

CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prepared by:
Department of Finance

INTRODUCTORY SECTION

CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Cordele, Georgia** (the "City") as of and for the year ended June 30, 2012, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cordele, Georgia as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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 50) 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 financial statements as a whole. The combining 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 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 combining nonmajor fund financial statements, the discretely presented component unit financial statements, and the schedule of expenditures of special purpose local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 stated in all material respects in relation to the financial statements as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
December 18, 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, 2012. The information presented here should be used in conjunction with the additional information provided in this financial report, which follows this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$29,514,275 (*net assets*). Of this amount, \$5,888,742 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$1,749,078.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,256,296, a decrease of \$792,715 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$611,875.
- The City's total long-term debt (excluding compensated absences) decreased by \$63,876 during the current fiscal year. This change consisted of scheduled repayments of \$395,082, a payoff of bonds and notes payable of \$4,999,441 for a total reduction of \$5,394,523. An addition of capital leases of \$25,647 and bonds payable totaling \$5,305,000 totaled \$5,330,647 in added long-term debt. The payoff and bonds payable were due to a refunding of prior bonds and notes payable in the Water/Sewer Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report for the fiscal year ended June 30, 2012, 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 thirteen (13) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Economic Development Main Street funds only, because they are considered to be major funds. Data from the other eleven (11) 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 - 23 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 24 - 49 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 51 - 54 of this report.

Government-Wide Financial Analysis

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 \$29,514,275 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (66%) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Governmental Activities		Business-type Activities		Total	
	<u>FY2012</u>	<u>FY2011</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY2012</u>	<u>FY2011</u>
Current and other assets	\$ 5,199,985	\$ 6,015,896	\$ 7,077,182	\$ 7,368,942	\$ 12,277,167	\$ 13,384,838
Capital assets	12,774,683	12,420,060	14,117,197	13,672,000	26,891,880	26,092,060
Total assets	<u>17,974,668</u>	<u>18,435,956</u>	<u>21,194,379</u>	<u>21,040,942</u>	<u>39,169,047</u>	<u>39,476,898</u>
Current liabilities	1,766,923	1,545,382	1,094,070	1,279,060	2,860,993	2,824,442
Long-term liabilities	6,793,779	671,208	-	4,717,895	6,793,779	5,389,103
Total liabilities	<u>8,560,702</u>	<u>2,216,590</u>	<u>1,094,070</u>	<u>5,996,955</u>	<u>9,654,772</u>	<u>8,213,545</u>
Net assets:						
Invested in capital assets, net of related debt	5,442,586	12,180,128	14,117,197	8,672,559	19,559,783	20,852,687
Restricted	1,590,702	1,676,330	2,475,048	2,214,869	4,065,750	3,891,199
Unrestricted	2,380,678	2,362,908	3,508,064	4,156,559	5,888,742	6,519,467
Total net assets, restated	<u>\$ 9,413,966</u>	<u>\$ 16,219,366</u>	<u>\$ 20,100,309</u>	<u>\$ 15,043,987</u>	<u>\$ 29,514,275</u>	<u>\$ 31,263,353</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, 2012, were \$29,514,275 a decrease of \$1,749,078 from June 30, 2011. Of total assets, \$20,100,309 came from business-type activities and \$9,413,966 came from governmental activities.

A portion of the City's net assets (14%) or \$4,065,750 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (amounting to \$5,888,742) 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, 2012, decreased the City of Cordele's net assets by \$6,805,400. Business-type activities during the same period increased net assets by \$5,056,323 for a total decrease in net assets of \$1,749,078. 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 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,023,348	\$ 891,793	\$ 5,770,555	\$ 5,751,003	\$ 6,793,903	\$ 6,642,796
Operating grants and contributions	111,592	259,254	-	-	111,592	259,254
Capital grants and contributions	266,067	1,823,723	-	740,010	266,067	2,563,733
General revenues:					-	-
Property taxes	2,613,078	2,442,963	-	-	2,613,078	2,442,963
Sales taxes	2,015,929	1,936,609	-	-	2,015,929	1,936,609
Alcoholic beverages taxes	320,816	332,091	-	-	320,816	332,091
Other taxes	979,715	1,068,332	-	-	979,715	1,068,332
Franchise fees	1,232,432	1,267,351	-	-	1,232,432	1,267,351
Unrestricted investment earnings	310,112	342,182	38,446	56,593	348,558	398,775
Gain on sale of capital assets	7,531	77,758	-	-	7,531	77,758
Total revenues	<u>8,880,620</u>	<u>10,442,056</u>	<u>5,809,001</u>	<u>6,547,606</u>	<u>14,689,621</u>	<u>16,989,662</u>
Expenses:						
General government	1,678,970	1,353,246	-	-	1,678,970	1,353,246
Public works	2,681,622	2,371,593	-	-	2,681,622	2,371,593
Public safety	4,239,458	4,196,467	-	-	4,239,458	4,196,467
Community development	673,929	849,017	-	-	673,929	849,017
Central purchasing	4,910	30,564	-	-	4,910	30,564
Culture and recreation	261,429	270,800	-	-	261,429	270,800
Housing & Development	-	2,246	-	-	-	2,246
Interest on long-term debt	25,414	10,640	-	-	25,414	10,640
Water and sewer	-	-	3,699,129	4,195,596	3,699,129	4,195,596
Natural gas	-	-	1,445,966	1,949,819	1,445,966	1,949,819
Sanitation	-	-	882,478	863,552	882,478	863,552
Total expenses	<u>9,565,732</u>	<u>9,084,573</u>	<u>6,027,573</u>	<u>7,008,967</u>	<u>15,593,305</u>	<u>16,093,540</u>
Increase (decrease) in net assets before transfers	(685,112)	1,357,483	(218,572)	(461,361)	(903,684)	896,122
Transfers	(5,274,895)	(39,718)	5,274,895	39,718	-	-
Increase (decrease) in net assets	(5,960,007)	1,317,765	5,056,323	(421,643)	(903,684)	896,122
Net assets, beginning of year, restated	<u>15,373,973</u>	<u>14,901,601</u>	<u>15,043,986</u>	<u>15,465,630</u>	<u>30,417,959</u>	<u>30,367,231</u>
Net assets, end of year, restated	<u>\$ 9,413,966</u>	<u>\$ 16,219,366</u>	<u>\$ 20,100,309</u>	<u>\$ 15,043,987</u>	<u>\$ 29,514,275</u>	<u>\$ 31,263,353</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities. This chart shows total revenues from governmental activities of \$8,880,620 for 2012 and \$10,442,056 for 2011 while expenses were \$9,565,732 for 2012 and \$9,084,573 for 2011. The largest revenue source for governmental activities comes from property taxes at \$2,613,078 or 29% for 2012 and from property taxes at \$2,442,963 or 23% of revenues for 2011. The City of Cordele spent the greatest amount of its available funding on public safety at 44% for 2012 and at 46% for 2011.

