118,209)	303,956	-	185,747	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from investment sales	2,230,656	1,772,614	-	4,003,270	-
Purchase of investments	(2,262,376)	(1,796,937)	-	(4,059,313)	-
Interest received	32,220	24,373	-	56,593	906
Net cash provided by investing activities	500	50	-	550	906

(Continued)

CITY OF CORDELE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
Net increase in cash	\$ 597,413	\$ 172,182	\$ -	\$ 769,595	\$ 160,257
Cash and cash equivalents, July 1	901,811	391,711	-	1,293,522	40,849
Cash and cash equivalents, June 30	<u>\$ 1,499,224</u>	<u>\$ 563,893</u>	<u>\$ -</u>	<u>\$ 2,063,117</u>	<u>\$ 201,106</u>
Classified as:					
Cash	\$ 1,138,541	\$ 511,313	\$ -	\$ 1,649,854	\$ 201,106
Restricted assets:					
Cash	44,907	-	-	44,907	-
Cash - customer deposits	116,630	52,580	-	169,210	-
Investments - sinking funds	199,146	-	-	199,146	-
	<u>\$ 1,499,224</u>	<u>\$ 563,893</u>	<u>\$ -</u>	<u>\$ 2,063,117</u>	<u>\$ 201,106</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ (420,659)	\$ (195,807)	\$ (30,742)	\$ (647,208)	\$ 155,066
Depreciation	1,004,490	130,272	-	1,134,762	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(3,567)	52,012	26,263	74,708	-
Decrease in inventory	63,175	130,993	-	194,168	-
Decrease in prepaid expenses	-	294	-	294	-
Increase (decrease) in vouchers payable	162,758	246,838	3,321	412,917	6,064
Decrease in unpaid claims and accrued estimated liability	-	-	-	-	(1,779)
Increase (decrease) in customer deposits	(655)	1,810	-	1,155	-
Increase (decrease) in accrued expenses	(22,060)	280	-	(21,780)	-
Net cash provided by (used in) operating activities	<u>\$ 783,482</u>	<u>\$ 366,692</u>	<u>\$ (1,158)</u>	<u>\$ 1,149,016</u>	<u>\$ 159,351</u>

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

CITY OF CORDELE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cordele, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City was incorporated December 22, 1888, and reincorporated April 18, 1969, under the provisions of Act No. 623 (House Bill 748). The City operates under a commission-manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, community development, culture-recreation, public improvements, codes and engineering.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City.

The Downtown Development Authority (the "Authority") has been included as a discretely presented component unit in the accompanying financial statements. The Authority plans and develops the downtown area of the City in order to attract new business and residences. The City possesses the authority to review, approve, and revise the budget and governs collection and disbursement of funds. The governing body of the Authority is appointed by the City Commissioners. The Authority maintains a general fund with limited activity. Separate financial statements for the Downtown Development Authority are not available.

The Cordele Office Building ("COBA") has been included as a discretely presented component unit in the accompanying financial statements. COBA oversees the acquisition, construction and improvements to buildings for the benefit of the City in order to attract new businesses and residences. The City possesses the authority to review, approve, and revise the budget and governs collection and disbursement of funds. The governing body of COBA is appointed by the City Commissioners. COBA maintains a general fund with limited activity. Separate financial statements for COBA are not available.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major governmental funds:

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

The **Capital Projects Fund** accounts for financing and construction of various facilities and improvements.

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

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the provision of water and sewer services to the residents of the City and some residents of Crisp County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

The **Natural Gas Fund** accounts for the provision of natural gas to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

The **Sanitation Fund** accounts for the provision of garbage collection to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

The City also reports the following fund type:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, 2011, no material budgetary amendments were approved by the City Commission.

All unencumbered budget appropriations lapse at the end of each year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

In applying the GASB Statement No. 31, the City utilized the following methods and assumptions as of June 30, 2011:

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."

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables and Payables (Continued)

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.

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations (Continued)

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.

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

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balances.

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

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

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission through the adoption of a resolution. Only the City Commission may modify or rescind the commitment.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Equity (Continued)

- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned** – Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

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

- Committed
- Assigned
- Unassigned

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

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

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.

NOTES TO FINANCIAL STATEMENTS

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	\$ (239,932)
Notes payable	(496,600)
Accrued interest	(5,498)
Compensated absences	<u>(183,036)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (925,066)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net 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	\$ 1,477,370
Depreciation expense	<u>(757,918)</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>\$ 719,452</u>

NOTES TO FINANCIAL STATEMENTS

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

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

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

Compensated absences	\$ (2,136)
Accrued interest	<u>577</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><u>\$ (1,559)</u></u>

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

Proceeds from debt - capital leases	\$ (14,546)
Proceeds from debt - notes payable	(496,600)
Principal repayments - capital leases	<u>38,449</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><u>\$ (472,697)</u></u>

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

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, 2011, expenditures exceeded budgeted appropriations, as follows:

<u>Fund or Department</u>	<u>Excess</u>
General Fund:	
Highways and streets	\$ 21,070
Police	3,122
Central purchasing	22,847
Culture and recreation	4,998
Capital outlay	1,128,060
 Economic Development Fund	 167,550
Hotel Tax Fund	18,427
A.B. Branan Community Clubhouse Fund	13,435

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2011, are summarized as follows:

As reported in the Statement of Net Assets:

Primary government:

Cash and cash equivalents	\$ 5,547,537
Investments	5,743,521
	<u>\$ 11,291,058</u>

Cash deposited with financial institutions	\$ 9,893,255
Cash deposited with Georgia Fund 1	927,824
Investment in U.S. Government Securities	199,146
Investments in Corporate Stock	270,833
	<u>\$ 11,291,058</u>

Component units:

Cash and cash equivalents	<u>\$ 795,435</u>
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Cash deposited with financial institutions	<u>\$ 795,435</u>
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Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2011, the City'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, 2011, the City had the following investments:

Investments	Maturities	Fair Value
Georgia Fund 1	59 day average maturity	\$ 927,824
U.S Government Securities	October 2011	199,146
Certificates of Deposit	110 day weighted average	4,345,718
Corporate Stock - Exxon	Not applicable	270,833
Total		<u>\$ 5,743,521</u>

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

NOTES TO FINANCIAL STATEMENTS

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, 2011, 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, 2011, are recorded as receivables, net of estimated uncollectibles. In the governmental funds, the net receivables collected during the year ended June 30, 2011, and expected to be collected by August 31, 2011, are recognized as revenues for the year ended June 30, 2011, whereas, net receivables estimated to be collectible subsequent to August 31, 2011, are recorded as revenue when received. Receivables at June 30, 2011, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Economic Development Main Street	Water and Sewer	Natural Gas	Sanitation	Nonmajor Governmental Funds
Receivables:						
Taxes	\$ 657,812	\$ -	\$ -	\$ -	\$ -	\$ 49,876
Accounts	150,040	-	383,034	111,501	71,906	-
Mortgages	100,000	460,538	-	-	-	86,048
Participant	-	-	-	-	-	2,375
Due from other governments	213,115	-	-	-	-	-
Gross receivables	1,120,967	460,538	383,034	111,501	71,906	138,299
Less allowance for uncollectible	381,529	-	138,614	40,698	33,535	-
Net total receivables	<u>\$ 739,438</u>	<u>\$ 460,538</u>	<u>\$ 244,420</u>	<u>\$ 70,803</u>	<u>\$ 38,371</u>	<u>\$ 138,299</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2011 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 4,889,257	\$ -	\$ -	\$ -	\$ 4,889,257
Construction in progress	876,029	1,007,035	-	(261,895)	1,621,169
Total	5,765,286	1,007,035	-	(261,895)	6,510,426
Capital assets, being depreciated:					
Buildings	3,362,893	9,731	-	248,310	3,620,934
Improvements other than buildings	2,955,345	-	-	-	2,955,345
Infrastructure	4,489,550	-	-	13,585	4,503,135
Machinery and equipment	5,656,464	460,604	114,185	-	6,002,883
Total	16,464,252	470,335	114,185	261,895	17,082,297
Less accumulated depreciation for:					
Buildings	1,653,948	118,011	-	-	1,771,959
Improvements other than buildings	2,646,133	269,589	-	-	2,915,722
Infrastructure	1,763,506	1,242	-	-	1,764,748
Machinery and equipment	4,463,992	369,076	112,834	-	4,720,234
Total	10,527,579	757,918	112,834	-	11,172,663
Total capital assets, being depreciated, net	5,936,673	(287,583)	1,351	261,895	5,909,634
Governmental activities capital assets, net	<u>\$ 11,701,959</u>	<u>\$ 719,452</u>	<u>\$ 1,351</u>	<u>\$ -</u>	<u>\$ 12,420,060</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 326,299	\$ -	\$ -	\$ -	\$ 326,299
Construction in progress	1,162,647	840,488	-	(2,003,135)	-
Total	1,488,946	840,488	-	(2,003,135)	326,299
Capital assets, being depreciated:					
Buildings	2,070,866	-	-	-	2,070,866
Improvements other than buildings	28,440,478	12,750	-	2,003,135	30,456,363
Machinery and equipment	2,475,313	6,915	96,713	-	2,385,515
Total	32,986,657	19,665	96,713	2,003,135	34,912,744
Less accumulated depreciation for:					
Buildings	1,258,900	45,235	-	-	1,304,135
Improvements other than buildings	16,621,193	923,184	-	519,931	18,064,308
Machinery and equipment	2,648,901	166,343	96,713	(519,931)	2,198,600
Total	20,528,994	1,134,762	96,713	-	21,567,043
Total capital assets, being depreciated, net	12,457,663	(1,115,097)	-	2,003,135	13,345,701
Business-type activities capital assets, net	\$ 13,946,609	\$ (274,609)	\$ -	\$ -	\$ 13,672,000