Business-Type Activities. Business-type activities program expenses exceeded revenues by \$218,572 in 2012 and expenses exceeded revenues by \$461,361 in 2011 before transfers to governmental activities. The business-type activities largest revenue source is the Water/Sewer Fund in 2012 (59%) and the Water/Sewer Fund in 2011 (57%). The Water and Sewer Fund had the largest amount of expenses at 61% or \$3,699,129 for 2012 and 60% or \$4,195,596 for 2011.

Analysis of Balances

Governmental Activities Funds. The City of Cordele has two major governmental funds which are the General Fund and the Economic Development Main Street Fund. At the end of FY 2012, these two funds had fund balances of \$866,262 and \$187,425 respectively. This is a decrease of \$692,456 to the beginning fund balance of the General Fund and an increase of \$12,618 to the beginning fund balance of the Economic Development Main Street Fund.

The fund balances for the other governmental funds decreased by \$112,877. The final fund balance for these funds decreased from \$2,315,486 at the beginning of the year to \$2,202,609 at the end of the year.

Business-Type Activities Funds. The enterprise funds, which include the City's Water & Sewer Fund, Natural Gas Fund, and the Sanitation Fund showed a combined cash and cash equivalents balance of \$1,719,157 at the end of the year ending June 30, 2012. This is a decrease of \$343,960 from the previous year.

The Water and Sewer Fund had ending cash and cash equivalents balance of \$1,322,729 for FY 2011-12. This is a decrease of \$166,495 from the previous year.

The Gas Fund had ending cash and cash equivalents balance of \$386,428 for FY2011-12. This is a decrease of \$177,465 from the previous year.

The Sanitation Fund had ending cash and cash equivalents balance of \$0 for FY2011-12. 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, 2012, governmental activities and business-type activities had capital assets of \$26,891,880 (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment, and infrastructure.

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

	Governmental Activities		Business-type Activities		Total	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Land	\$ 4,889,257	\$ 4,889,257	\$ 326,299	\$ 326,299	\$ 5,215,556	\$ 5,215,556
Construction in progress	131,252	1,621,169	-	-	131,252	1,621,169
Buildings	2,378,608	1,848,975	721,705	766,731	3,100,313	2,615,706
Improvements other than buildings	-	39,623	12,409,985	12,392,055	12,409,985	12,431,678
Infrastructure	4,071,784	2,738,387	-	-	4,071,784	2,738,387
Machinery and equipment	1,303,782	1,282,649	659,208	186,915	1,962,990	1,469,564
Total net assets	<u>\$ 12,774,683</u>	<u>\$ 12,420,060</u>	<u>\$ 14,117,197</u>	<u>\$ 13,672,000</u>	<u>\$ 26,891,880</u>	<u>\$ 26,092,060</u>

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

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

At June 30, 2012, the City had \$7,510,208 of outstanding long-term debt related to the governmental activities and \$45,035 of long-term debt related to business-type activities for a total \$7,555,243 compared to the previous year's total of \$5,962,856. This is an increase of \$1,547,352.

The City, through its blended component unit, the Cordele Office Building Authority (COBA), issued bonds in 2012 to refund older bonds and a note payable in the Water/Sewer Fund. The present value of the interest savings was built into the bond issue and this issue totaled \$5,305,000. The governmental activities now show this debt as payable in the General Fund as the full faith and credit of the City is pledged to make these payments on behalf of the COBA fund. The debt in the Water/Sewer Fund was reduced by the amount of the remaining balance of the older bonds and note payable totaling \$4,999,441.

Additional information on the City's debt can be found in Note 7 of this report on pages 41 - 43.

Factors Affecting the FY2012-13 Budget

The City Commission of the City of Cordele considered many factors when approving the City's FY 2013 budget and are very aware of present economic conditions and their effect on its citizens. Among 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Factors Affecting the FY2012-13 Budget (Continued)

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. There has been the announcement of another industry to this area with construction of its facilities already begun, and currently there are three economic prospects looking at locating in this park.

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, has moved its manufacturing plant to the Cordele area and has already created 250 jobs. A service industry has located to Cordele and is expanding its employee base steadily as it moves more of its operations to the Cordele area.

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. The intermodal facility is now in operation with expanding freight loads coming to the Cordele site. Expansion of this facility is anticipated as growing at a fast pace.

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. The City is currently working with the Georgia Department of Community Affairs in assistance with a Boomtown designation that Cordele was named as in 2012, and a downtown urban revitalization plan is being prepared to assist with tax credits and opportunity zones to stimulate growth of the downtown area around the new college. Also, the City moved its Main Street office to a downtown location next to the excursion train depot for added visibility and a pronounced presence in the rehabilitation of the downtown area.

The City's commercial district, located on 16th Avenue at Interstate 75, has experienced growth in the past year. Two restaurants have expanded their businesses and a new restaurant is locating in the area. Several other smaller businesses have also opened in the area. The City is working with GDOT to enhance the exit/entrance ramps on Interstate 75 to improve the gateways into the City and attract more tourism with these enhancements.

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, 2012

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Cash and cash equivalents	\$ 2,418,369	\$ 1,312,957	\$ 3,731,326	\$ 3,270
Investments	575,301	-	575,301	-
Taxes receivable	351,418	-	351,418	-
Accounts receivable, net of allowances	109,938	435,613	545,551	-
Due from other governments	335,947	-	335,947	-
Internal balances	491,146	(491,146)	-	-
Inventories	54,387	389,973	444,360	-
Restricted assets:				
Cash and cash equivalents	-	212,737	212,737	-
Investments	-	5,217,048	5,217,048	-
Deferred charges, unamortized balance	131,367	-	131,367	-
Mortgages receivable	732,112	-	732,112	-
Capital assets:				
Non-depreciable	5,020,509	326,299	5,346,808	-
Depreciable, net of accumulated depreciation	7,754,174	13,790,898	21,545,072	-
Total assets	<u>17,974,668</u>	<u>21,194,379</u>	<u>39,169,047</u>	<u>3,270</u>
LIABILITIES				
Accounts payable	359,023	838,292	1,197,315	-
Accrued liabilities	179,456	33,998	213,454	-
Unearned revenues	512,015	-	512,015	-
Liabilities payable from restricted assets:				
Deposits payable	-	176,745	176,745	-
Compensated absences due within one year	178,111	45,035	223,146	-
Capital leases due within one year	41,771	-	41,771	-
Capital leases due in more than one year	183,726	-	183,726	-
Note payable due within one year	25,000	-	25,000	-
Note payable due in more than one year	446,600	-	446,600	-
Bonds payable due within one year	471,547	-	471,547	-
Bonds payable due in more than one year	6,163,453	-	6,163,453	-
Total liabilities	<u>8,560,702</u>	<u>1,094,070</u>	<u>9,654,772</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,442,586	14,117,197	19,559,783	-
Restricted				
Clubhouse expenses	269,269	-	269,269	-
Federal programs	301,841	-	301,841	-
Promotion of tourism	43,134	-	43,134	-
Law enforcement purposes	18,481	-	18,481	-
Capital projects	907,741	-	907,741	-
Endowment - Community clubhouse	50,236	-	50,236	-
Unrestricted	2,380,678	5,983,112	8,363,790	3,270
Total net assets	<u>\$ 9,413,966</u>	<u>\$ 20,100,309</u>	<u>\$ 29,514,275</u>	<u>\$ 3,270</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, 2012