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

Governmental activities:

General government	\$ 83,053
Public safety	270,136
Public works	325,555
Community development	61,275
Central purchasing	7,717
Culture and recreation	10,182
	<u>1,058,918</u>

Total depreciation expense - governmental activities \$ 757,918

Business-type activities:

Water and sewer	\$ 1,004,490
Natural gas	130,272
	<u>1,134,762</u>

Total depreciation expense - business-type activities \$ 1,134,762

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance		Additions		Reductions		Ending Balance		Due Within One Year
Governmental activities:									
Capital leases	\$ 263,835	\$	14,546	\$	38,449	\$	239,932	\$	40,324
Note payable	-		496,600		-		496,600		25,000
Compensated absences	180,900		294,643		292,507		183,036		183,036
Governmental activity Long-term liabilities	<u>\$ 444,735</u>	\$	<u>805,789</u>	\$	<u>330,956</u>	\$	<u>919,568</u>	\$	<u>248,360</u>
Business-type activities:									
Revenue bonds	\$ 4,910,000	\$	-	\$	235,000	\$	4,675,000	\$	245,000
Note payable	359,292		-		34,851		324,441		36,546
Compensated absences	43,847		50,055		50,055		43,847		43,847
Business-type activity Long-term liabilities	<u>\$ 5,313,139</u>	\$	<u>50,055</u>	\$	<u>319,906</u>	\$	<u>5,043,288</u>	\$	<u>325,393</u>
Component Units:									
Revenue bonds	<u>\$ 1,980,000</u>	\$	<u>-</u>	\$	<u>320,000</u>	\$	<u>1,660,000</u>	\$	<u>330,000</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, 2011:

	Governmental Activities
Machinery and equipment	\$ 320,486
Less: Accumulated depreciation	(81,860)
	<u>\$ 238,626</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, 2011:

	Governmental Activities
Fiscal year ending June 30,	
2012	\$ 50,563
2013	48,831
2014	46,791
2015	34,947
2016	26,548
Thereafter	75,075
Total minimum lease payments	282,755
Less amount representing interest	42,823
Present value of future minimum lease payments	<u>\$ 239,932</u>

Revenue Bonds – Business-type Activities.

Revenue bonds outstanding for business-type activities at June 30, 2011, 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, 2011</u>
Water/Sewer	3.75 - 4.75%	25 years	November 2024	\$ 6,240,000	\$ 4,675,000

Revenue bonds debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30,			
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	295,000	162,195	457,195
2017 - 2021	1,675,000	594,650	2,269,650
2022 - 2025	1,650,000	161,263	1,811,263
	<u>\$ 4,675,000</u>	<u>\$ 1,687,502</u>	<u>\$ 6,362,502</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, 2011, 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, 2011</u>
Cordele Industrial Park	3.67%	20 years	April 2025	\$ 3,145,000	\$ 1,660,000

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,			
2012	\$ 330,000	\$ 60,922	\$ 390,922
2013	80,000	48,811	128,811
2014	85,000	45,875	130,875
2015	90,000	72,756	162,756
2016	90,000	39,453	129,453
2017 - 2021	510,000	144,598	654,598
2022 - 2025	475,000	44,224	519,224
	<u>\$ 1,660,000</u>	<u>\$ 456,639</u>	<u>\$ 2,116,639</u>

Notes Payable. During the year ended June 30, 2011 the City entered into a note payable with the OneGeorgia Authority to provide funding for street improvements near a new commercial development. The note is secured by two parcels of City-owned land appraised at a value of \$600,000. The note is as follows at June 30, 2011:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
0.00%	20 years	2031	\$ 496,600	\$ 496,600

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

<u>Year Ending June 30,</u>	<u>Principal</u>
2012	\$ 25,000
2013	25,000
2014	25,000
2015	25,000
2016	25,000
2017-2021	125,000
2022-2026	125,000
2027-2031	121,600
Total	<u>\$ 496,600</u>

NOTES TO FINANCIAL STATEMENTS

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

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, 2011:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Balance at June 30, 2011</u>
5.03%	18 years	December 2018	\$ 615,849	\$ 324,441

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,			
2012	\$ 36,546	\$ 15,663	\$ 52,209
2013	38,468	13,741	52,209
2014	40,416	11,793	52,209
2015	42,488	9,721	52,209
2016	44,654	7,556	52,210
2017 - 2019	121,869	8,577	130,446
	<u>\$ 324,441</u>	<u>\$ 67,051</u>	<u>\$ 391,492</u>