Functions/Programs	Program Revenues					Net (Expenses) Revenues and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
General government	\$ 1,590,423	\$ 741,006	\$ -	\$ -	\$ (849,417)	\$ -	\$ (849,417)	\$ -	
Public works	2,681,622	-	-	266,067	(2,415,555)	-	(2,415,555)	-	
Public safety	4,239,458	252,949	67,627	-	(3,918,882)	-	(3,918,882)	-	
Community development	673,929	16,593	43,965	-	(613,371)	-	(613,371)	-	
Central purchasing	4,910	-	-	-	(4,910)	-	(4,910)	-	
Culture and recreation	261,429	12,800	-	-	(248,629)	-	(248,629)	-	
Interest on long-term debt	113,961	-	-	-	(113,961)	-	(113,961)	-	
Total governmental activities	9,565,732	1,023,348	111,592	266,067	(8,164,725)	-	(8,164,725)	-	
Business-type activities:									
Water and sewer	3,699,129	3,377,346	-	-	-	(321,783)	(321,783)	-	
Natural gas	1,445,966	1,520,166	-	-	-	74,200	74,200	-	
Sanitation	882,478	873,043	-	-	-	(9,435)	(9,435)	-	
Total business-type activities	6,027,573	5,770,555	-	-	-	(257,018)	(257,018)	-	
Total primary government	\$ 15,593,305	\$ 6,793,903	\$ 111,592	\$ 266,067	\$ (8,164,725)	\$ (257,018)	\$ (8,421,743)	\$ -	
Component units:									
Downtown Development Authority	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,000)	
Total component units	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,000)	
General revenues:									
Property taxes					2,613,078	-	2,613,078	-	
Sales taxes					2,015,929	-	2,015,929	-	
Alcoholic beverage taxes					320,816	-	320,816	-	
Franchise taxes					1,232,432	-	1,232,432	-	
Hotel taxes					440,580	-	440,580	-	
Other taxes					539,135	-	539,135	-	
Unrestricted investment earnings					310,112	38,446	348,558	22	
Gain on sale of capital assets					7,531	-	7,531	-	
Transfers					(5,274,895)	5,274,895	-	-	
Total general revenues and transfers					2,204,718	5,313,341	7,518,059	22	
Change in net assets					(5,960,007)	5,056,323	(903,684)	(9,978)	
Net assets, beginning of year, restated					15,373,973	15,043,986	30,417,959	13,248	
Net assets, end of year					\$ 9,413,966	\$ 20,100,309	\$ 29,514,275	\$ 3,270	

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

CITY OF CORDELE, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2012

ASSETS	General	Economic Development Fund Main Street District	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 336,642	\$ 187,425	\$ 1,734,096	\$ 2,258,163
Investments	290,524	-	284,777	575,301
Taxes receivable	301,866	-	49,552	351,418
Participants receivable	-	-	1,000	1,000
Accounts receivable	108,938	-	-	108,938
Due from other governments	222,207	-	113,740	335,947
Due from other funds	-	-	95,234	95,234
Inventories	54,387	-	-	54,387
Mortgage receivable	200,000	447,921	84,191	732,112
Total assets	<u>\$ 1,514,564</u>	<u>\$ 635,346</u>	<u>\$ 2,362,590</u>	<u>\$ 4,512,500</u>
LIABILITIES				
Accounts payable	\$ 217,917	\$ -	\$ 95,887	\$ 313,804
Accrued liabilities	120,087	-	-	120,087
Deferred revenues	215,064	447,921	64,094	727,079
Due to other funds	95,234	-	-	95,234
Total liabilities	<u>648,302</u>	<u>447,921</u>	<u>159,981</u>	<u>1,256,204</u>
FUND BALANCES				
Fund balances:				
Nonspendable:				
Inventories/prepaids	54,387	-	-	54,387
Loans receivable	200,000	-	84,191	284,191
Endowment - Community clubhouse	-	-	50,236	50,236
Restricted for:				
Clubhouse expenses	-	-	269,269	269,269
Federal programs	-	187,425	114,416	301,841
Promotion of tourism	-	-	43,134	43,134
Law enforcement purposes	-	-	18,481	18,481
Capital projects	-	-	907,741	907,741
Assigned to:				
Downtown revitalization	-	-	21,166	21,166
Capital projects	-	-	693,975	693,975
Unassigned:				
General Fund	611,875	-	-	611,875
Total fund balances	<u>866,262</u>	<u>187,425</u>	<u>2,202,609</u>	<u>3,256,296</u>
Total liabilities and fund balances	<u>\$ 1,514,564</u>	<u>\$ 635,346</u>	<u>\$ 2,362,590</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.	12,774,683
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	215,064
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,438,210)
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.	606,133
Net assets of governmental activities	<u>\$ 9,413,966</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, 2012

	General	Economic Development Fund Main Street District	Other Governmental Funds	Totals Governmental Funds
Revenues				
Taxes	\$ 5,068,468	\$ -	\$ 450,931	\$ 5,519,399
Licenses and permits	375,044	-	-	375,044
Intergovernmental	75,442	-	258,252	333,694
Charges for services	205,265	-	-	205,265
Fines and forfeitures	238,664	-	-	238,664
Administrative fees	545	-	-	545
Interest and penalties	284,350	-	24,297	308,647
Franchise and leases	1,232,432	-	-	1,232,432
Payments in lieu of taxes	413,300	-	-	413,300
Codes	15,867	-	-	15,867
Other revenues	175,345	12,618	43,965	231,928
Total revenues	<u>8,084,722</u>	<u>12,618</u>	<u>777,444</u>	<u>8,874,784</u>
Expenditures				
Current:				
General government	1,468,422	-	-	1,468,422
Public works	2,244,101	-	-	2,244,101
Public safety	4,126,179	-	-	4,126,179
Culture and recreation	233,604	-	26,197	259,801
Community development	297,608	-	318,720	616,328
Central purchasing	3,461	-	-	3,461
Debt service:				
Principal retirement	65,082	-	330,000	395,082
Interest and fiscal charges	9,472	-	149,565	159,037
Capital outlay	375,696	-	741,134	1,116,830
Total expenditures	<u>8,823,625</u>	<u>-</u>	<u>1,565,616</u>	<u>10,389,241</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(738,903)</u>	<u>12,618</u>	<u>(788,172)</u>	<u>(1,514,457)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	24,928	-	-	24,928
Issuance of capital leases	25,647	-	-	25,647
Issuance of long-term debt	-	-	5,305,000	5,305,000
Transfers in from other funds	190,695	-	479,369	670,064
Transfers out to other funds	(194,823)	-	(5,891,261)	(6,086,084)
Total other financing sources (uses)	<u>46,447</u>	<u>-</u>	<u>(106,892)</u>	<u>(60,445)</u>
Net change in fund balances	(692,456)	12,618	(895,064)	(1,574,902)
Fund balances, beginning of year, restated	<u>1,558,718</u>	<u>174,807</u>	<u>3,097,673</u>	<u>4,831,198</u>
Fund balances, end of year	<u>\$ 866,262</u>	<u>\$ 187,425</u>	<u>\$ 2,202,609</u>	<u>\$ 3,256,296</u>

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

CITY OF CORDELE, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Net change in fund balances - total governmental funds	\$	(1,574,902)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	372,020
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In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	(17,397)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Prior year long-term assets not available for current-period expenditures	\$	(218,225)	
Current year long-term assets not available for current-period expenditures		<u>215,064</u>	(3,161)

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.	(4,851,848)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(33,715)
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Internal service funds are used by management to charge costs of various services and benefits to individual funds. The net revenues (expenses) of certain activities of internal service funds are reported with governmental activities.

Current year change in net assets of the Health Benefit Internal Service Fund	150,492	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(1,496)</u>	<u>148,996</u>
		<u>\$ (5,960,007)</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, 2012

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Taxes	\$ 4,974,500	\$ 4,974,500	\$ 5,068,468	\$ 93,968
Licenses and permits	448,500	403,500	375,044	(28,456)
Intergovernmental	348,000	186,000	75,442	(110,558)
Charges for services	282,100	246,100	205,265	(40,835)
Fines and forfeitures	393,500	268,500	238,664	(29,836)
Administrative fees	600	600	545	(55)
Interest and penalties	268,000	303,000	284,350	(18,650)
Franchise and leases	1,326,000	1,326,000	1,232,432	(93,568)
Payments in lieu of taxes	564,200	460,200	413,300	(46,900)
Codes	47,000	27,000	15,867	(11,133)
Other revenues	156,500	156,500	175,345	18,845
Total revenues	8,808,900	8,351,900	8,084,722	(267,178)
Expenditures:				
Current:				
General government:				
Legislative	425,273	425,273	386,387	38,886
Executive	491,629	467,129	431,563	35,566
Judicial	73,016	73,016	77,436	(4,420)
Finance	637,188	637,188	573,036	64,152
Total general government	1,627,106	1,602,606	1,468,422	134,184
Public works:				
Highways and streets	2,249,752	2,204,752	2,244,101	(39,349)
Total public works	2,249,752	2,204,752	2,244,101	(39,349)
Public safety:				
Police	2,639,737	2,512,237	2,546,272	(34,035)
Fire	1,334,699	1,354,699	1,370,730	(16,031)
E-911	209,177	209,177	209,177	-
Total public safety	4,183,613	4,076,113	4,126,179	(50,066)
Community development	445,990	330,990	297,608	33,382
Central purchasing	-	-	3,461	(3,461)
Culture and recreation	245,906	245,906	233,604	12,302
Debt service:				
Principal retirement	65,266	40,266	65,082	(24,816)
Interest and fiscal charges	12,982	12,982	9,472	3,510
Total debt service	78,248	53,248	74,554	(21,306)

(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, 2012

	Budget Amounts		Actual	Variance
	Original	Final		
Expenditures (continued):				
Capital outlay	\$ 480,175	\$ 340,175	\$ 375,696	\$ (35,521)
Total expenditures	9,310,790	8,853,790	8,823,625	30,165
Deficiency of revenues under expenditures	(501,890)	(501,890)	(738,903)	(237,013)
Other financing sources (uses):				
Transfers in	471,890	471,890	190,695	(281,195)
Transfers out	-	-	(194,823)	(194,823)
Issuance of capital leases	-	-	25,647	25,647
Proceeds from sale of capital assets	30,000	30,000	24,928	(5,072)
Total other financing sources (uses)	501,890	501,890	46,447	(455,443)
Net change in fund balances	-	-	(692,456)	(692,456)
Fund balance, beginning of year, as restated	1,558,718	1,558,718	1,558,718	-
Fund balance, end of year	<u>\$ 1,558,718</u>	<u>\$ 1,558,718</u>	<u>\$ 866,262</u>	<u>\$ (692,456)</u>

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

CITY OF CORDELE, GEORGIA
ECONOMIC DEVELOPMENT FUND
MAIN STREET DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original and Final Budget	Actual	Variance
Revenues:			
Interest earned	\$ 100	\$ -	\$ (100)
Program income	12,618	12,618	-
Total revenues	<u>12,718</u>	<u>12,618</u>	<u>(100)</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	-	12,618	12,618
Fund balance, July 1	<u>174,807</u>	<u>174,807</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 174,807</u></u>	<u><u>\$ 187,425</u></u>	<u><u>\$ 12,618</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, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
CURRENT ASSETS					
Cash	\$ 977,534	\$ 335,423	\$ -	\$ 1,312,957	\$ 160,206
Accounts receivable (net of allowance for uncollectibles)	238,988	149,860	46,765	435,613	-
Due from other funds	-	-	-	-	-
Due from component unit	-	-	-	-	-
Due from other governments	-	-	-	-	-
Inventory	-	389,973	-	389,973	-
Prepaid expenses	-	-	-	-	-
Restricted assets:					
Cash	44,907	-	-	44,907	-
Cash - customer deposits	116,825	51,005	-	167,830	-
Investments - sinking funds	193,463	-	-	193,463	-
Investments and certificates of deposit	3,210,528	1,813,057	-	5,023,585	-
Total current assets	4,782,245	2,739,318	46,765	7,568,328	160,206
NONCURRENT ASSETS					
Capital assets, at cost					
Land	317,299	9,000	-	326,299	-
Construction in progress	-	-	-	-	-
Buildings	1,825,899	244,967	-	2,070,866	-
Improvements other than buildings	27,977,154	3,401,626	-	31,378,780	-
Machinery and equipment	2,365,518	633,858	-	2,999,376	-
	32,485,870	4,289,451	-	36,775,321	-
Less accumulated depreciation	19,948,076	2,710,048	-	22,658,124	-
Total capital assets	12,537,794	1,579,403	-	14,117,197	-
Bond issuance costs, unamortized balance	-	-	-	-	-
Total noncurrent assets	12,537,794	1,579,403	-	14,117,197	-
Total assets	17,320,039	4,318,721	46,765	21,685,525	160,206
CURRENT LIABILITIES					
Payable from current assets:					
Vouchers payable	583,300	181,823	73,169	838,292	12,337
Accrued other expenses	-	-	-	-	-
Accrued payroll and vacation	57,560	21,473	-	79,033	-
Due to other funds	-	-	-	-	-
Pollution remediation liability	-	-	-	-	-
Unpaid claims and accrued estimated liability	-	-	-	-	32,882
Total	640,860	203,296	73,169	917,325	45,219
Payable from restricted assets:					
Current portion of revenue bonds	-	-	-	-	-
Current portion of note payable	-	-	-	-	-
Customer deposits	125,740	51,005	-	176,745	-
Total	125,740	51,005	-	176,745	-
Total liabilities	766,600	254,301	73,169	1,094,070	45,219
Total current liabilities	766,600	254,301	73,169	1,094,070	45,219
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	12,537,794	1,579,403	-	14,117,197	-
Restricted for debt service	0	-	-	-	-
Unrestricted	4,015,645	2,485,017	(26,404)	6,474,258	114,987
Total net assets	\$ 16,553,439	\$ 4,064,420	\$ (26,404)	20,591,455	\$ 114,987
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(491,146)	
Net assets of business-type activities				\$ 20,100,309	