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City's interfund receivables and payables at June 30, 2011 (at the fund level) are shown below. These amounts represent short-term receivables and payables. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The composition of interfund balances as of June 30, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major governmental funds	\$ 61,334
Economic Development Main Street	Non-major governmental funds	20,000
Non-major governmental funds	General Fund	23,922
Water Fund	General Fund	55,582
Natural Gas Fund	General Fund	59,809
		<u>\$ 220,647</u>

NOTES TO FINANCIAL STATEMENTS

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

Interfund transfers recorded and transacted during the year ended June 30, 2011 are as follows:

Transfers out:	Transfers In:						Total
	General Fund	Capital Projects Fund	Non-major Governmental	Water & Sewer	Gas Fund	Sanitation Fund	
General Fund	\$ -	\$ 697,537	\$ -	\$ 200,000	\$ -	\$ 1,158	\$ 898,695
Gas Fund	984,287	-	-	1,133	-	-	985,420
Water & Sewer	318,615	-	-	-	-	-	318,615
Capital Projects Fund	-	-	3,562	559,316	582,146	-	1,145,024
Non-major Governmental Funds	181,093	-	-	-	-	-	181,093
	<u>\$ 1,483,995</u>	<u>\$ 697,537</u>	<u>\$ 3,562</u>	<u>\$ 760,449</u>	<u>\$ 582,146</u>	<u>\$ 1,158</u>	<u>\$ 3,528,847</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

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 7.36% of annual covered payroll.

Annual Pension Cost

The City's annual recommended contribution for the pension plan year beginning January 1, 2011, (the most recent actuarial valuation date) was \$320,123. The recommended contribution was determined as part of the January 1, 2011 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>
12/31/08	\$ 288,772	100 %	\$ -
12/31/09	546,364	100	-
12/31/10	320,123	100	-

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION COSTS (CONTINUED)

Trend Information (Continued)

As of the most recent valuation date, January 1, 2011, the funded status of the City of Cordele Retirement Plan was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
1/1/11	\$9,524,324	\$9,820,284	\$295,960	97%	\$4,185,996	7.07%

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, 2011.

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, 2011, 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

NOTE 10. CONTINGENCIES (CONTINUED)

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

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:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Claims liability, beginning of year	\$ 232,326	\$ 211,300
Incurred claims (including IBNRs)	980,589	857,271
Claims paid	(1,301,830)	(1,349,784)
Claims reimbursed from reinsurers	319,462	513,539
Claims liability, end of year	<u>\$ 230,547</u>	<u>\$ 232,326</u>

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, 2011, the City did not provide any contributions to the Cordele Housing Authority.

NOTES TO FINANCIAL STATEMENTS

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, 2011, 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 has levied a 5% lodging tax, which is composed of a 3% original base tax and a 2% additional tax added in 2010. Revenues collected during the fiscal year ended June 30, 2011 were \$428,805. The City paid 30% of the base 3% tax, and 100% of the additional 2% tax, to the Cordele/Crisp County Tourism Commission (CCTC). The total remitted was \$242,712. Management represents that 100% of the lodging tax received during the year ended June 30, 2011, was used for the promotion of tourism, conventions, or trade shows.

NOTE 15. ACCOUNTING CHANGE - RESTATEMENT

As discussed in Note 1, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. As a result, the City has determined that a restatement of General Fund fund balance is required to correctly state the June 30, 2010 financial report. The restatement results from combining the financial activity of the former Boys and Girls Club Fund with the activity of the General Fund. This restatement is as follows:

General Fund fund balance as previously reported	\$ 998,258
Adjustment to combine Boys & Girls Club Fund financial activity	<u>100</u>
General Fund fund balance as restated	<u><u>\$ 998,358</u></u>

This restatement had no effect on total Governmental Activities net assets, and is considered to be immaterial to the General Fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CORDELE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/06	\$ 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
01/01/11	9,524,324	9,820,284	295,960	97.0	4,185,996	7.1

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

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

The **SPLOST Fund** - This fund is used to account for financing and construction of facilities and improvements in accordance with sales tax referendums.

CDBG Rehabilitation Fund - This fund is used to account for financing and construction of low income housing authorized by Community Development Block Grants provided through the federal government.

CHIP Grant Fund - This fund is to be used in conjunction with the Community HOME Investment Program (CHIP) to provide low-interest loan funds to low/moderate and elderly/handicapped homeowners for rehabilitation of their substandard homes.