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, 2012**

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
Operating revenues:					
Charges for services	\$ 3,363,629	\$ 1,520,166	\$ 873,043	\$ 5,756,838	\$ -
Employee and employer contributions	-	-	-	-	1,483,441
Miscellaneous income	13,717	-	-	13,717	-
Total operating revenues	<u>3,377,346</u>	<u>1,520,166</u>	<u>873,043</u>	<u>5,770,555</u>	<u>1,483,441</u>
Operating expenses:					
Natural gas purchases	-	662,164	-	662,164	-
Production	1,433,551	-	-	1,433,551	-
Distribution	954,969	666,566	-	1,621,535	-
Collection	-	-	882,478	882,478	-
Health benefit costs	-	-	-	-	1,328,142
Miscellaneous expenses	-	-	-	-	147,398
Total operating expenses	<u>2,388,520</u>	<u>1,328,730</u>	<u>882,478</u>	<u>4,599,728</u>	<u>1,475,540</u>
Net operating income (loss) before depreciation	988,826	191,436	(9,435)	1,170,827	7,901
Depreciation expense	<u>982,126</u>	<u>117,482</u>	<u>-</u>	<u>1,099,608</u>	<u>-</u>
Operating income (loss)	<u>6,700</u>	<u>73,954</u>	<u>(9,435)</u>	<u>71,219</u>	<u>7,901</u>
Non-operating revenues (expenses):					
Interest revenue	22,326	16,120	-	38,446	1,466
Interest expense	(184,815)	-	-	(184,815)	-
Amortization of bond costs	<u>(144,918)</u>	<u>-</u>	<u>-</u>	<u>(144,918)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(307,407)</u>	<u>16,120</u>	<u>-</u>	<u>(291,287)</u>	<u>1,466</u>
Income (loss) before contributions and transfers	(300,707)	90,074	(9,435)	(220,068)	9,367
Transfers in	5,508,271	141,023	18,265	5,667,559	141,125
Transfers out	<u>(392,664)</u>	<u>-</u>	<u>-</u>	<u>(392,664)</u>	<u>-</u>
Change in net assets	4,814,900	231,097	8,830	5,054,827	150,492
Net assets, July 1	<u>11,738,539</u>	<u>3,833,323</u>	<u>(35,234)</u>		<u>(35,505)</u>
Net assets, June 30	<u>\$ 16,553,439</u>	<u>\$ 4,064,420</u>	<u>\$ (26,404)</u>		<u>\$ 114,987</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>1,496</u>	
Change in net assets of business-type activities				<u>\$ 5,056,323</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, 2012

	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	\$ 3,382,778	\$ 1,439,435	\$ 864,649	\$ 5,686,862	\$ -
Cash received from employer and employee contributions	-	-	-	-	1,483,441
Cash payments to:					
Suppliers and vendors	(883,552)	(1,305,899)	(882,914)	(3,072,365)	-
Medical providers and/or employees	-	-	-	-	(1,666,932)
Employees	(1,102,615)	(243,388)	-	(1,346,003)	-
City in lieu of taxes	(85,300)	(150,000)	-	(235,300)	-
Net cash provided by (used in) operating activities	1,311,311	(259,852)	(18,265)	1,033,194	(183,491)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advances to other funds	55,582	59,809	-	115,391	-
Transfers from other funds	5,508,271	141,023	18,265	5,667,559	141,125
Transfers to other funds	(392,664)	-	-	(392,664)	-
Net cash provided by noncapital financing activities	5,171,189	200,832	18,265	5,390,286	141,125
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Retirement of bonds	(4,675,000)	-	-	(4,675,000)	-
Interest on bonds	(223,540)	-	-	(223,540)	-
Purchase of capital assets	(1,426,359)	(118,445)	-	(1,544,804)	-
Principal payments on notes payable	(324,441)	-	-	(324,441)	-
Net cash used in capital and related financing activities	(6,649,340)	(118,445)	-	(6,767,785)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from investment sales	2,260,723	1,796,937	-	4,057,660	-
Purchase of investments	(2,282,704)	(1,813,057)	-	(4,095,761)	-
Interest received	22,326	16,120	-	38,446	1,466
Net cash provided by investing activities	345	-	-	345	1,466

(Continued)

CITY OF CORDELE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
Net decrease in cash	\$ (166,495)	\$ (177,465)	\$ -	\$ (343,960)	\$ (40,900)
Cash and cash equivalents, July 1	1,499,224	563,893	-	2,063,117	201,106
Cash and cash equivalents, June 30	<u>\$ 1,332,729</u>	<u>\$ 386,428</u>	<u>\$ -</u>	<u>\$ 1,719,157</u>	<u>\$ 160,206</u>
Classified as:					
Cash	\$ 977,534	\$ 335,423	\$ -	\$ 1,312,957	\$ 160,206
Restricted assets:					
Cash	44,907	-	-	44,907	-
Cash - customer deposits	116,825	51,005	-	167,830	-
Investments - sinking funds	193,463	-	-	193,463	-
	<u>\$ 1,332,729</u>	<u>\$ 386,428</u>	<u>\$ -</u>	<u>\$ 1,719,157</u>	<u>\$ 160,206</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 6,700	\$ 73,954	\$ (9,435)	\$ 71,219	\$ 7,901
Depreciation	982,126	117,482	-	1,099,608	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	5,432	(79,057)	(8,394)	(82,019)	-
Decrease in inventory	-	(193,628)	-	(193,628)	-
Decrease in prepaid expenses	-	2,734	-	2,734	-
Increase (decrease) in vouchers payable	301,789	(181,609)	(436)	119,744	6,273
Decrease in unpaid claims and accrued estimated liability	-	-	-	-	(197,665)
Increase (decrease) in customer deposits	9,110	(1,675)	-	7,435	-
Increase (decrease) in accrued expenses	6,154	1,947	-	8,101	-
Net cash provided by (used in) operating activities	<u>\$ 1,311,311</u>	<u>\$ (259,852)</u>	<u>\$ (18,265)</u>	<u>\$ 1,033,194</u>	<u>\$ (183,491)</u>

CITY OF CORDELE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

The **Cordele Office Building Authority (“COBA”)** has been included as a 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.

The City has historically presented COBA as a discretely presented component unit in prior year’s annual reports. However, the City has elected to early adopt Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (An Amendment to GASB No.’s 14 and 34)*. This standard addresses the concept and definition of a component unit, and specifically addresses the criteria determining whether a component unit should be blended or

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

discretely presented. COBA has historically been discretely presented, but in light of the evolving debt administration relationship COBA has developed with the City, officials have elected to blend COBA with the respective governmental funds and governmental activities of the City for the fiscal year beginning July 1, 2011 resulting in the City recognizing a restatement of total non-major governmental funds as well the net assets of the governmental activities.