NONMAJOR GOVERNMENTAL FUNDS

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, 2011

	Special Revenue Funds			
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund
ASSETS				
Cash	\$ 282,261	\$ 18,481	\$ 22,603	\$ -
Investments	-	-	-	-
Due from other funds	-	-	11,337	12,585
Mortgages receivable	86,048	-	-	-
Taxes receivables	-	-	-	49,876
Participants receivable	-	-	-	-
Total assets	<u>\$ 368,309</u>	<u>\$ 18,481</u>	<u>\$ 33,940</u>	<u>\$ 62,461</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Deferred revenue	\$ -	\$ -	\$ -	\$ -
Accounts payable	170,000	-	-	19,327
Due to other funds	20,000	-	-	-
Total liabilities	<u>190,000</u>	<u>-</u>	<u>-</u>	<u>19,327</u>
FUND BALANCES				
Nonspendable:				
Loans receivable - long-term	86,048	-	-	-
Endowment - Community clubhouse	-	-	-	-
Restricted for:				
Clubhouse expenses	-	-	-	-
Federal programs	92,261	-	-	-
Promotion of tourism	-	-	-	43,134
Law enforcement purposes	-	18,481	-	-
Capital projects	-	-	-	-
Assigned to:				
Downtown revitalization	-	-	33,940	-
	<u>178,309</u>	<u>18,481</u>	<u>33,940</u>	<u>43,134</u>
Total liabilities and fund balance	<u>\$ 368,309</u>	<u>\$ 18,481</u>	<u>\$ 33,940</u>	<u>\$ 62,461</u>

Capital Projects Funds			Permanent Fund	
SPLOST Fund	CDBG Rehabilitation Fund	Chip Grant Fund	A.B. Branan Community Clubhouse Fund	Total Nonmajor Governmental Funds
\$ 1,066,718	\$ 13,005	\$ 65,838	\$ 54,305	\$ 1,523,211
-	-	-	270,833	270,833
-	-	-	-	23,922
-	-	-	-	86,048
-	-	-	-	49,876
-	-	2,375	-	2,375
<u>\$ 1,066,718</u>	<u>\$ 13,005</u>	<u>\$ 68,213</u>	<u>\$ 325,138</u>	<u>\$ 1,956,265</u>
\$ -	\$ -	\$ 64,094	\$ -	\$ 64,094
-	-	-	-	189,327
61,333	-	-	-	81,333
<u>61,333</u>	<u>-</u>	<u>64,094</u>	<u>-</u>	<u>334,754</u>
-	-	-	-	86,048
-	-	-	50,236	50,236
-	-	-	274,902	274,902
-	13,005	4,119	-	109,385
-	-	-	-	43,134
-	-	-	-	18,481
1,005,385	-	-	-	1,005,385
-	-	-	-	33,940
<u>1,005,385</u>	<u>13,005</u>	<u>4,119</u>	<u>325,138</u>	<u>1,621,511</u>
<u>\$ 1,066,718</u>	<u>\$ 13,005</u>	<u>\$ 68,213</u>	<u>\$ 325,138</u>	<u>\$ 1,956,265</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, 2011

	Special Revenue Funds			
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund
Revenues:				
Taxes	\$ -	\$ -	\$ 12,226	\$ 428,805
Intergovernmental	-	-	-	-
Donations	-	-	52,671	-
Interest and dividend income	3,350	-	9	-
Net increase in the fair value of investments	-	-	-	-
Total revenues	<u>3,350</u>	<u>-</u>	<u>64,906</u>	<u>428,805</u>
Expenditures:				
Current:				
Capital outlay	-	-	-	-
Culture and recreation	-	-	-	-
Community development	170,000	-	63,173	247,712
Total expenditures	<u>170,000</u>	<u>-</u>	<u>63,173</u>	<u>247,712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(166,650)</u>	<u>-</u>	<u>1,733</u>	<u>181,093</u>
Other financing sources (uses):				
Transfers in from other funds	-	-	-	-
Transfers out to other funds	-	-	-	(181,093)
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(181,093)</u>
Net change in fund balances	<u>(166,650)</u>	<u>-</u>	<u>1,733</u>	<u>-</u>
Fund balances, beginning of year	<u>344,959</u>	<u>18,481</u>	<u>32,207</u>	<u>43,134</u>
Fund balances, end of year	<u>\$ 178,309</u>	<u>\$ 18,481</u>	<u>\$ 33,940</u>	<u>\$ 43,134</u>

Capital Projects Funds			Permanent Fund	
SPLOST Fund	CDBG Rehabilitation Fund	Grant Fund	A.B. Branen Community Clubhouse Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 441,031
150,134	-	-	-	150,134
-	-	-	-	52,671
698	4	52	5,985	10,098
-	-	-	80,903	80,903
150,832	4	52	86,888	734,837
274,881	-	-	-	274,881
-	-	-	18,000	18,000
-	-	-	-	480,885
274,881	-	-	18,000	773,766
(124,049)	4	52	68,888	(38,929)
3,562	-	-	-	3,562
-	-	-	-	(181,093)
3,562	-	-	-	(177,531)
(120,487)	4	52	68,888	(216,460)
1,125,872	13,001	4,067	256,250	1,837,971
\$ 1,005,385	\$ 13,005	\$ 4,119	\$ 325,138	\$ 1,621,511