	Governmental Funds	Governmental Activities
Previously reported fund balance and net assets as of June 30, 2011, respectively	\$ 4,049,011	\$ 16,219,366
Previously reported fund balance and net assets of COBA as of June 30, 2011, respectively:		
Cash	782,187	782,187
Deferred charges, unamortized balance	-	47,651
Accrued liabilities	-	(15,231)
Bonds payable	-	(1,660,000)
Restated fund balance and net assets as of June 30, 2011, respectively	<u>\$ 4,831,198</u>	<u>\$ 15,373,973</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

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

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

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, 2012, 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, 2012:

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, 2012, 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. Any 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

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	\$ (225,497)
Notes payable	(471,600)
Bonds payable	(6,635,000)
Bond issuance costs	131,367
Accrued interest	(59,369)
Compensated absences	<u>(178,111)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (7,438,210)</u></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	\$ 1,172,599
Depreciation expense	<u>(800,579)</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><u>\$ 372,020</u></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	\$ 4,925
Accrued interest	<u>(38,640)</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>\$ (33,715)</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	\$ (25,647)
Proceeds from debt - bonds payable	(5,305,000)
Principal repayments	395,082
Capitalization of bond issuance costs	88,441
Amortization of bond issuance costs	<u>(4,724)</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>\$ (4,851,848)</u></u>

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

1. Prior to June 1, the City Manager submits to the Chairman and Commission a proposed operating and capital improvements budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the June City Commission meeting in the Cordele City Hall to obtain citizen comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.

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, 2012, expenditures exceeded budgeted appropriations, as follows:

<u>Fund or Department</u>	<u>Excess</u>
General Fund:	
General Government:	
Judicial	4,420
Public Works:	
Highways and Streets	39,349
Public Safety:	
Police	34,035
Fire	16,031
Central Purchasing	3,461
Debt Service:	
Principal Retirement	24,816
Capitol Outlay	35,521
 Downtown Revitalization Fund	 2,093
Hotel Tax Fund	17,588
A.B. Branan Community Clubhouse Fund	21,662

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, 2012, are summarized as follows:

As reported in the Statement of Net Assets:

Primary government:

Cash and cash equivalents	\$ 3,944,063
Investments	5,792,349
	<u>\$ 9,736,412</u>

Cash deposited with financial institutions	\$ 8,329,229
Cash deposited with Georgia Fund 1	928,943
Investment in U.S. Government Securities	193,463
Investments in Corporate Stock	284,777
	<u>\$ 9,736,412</u>

Component units:

Cash and cash equivalents	<u>\$ 3,270</u>
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Cash deposited with financial institutions	<u>\$ 3,270</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, 2012, 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, 2012, the City had the following investments:

Investments	Maturities	Fair Value
Georgia Fund 1	48 day average maturity	\$ 928,943
U.S Government Securities	December 2024	193,463
Certificates of Deposit	86 day weighted average	4,385,166
Corporate Stock - Exxon	Not applicable	284,777
Total		<u>\$ 5,792,349</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, 2012, 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, 2012, are recorded as receivables, net of estimated uncollectibles. In the governmental funds, the net receivables collected during the year ended June 30, 2012, and expected to be collected by August 31, 2012, are recognized as revenues for the year ended June 30, 2012, whereas, net receivables estimated to be collectible subsequent to August 31, 2012, are recorded as revenue when received. Receivables at June 30, 2012, 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	\$ 556,015	\$ -	\$ -	\$ -	\$ -	\$ 49,552
Accounts	168,693	-	299,120	167,171	54,755	-
Mortgages	100,000	447,921	-	-	-	84,191
IDA/SPLOST	100,000					
Participant	-	-	-	-	-	1,000
Due from other governments	222,207	-	-	-	-	113,740
Gross receivables	1,146,915	447,921	299,120	167,171	54,755	248,483
Less allowance for uncollectible	313,904	-	60,132	17,311	7,990	-
Net total receivables	<u>\$ 833,011</u>	<u>\$ 447,921</u>	<u>\$ 238,988</u>	<u>\$ 149,860</u>	<u>\$ 46,765</u>	<u>\$ 248,483</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2012 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	1,621,169	90,772	-	(1,580,689)	131,252
Total	<u>6,510,426</u>	<u>90,772</u>	<u>-</u>	<u>(1,580,689)</u>	<u>5,020,509</u>
Capital assets, being depreciated:					
Buildings	3,620,934	660,810	-	20,070	4,301,814
Improvements other than buildings	2,955,345	-	-	-	2,955,345
Infrastructure	4,503,135	-	-	1,560,619	6,063,754
Machinery and equipment	6,002,883	421,017	278,559	-	6,145,341
Total	<u>17,082,297</u>	<u>1,081,827</u>	<u>278,559</u>	<u>1,580,689</u>	<u>19,466,254</u>
Less accumulated depreciation for:					
Buildings	1,771,959	131,177	-	-	1,903,136
Improvements other than buildings	2,915,722	575	-	-	2,916,297
Infrastructure	1,764,748	286,340	-	-	2,051,088
Machinery and equipment	4,720,234	382,487	261,162	-	4,841,559
Total	<u>11,172,663</u>	<u>800,579</u>	<u>261,162</u>	<u>-</u>	<u>11,712,080</u>
Total capital assets, being depreciated, net	<u>5,909,634</u>	<u>281,248</u>	<u>17,397</u>	<u>1,580,689</u>	<u>7,754,174</u>
Governmental activities capital assets, net	<u>\$ 12,420,060</u>	<u>\$ 372,020</u>	<u>\$ 17,397</u>	<u>\$ -</u>	<u>\$ 12,774,683</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	-	-	-	-	-
Total	326,299	-	-	-	326,299
Capital assets, being depreciated:					
Buildings	2,070,866	-	-	-	2,070,866
Improvements other than buildings	30,456,363	922,417	-	-	31,378,780
Machinery and equipment	2,385,515	622,388	10,986	-	2,996,917
Total	34,912,744	1,544,805	10,986	-	36,446,563
Less accumulated depreciation for:					
Buildings	1,304,135	45,026	-	-	1,349,161
Improvements other than buildings	18,064,308	904,487	-	519,931	19,488,726
Machinery and equipment	2,198,600	150,095	10,986	(519,931)	1,817,778
Total	21,567,043	1,099,608	10,986	-	22,655,665
Total capital assets, being depreciated, net	13,345,701	445,197	-	-	13,790,898
Business-type activities capital assets, net	\$ 13,672,000	\$ 445,197	\$ -	\$ -	\$ 14,117,197

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

Governmental activities:	
General government	\$ 97,006
Public safety	276,310
Public works	345,467
Community development	58,648
Central purchasing	1,449
Culture and recreation	21,699
Total depreciation expense - governmental activities	<u>\$ 800,579</u>
Business-type activities:	
Water and sewer	\$ 982,126
Natural gas	117,482
Total depreciation expense - business-type activities	<u>\$ 1,099,608</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 239,932	\$ 25,647	\$ 40,082	\$ 225,497	\$ 41,771
Note payable - One Georgia Authority	496,600	-	25,000	471,600	25,000
Bonds payable - COBA	1,660,000	5,305,000	330,000	6,635,000	471,547
Compensated absences	183,036	232,550	237,475	178,111	178,111
Governmental activity Long-term liabilities	<u>\$ 2,579,568</u>	<u>\$ 5,563,197</u>	<u>\$ 632,557</u>	<u>\$ 7,510,208</u>	<u>\$ 716,429</u>
Business-type activities:					
Revenue bonds	\$ 4,675,000	\$ -	\$ 4,675,000	\$ -	\$ -
Note payable	324,441	-	324,441	-	-
Compensated absences	43,847	50,424	49,236	45,035	45,035
Business-type activity Long-term liabilities	<u>\$ 5,043,288</u>	<u>\$ 50,424</u>	<u>\$ 5,048,677</u>	<u>\$ 45,035</u>	<u>\$ 45,035</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, 2012:

	Governmental Activities
Machinery and equipment	\$ 326,377
Less: Accumulated depreciation	(104,698)
	<u>\$ 221,679</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, 2012:

	Governmental Activities
Fiscal year ending June 30,	
2013	\$ 51,712
2014	51,712
2015	42,305
2016	34,465
2017	29,658
Thereafter through 2020	50,049
Total minimum lease payments	259,901
Less amount representing interest	34,404
Present value of future minimum lease payments	<u>\$ 225,497</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, 2012:

<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	\$ 471,600

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

<u>Year Ending June 30,</u>	<u>Principal</u>
2013	\$ 25,000
2014	25,000
2015	25,000
2016	25,000
2017	25,000
2018-2022	125,000
2023-2027	125,000
2028-2031	96,600
Total	<u>\$ 471,600</u>

NOTES TO FINANCIAL STATEMENTS

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

Revenue Bonds

Revenue bonds outstanding at June 30, 2012, are as follows:

<u>Series</u>	<u>Purpose</u>	<u>Interest Rate(s)</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Balance at June 30, 2012</u>
2005 Series	Cordele Industrial Park	3.67%	20 years	April 2025	\$ 3,145,000	\$ 1,330,000
2012A Series	Provide Funds to City to Retire Water/Sewer Debts	2.42%	13 years	November 2024	5,000,000	5,000,000
2012B Series	Provide Funds to City to Retire Water/Sewer Debts	1.90%	7 years	November 2018	305,000	305,000
						\$ 6,635,000

During the year ended June 30, 2012, COBA issued revenue refunding bonds to pay off the 1998 series Water and Sewer Fund revenue bonds and the Water and Sewer Fund loan payable to the Georgia Environmental Finance Authority (GEFA). COBA and the City entered into an intergovernmental agreement whereby the City absolutely and unconditionally agreed to repay the entire debt obligation. The City recorded a note payable (less undisbursed proceeds) on the government-wide financial statements to reflect its obligation for COBA revenue bond debt service payments.

Revenue bonds debt service requirements to maturity are as follows:

	<u>Total Amount of Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30,			
2013	\$ 471,547	\$ 173,309	\$ 644,856
2014	485,846	161,074	646,920
2015	500,367	148,434	648,801
2016	510,115	135,383	645,498
2017	525,095	122,099	647,194
2018 - 2022	2,658,292	402,455	3,060,747
2023 - 2025	1,483,738	67,909	1,551,647
	\$ 6,635,000	\$ 1,210,663	\$ 7,845,663

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City's interfund receivables and payables at June 30, 2012 (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, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major governmental funds	General Fund	<u>\$ 95,324</u>

Interfund transfers recorded and transacted during the year ended June 30, 2012 are as follows:

	<u>Transfers Out:</u>			
	<u>General Fund</u>	<u>Water & Sewer Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
<u>Transfers in:</u>				
General Fund	\$ -	\$ 1,742	\$ 188,953	\$ 190,695
Water & Sewer Fund	-	-	5,508,271	5,508,271
Health Benefit Fund	141,125	-	-	141,125
Gas Fund	35,433	-	105,590	141,023
Sanitation Fund	18,265	-	-	18,265
Non-major Funds	-	390,922	88,447	479,369
Total	<u>\$ 194,823</u>	<u>\$ 392,664</u>	<u>\$ 5,891,261</u>	<u>\$ 6,478,748</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION COSTS

Plan Description

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

Funding Policy

The funding policy for the plan is to contribute an actuarially determined amount equal to the recommended contribution in each year. The City makes all contributions to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 6.90% of annual covered payroll.

Annual Pension Cost

The City's annual recommended contribution for the pension plan year beginning January 1, 2012, (the most recent actuarial valuation date) was \$293,845. The recommended contribution was determined as part of the January 1, 2012 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION COSTS (CONTINUED)

Trend Information

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

<u>Plan Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/09	\$ 546,364	100 %	\$ -
12/31/10	320,123	100	-
12/31/11	293,845	100	-

As of the most recent valuation date, January 1, 2012, 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>
1/1/12	\$9,599,509	\$10,130,705	\$531,196	94.8%	\$4,112,259	12.9%

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, 2012.

NOTES TO FINANCIAL STATEMENTS

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, 2012, there were no known amounts questioned or earmarked for disallowance. Based upon prior experience, management of the City believes such disallowances, if any, will not have a material effect on any individual governmental fund or the overall financial position of the City.

Litigation

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

NOTE 11. RISK MANAGEMENT

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (CONTINUED)

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The City carries commercial insurance for other risks of losses such as general property and liability insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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

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

Reconciliation of changes in the aggregate liabilities for claims:

	June 30, 2012	June 30, 2011
Claims liability, beginning of year	\$ 230,547	\$ 232,326
Incurred claims (including IBNRs)	1,328,142	980,589
Claims paid	(1,542,552)	(1,301,830)
Claims reimbursed from reinsurers	16,745	319,462
Claims liability, end of year	<u>\$ 32,882</u>	<u>\$ 230,547</u>

NOTES TO FINANCIAL STATEMENTS

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, 2012, the City did not provide any contributions to the Cordele Housing Authority.

NOTE 13. JOINT VENTURES

Under Georgia Law, the City, in conjunction with other cities and counties in the eight-county west central Georgia area, is a member of the River Valley Regional Commission and is required to pay annual dues thereto. During the year ended June 30, 2012, the City paid \$11,147 in such dues. Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of Regional Development Centers (RDCs) in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from the River Valley Regional Commission, 228 West Lamar Street, Americus, Georgia 31709.

NOTE 14. HOTEL/MOTEL LODGING TAX

The City has levied a 5% lodging tax, which is composed of a 3% original base tax and a 2% additional tax added in 2010. Revenues collected during the fiscal year ended June 30, 2012 were \$440,580. 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 \$249,377. Management represents that 100% of the lodging tax received during the year ended June 30, 2012, was used for the promotion of tourism, conventions, or trade shows.

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
01/01/07	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
01/01/12	9,599,509	10,130,705	531,196	94.8	4,112,259	12.9

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

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

Hotel Tax Fund – This fund is used to account for the City's revenues and expenditures related to the Hotel Lodging tax levied during the year. The City collects 5% of lodging fees and forwards a portion of the revenue collected to the Tourism Board.

Cordele Office Building Authority (COBA) – This is the general fund of a blended component unit used to oversee the acquisition, construction and improvements to buildings for the benefit of the City in order to attract new businesses and residences.