**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, 2011**

	Original and Final Budget	Actual	Variance
Revenues:			
Interest earned	\$ 2,450	\$ 3,350	\$ 900
Total revenues	<u>2,450</u>	<u>3,350</u>	<u>900</u>
Expenditures			
Community development	<u>2,450</u>	<u>170,000</u>	<u>(167,550)</u>
Total expenditures	<u>2,450</u>	<u>170,000</u>	<u>(167,550)</u>
Net change in fund balance	-	(166,650)	(166,650)
Fund balance, July 1	<u>344,959</u>	<u>344,959</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 344,959</u></u>	<u><u>\$ 178,309</u></u>	<u><u>\$ (166,650)</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, 2011**

	Original and Final Budget	Actual	Variance
Revenues:			
Program income	\$ 3,000	\$ -	\$ (3,000)
Total revenues	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Expenditures			
Public safety	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total expenditures	<u>3,000</u>	<u>-</u>	<u>3,000</u>
 Net change in fund balance	 -	 -	 -
 Fund balance, July 1	 <u>18,481</u>	 <u>18,481</u>	 <u>-</u>
Fund balance, June 30	<u>\$ 18,481</u>	<u>\$ 18,481</u>	<u>\$ -</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original and Final Budget	Actual	Variance
Revenues:			
Tax district	\$ 12,000	\$ 12,226	\$ 226
Donations	52,975	52,671	(304)
Interest earned	25	9	(16)
Total revenues	<u>65,000</u>	<u>64,906</u>	<u>(94)</u>
Expenditures			
Community development	<u>65,000</u>	<u>63,173</u>	<u>1,827</u>
Total expenditures	<u>65,000</u>	<u>63,173</u>	<u>1,827</u>
Net change in fund balance	-	1,733	1,733
Fund balance, July 1	<u>32,207</u>	<u>32,207</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 32,207</u></u>	<u><u>\$ 33,940</u></u>	<u><u>\$ 1,733</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, 2011**

	Original and Final Budget	Actual	Variance
Revenues:			
Tax revenue	\$ 398,462	\$ 428,805	\$ 30,343
Total revenues	<u>398,462</u>	<u>428,805</u>	<u>30,343</u>
Expenditures			
Community development	<u>229,285</u>	<u>247,712</u>	<u>(18,427)</u>
Total expenditures	<u>229,285</u>	<u>247,712</u>	<u>(18,427)</u>
Excess of revenues over expenditures	<u>169,177</u>	<u>181,093</u>	<u>11,916</u>
Other financing sources (uses):			
Transfers out	<u>(169,177)</u>	<u>(181,093)</u>	<u>11,916</u>
Net change in fund balance	-	-	-
Fund balance, July 1	<u>43,134</u>	<u>43,134</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 43,134</u></u>	<u><u>\$ 43,134</u></u>	<u><u>\$ -</u></u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original and Final Budget	Actual	Variance
Revenues:			
Interest earned	\$ 65	\$ 28	\$ (37)
Dividends earned	4,500	5,957	1,457
Net increase in the fair value of investments	-	80,903	80,903
Total revenues	<u>4,565</u>	<u>86,888</u>	<u>82,323</u>
Expenditures:			
Program services	<u>4,565</u>	<u>18,000</u>	<u>(13,435)</u>
Total expenditures	<u>4,565</u>	<u>18,000</u>	<u>(13,435)</u>
Net change in fund balance	-	68,888	68,888
Fund balance, July 1	<u>256,250</u>	<u>256,250</u>	<u>-</u>
Fund balance, June 30	<u>\$ 256,250</u>	<u>\$ 325,138</u>	<u>\$ 68,888</u>

CITY OF CORDELE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>No.</u>	<u>Project</u>	<u>Original and Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<u>2001 Referendum</u>					
1	Engineering and design of the Industrial Area West	\$ 600,000	\$ 534,045	\$ -	\$ 534,045
2	Wastewater Treatment Plant improvements	<u>2,500,000</u>	<u>2,402,425</u>	<u>-</u>	<u>2,402,425</u>
	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	\$ 20,944	\$ 164,044
2	Industrial Park Elevated Tank	1,000,000	953,609	-	953,609
3	Water/Sewer Improvements	1,110,000	819,531	-	819,531
4	Police Vehicles	600,000	421,364	105,326	526,690
5	City Hall Improvements / HVAC/ADA	500,000	468,587	880	469,467
6	Emergency Warnings Signals	100,000	-	-	-
7	Public Works Equipment	90,000	64,139	138,000	202,139
8	Fire HVAC Systems	<u>50,000</u>	<u>8,441</u>	<u>9,731</u>	<u>18,172</u>
	Totals	<u>\$ 3,750,000</u>	<u>\$ 2,878,771</u>	<u>\$ 274,881</u>	<u>\$ 3,153,652</u>

COMPONENT UNITS

CITY OF CORDELE, GEORGIA

BALANCE SHEET COMPONENT UNITS JUNE 30, 2011

	Downtown Development Authority	Cordele Office Building Authority
ASSETS		
Cash	\$ 13,248	\$ 782,187
Total assets	<u>\$ 13,248</u>	<u>\$ 782,187</u>
 FUND BALANCES		
Restricted for capital projects	\$ -	\$ 782,187
Assigned to downtown planning and development	13,248	-
Total fund balances	<u>13,248</u>	<u>782,187</u>
 Total fund balances	<u>\$ 13,248</u>	<u>\$ 782,187</u>

CITY OF CORDELE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENT UNITS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Downtown Development Authority	Cordele Office Building Authority
Revenues		
Unrestricted investment earnings	\$ 194	\$ 132
Contribution revenues	-	394,849
Total revenues	<u>194</u>	<u>394,981</u>
Expenditures		
Professional services	-	900
Other contributions to primary government	-	1,142,808
Debt service:		
Principal retirement	-	320,000
Interest and fiscal charges	-	72,603
Total expenditures	<u>-</u>	<u>1,536,311</u>
Net change in fund balances	194	(1,141,330)
Fund balances, July 1	<u>13,054</u>	<u>1,923,517</u>
Fund balances, June 30	<u><u>\$ 13,248</u></u>	<u><u>\$ 782,187</u></u>

SINGLE AUDIT SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cordele, Georgia (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 7, 2012. As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 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

Management of the City of Cordele, Georgia is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, and material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-2 to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Cordele, Georgia in a separate letter dated March 7, 2012.

The City'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 management, the City Commission, and others within the entity, 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
March 7, 2012

**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**

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

Compliance

We have audited the compliance of the City of Cordele, Georgia (the City) 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's major federal programs for the year ended June 30, 2011. The City'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's management. Our responsibility is to express an opinion on the City'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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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'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's compliance with those requirements.

As described in item 2011-3 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding allowable costs / cost principles and cash management that are applicable to its U. S. Department of Housing & Urban Development, Community Services Block Grant, CFDA 14.228. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that grant program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance 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, 2011.

Internal Control over Compliance

Management of the City 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'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's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control of 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-3 to be a material weakness.

The City's responses to the 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 the responses.

This report is intended solely for the information and use of management, the City Commission, and others within the entity, 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
March 7, 2012

CITY OF CORDELE, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract or Project Number	Total Expenditures
U.S. DEPARTMENT OF JUSTICE:			
Direct Federal Awards			
ARRA - Assistance to Rural Law Enforcement	16.810	2009-SD-B9-0115	\$ 114,215
ARRA - Edward Byrne Memorial JAG Grant	16.592	2009-SB-B9-0376	6,457
Justice Assistance Grant Program	16.738	2009-DJ-BX-0446	1,028
Justice Assistance Grant Program	16.738	2007-DJ-BX-0297	10,269
Justice Assistance Grant Program	16.738	2010-DJ-BX-1590	13,604
ARRA - Public Safety Partnership and Community Policing Grant	16.710	2009-RK-WX-0274	51,010
			<u>\$ 196,583</u>
U. S. DEPARTMENT OF COMMERCE:			
Passed through Economic Development Administration			
Public Works Program	11.300	04-01-05891	<u>\$ 219,323</u>
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
CDBG - State-Administered CDBG Cluster			
Passed through Georgia Department of Community Affairs			
ARRA CDBG Non-Entitlement Grant	14.255	09-cr-5104	\$ 341,284
Passed through Georgia Department of Community Affairs			
Passed through Crisp County, Georgia Board of Commissioners	14.228	07q-z-040-1-3366	178,058
			<u>\$ 519,342</u>
U. S. DEPARTMENT OF TRANSPORTATION:			
Passed through Governor's Office of Highway Safety			
Small Agency Incentive Grant	20.600	GA-2011-000-00523	\$ 10,000
Total Expenditures of Federal Awards			<u>\$ 945,248</u>

CITY OF CORDELE, GEORGIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011.

CITY OF CORDELE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:
Material weaknesses identified?

☒ yes ☐ no

Significant deficiencies identified not considered
to be material weaknesses?

☒ yes ☐ none reported

Noncompliance material to financial statements
noted? ☐ yes

☒ no

Federal Awards

Internal Control over major programs:
Material weaknesses identified?

☒ yes ☐ no

Significant deficiencies identified not considered
to be material weaknesses?

☐ yes ☒ 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 ☐ no

Identification of major programs:

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 Housing & Urban Development:

CDBG - State Administered CDBG Cluster:

Passed through State of Georgia's Department of
Community Affairs:

Community Development Block Grant:

ARRA CDBG Non-Entitlement Grant

Community Development Block Grant:

Passed through Crisp County, Georgia
Board of Commissioners

14.255

14.228

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

\$300,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2011-1. Recording of Debt Obligations

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: During our 2011 audit, we noted that the City did not properly record a new note payable agreement with the One Georgia Authority. The amount of the note payable approximated \$496,600, and should have passed through the City's General Fund.

Context: See above condition.

Effect: An audit adjustment of \$496,600 to increase other financing sources from long-term debt proceeds and cash 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: The City concurs with the finding. The City has established a schedule of Long-Term Debt for all funds of the City that will be updated on a monthly basis as payments and/or new debt reduces and/or adds to the total debt. All financial transactions pertaining to this schedule will be reviewed in the future by the Finance Director to assure proper recording of debt obligation and reduction, and these transactions will be footnoted to the schedule for Long-Term Debt so that a fiscal year- end review can be done to ensure that all transactions are properly recorded.

CITY OF CORDELE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2011-2. Stolen Funds – Police Evidence Account

Criteria: Sound internal control procedures require that all cash received by the City be placed in a financial institution. Sound internal control procedures also require that all cash transactions be properly recorded in the City's general ledger.

Condition: Until January 2011, funds confiscated by City police and held as evidence were placed in an evidence locker at the time of seizure. These funds were not deposited in a bank account, and were not recorded in the City's general ledger. During the year ended June 30, 2011, it came to the attention of City management that some of the funds placed in the evidence locker had been stolen by City personnel. The case is still being reviewed by the Georgia Bureau of Investigation. However, it is estimated that approximately \$107,000 was stolen in this manner over a period of several years.

Context: See above condition.

Effect: Over a period of several years, the City has expended an estimated \$107,000 to replace the stolen funds. While these amounts were not material on annual basis, the cumulative total is considered significant.

Recommendation: The City should deposit all confiscated funds with a financial institution, and should properly record all receipts and disbursements of such funds in its general ledger. This will deter theft of the cash and will prevent the City from expending its own funds to replace amounts lost.

Views of Responsible Officials and Planned Corrective Action: The City concurs with the finding. Since the discovery of the missing funds, the City has set up a separate account for deposit of evidence funds. When received by the Police, the evidence custodian documents the amount of money and this document is verified and signed by three supervisory personnel in the Police Department. Once complete, the custodian and one other supervisory personnel deliver the document and money to the Finance Department. At that time, two supervisory personnel in Finance sign off on this document as having received the funds. This money is then deposited to the bank account set up for evidence funds. When the need to release these funds arises, a requisition is prepared by the Police Department and the requisition is approved by three supervisory personnel in the Police Department. The Finance Department receives the requisition that is then approved by the Finance Director and at that time the Assistant Finance Director prepares the paperwork to withdraw the money. Once completed, the money is either sent over to the evidence custodian or mailed directly to the reimbursed party.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2011-3. Grant Management

Criteria: As the recipient of a Community Development Block Grant, the City was charged with the responsibility of ensuring compliance with federal grant requirements. Part of that responsibility surrounds accountability of activities eligible for reimbursements under various grant programs.

Condition: During our 2011 audit, we noted that certain expenditures submitted for reimbursement under the Community Development Block Grant's Employment Incentive Program (EIP) had been previously submitted for reimbursement under a Public Works Program grant award from the U. S. Department of Commerce's Economic Development Administration (EDA) in the current year and prior years. This situation had not been disclosed to grant authorities.

In fiscal years 2009, 2010 as well as 2011, the City obtained federal grant funds relative to a Public Works Program grant from the Department of Commerce in the amounts of \$368,316, \$329,487 and \$219,323, respectively. Included in those requests for grant reimbursements were amounts of \$158,990, \$74,375, and \$122,751, respectively, which were also sought for reimbursement in fiscal year 2011 via the above referenced EIP grant award and whose sum amounts to \$356,116.

Context: See above condition.

Effect: City management discussed the issue with grant officials, and after certain due diligence was performed by State of Georgia's Department of Community Affairs, it was determined that half of the \$356,116 amount reimbursed should be returned resulting in a net grant amount of \$178,058.

Recommendation: We recommend the City closely review all federal grant expenditures. If there is any question as to whether an expenditure is allowable, we recommend the City directly contact the granting agency for further clarification.

Views of Responsible Officials and Planned Corrective Action: The City concurs with this finding. Having recently gone through a restructuring of administrative staff, the City now maintains a committee to review all grant funding. The City Manager, Finance Director, Grants Coordinator and other applicable departmental staff regularly review and meet with grant writers/administrators to ensure that all staff involved in any grant funding are up to date on the current status of the grant and that expenditure/reimbursement schedules are maintained to ensure that applicable expenditures fit the criteria for the particular grant funding.

CITY OF CORDELE, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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.

Auditee Response/Status – Partially Resolved. Full accrual adjustments and grant receipts and expenses were properly recorded in the current year. However, problems with grant management were still noted. See current year finding 2011-3.

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.

Auditee Response/Status – Unresolved. See current year finding 2011-1.

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.

Auditee Response/Status – Resolved.

CITY OF CORDELE, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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.

Auditee Response/Status – Resolved.

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.

Auditee Response/Status – Resolved.