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds (Continued)

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

The **SPLOST 2006 – 2011 Fund** - This fund is used to account for financing and construction of facilities and improvements in accordance with a sales tax referendum associated with the years 2006 through 2011.

The **SPLOST 2012 – 2017 Fund** - This fund is used to account for financing and construction of facilities and improvements in accordance with a sales tax referendum associated with the years 2012 through 2017.

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

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

Permanent Fund

A.B. Branan Community Clubhouse Trust Fund (a Non-expendable Trust Fund) - This fund is used to account for the trust of 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, 2012

	Special Revenue Funds				
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund	COBA Fund
ASSETS					
Cash	\$ 97,262	\$ 18,481	\$ 13,539	\$ -	\$ 384,864
Investments	-	-	-	-	-
Due from other funds	-	-	7,627	14,820	-
Mortgages receivable	84,191	-	-	-	-
Taxes receivables	-	-	-	49,552	-
Due from other governments	-	-	-	-	-
Participants receivable	-	-	-	-	-
Total assets	<u>\$ 181,453</u>	<u>\$ 18,481</u>	<u>\$ 21,166</u>	<u>\$ 64,372</u>	<u>\$ 384,864</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	21,238	103
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,238</u>	<u>103</u>
FUND BALANCES					
Nonspendable:					
Loans receivable - long-term	84,191	-	-	-	-
Endowment - Community clubhouse	-	-	-	-	-
Restricted for:					
Clubhouse expenses	-	-	-	-	-
Federal programs	97,262	-	-	-	-
Promotion of tourism	-	-	-	43,134	-
Law enforcement purposes	-	18,481	-	-	-
Capital projects	-	-	-	-	384,761
Assigned to:					
Downtown revitalization	-	-	21,166	-	-
Capital projects funds	-	-	-	-	-
	<u>181,453</u>	<u>18,481</u>	<u>21,166</u>	<u>43,134</u>	<u>384,761</u>
Total liabilities and fund balance	<u>\$ 181,453</u>	<u>\$ 18,481</u>	<u>\$ 21,166</u>	<u>\$ 64,372</u>	<u>\$ 384,864</u>

Capital Projects Funds					Permanent Fund	Total Nonmajor Governmental Funds
Capital Projects Fund	SPLOST 2006 - 2011 Fund	SPLOST 2012 - 2017 Fund	CDBG Rehabilitation Fund	CHIP Grant Fund	A.B. Branen Community Clubhouse Fund	
\$ 695,734	\$ 264,727	\$ 144,513	\$ 13,005	\$ 67,243	\$ 34,728	\$ 1,734,096
-	-	-	-	-	284,777	284,777
72,787	-	-	-	-	-	95,234
-	-	-	-	-	-	84,191
-	-	-	-	-	-	49,552
-	-	113,740	-	-	-	113,740
-	-	-	-	1,000	-	1,000
<u>\$ 768,521</u>	<u>264,727</u>	<u>\$ 258,253</u>	<u>\$ 13,005</u>	<u>\$ 68,243</u>	<u>\$ 319,505</u>	<u>\$ 2,362,590</u>
\$ -	-	\$ -	\$ -	\$ 64,094	\$ -	\$ 64,094
74,546	-	-	-	-	-	95,887
-	-	-	-	-	-	-
<u>74,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,094</u>	<u>-</u>	<u>159,981</u>
-	-	-	-	-	-	84,191
-	-	-	-	-	50,236	50,236
-	-	-	-	-	269,269	269,269
-	-	-	13,005	4,149	-	114,416
-	-	-	-	-	-	43,134
-	-	-	-	-	-	18,481
-	264,727	258,253	-	-	-	907,741
-	-	-	-	-	-	-
-	-	-	-	-	-	21,166
<u>693,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>693,975</u>
<u>693,975</u>	<u>264,727</u>	<u>258,253</u>	<u>13,005</u>	<u>4,149</u>	<u>319,505</u>	<u>2,202,609</u>
<u>\$ 768,521</u>	<u>264,727</u>	<u>\$ 258,253</u>	<u>\$ 13,005</u>	<u>\$ 68,243</u>	<u>\$ 319,505</u>	<u>\$ 2,362,590</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, 2012

	Special Revenue Funds				
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund	COBA Fund
Revenues:					
Taxes	\$ -	\$ -	\$ 10,351	\$ 440,580	\$ -
Intergovernmenta	-	-	-	-	-
Donations	-	-	43,965	-	-
Interest and dividend income	3,144	-	3	-	78
Net increase in the fair value of investments	-	-	-	-	-
Total revenues	<u>3,144</u>	<u>-</u>	<u>54,319</u>	<u>440,580</u>	<u>78</u>
Expenditures:					
Current:					
Capital outlay	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	67,093	251,627	-
Debt service:					
Principal	-	-	-	-	330,000
Interest and fiscal charges	-	-	-	-	149,565
Total expenditures	<u>-</u>	<u>-</u>	<u>67,093</u>	<u>251,627</u>	<u>479,565</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,144</u>	<u>-</u>	<u>(12,774)</u>	<u>188,953</u>	<u>(479,487)</u>
Other financing sources (uses):					
Proceeds from issuance of bonds	-	-	-	-	5,305,000
Transfers in from other funds	-	-	-	-	479,369
Transfers out to other funds	-	-	-	(188,953)	(5,702,308)
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(188,953)</u>	<u>82,061</u>
Net change in fund balances	3,144	-	(12,774)	-	(397,426)
Fund balances, beginning of year, as restated	<u>178,309</u>	<u>18,481</u>	<u>33,940</u>	<u>43,134</u>	<u>782,187</u>
Fund balances, end of year	<u>\$ 181,453</u>	<u>\$ 18,481</u>	<u>\$ 21,166</u>	<u>\$ 43,134</u>	<u>\$ 384,761</u>

Capital Projects Funds					Permanent Fund	
Capital Projects Fund	SPLOST 2006 - 2011 Fund	SPLOST 2012 - 2017 Fund	CDBG Rehabilitation Fund	CHIP Grant Fund	A.B. Branan Community Clubhouse Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 450,931
-	-	258,252	-	-	-	258,252
-	-	-	-	-	-	43,965
-	476	2	-	30	6,620	10,353
-	-	-	-	-	13,944	13,944
-	476	258,253	-	30	20,564	777,444
-	-	-	-	-	-	-
-	741,134	-	-	-	-	741,134
-	-	-	-	-	26,197	26,197
-	-	-	-	-	-	318,720
-	-	-	-	-	-	330,000
-	-	-	-	-	-	149,565
-	741,134	-	-	-	26,197	1,565,616
-	-	-	-	-	-	-
-	(740,658)	258,253	-	30	(5,633)	(788,172)
-	-	-	-	-	-	5,305,000
-	-	-	-	-	-	479,369
-	-	-	-	-	-	(5,891,261)
-	-	-	-	-	-	(106,892)
-	(740,658)	258,253	-	30	(5,633)	(895,064)
693,975	1,005,385	-	13,005	4,119	325,138	3,097,673
\$ 693,975	\$ 264,727	\$ 258,253	\$ 13,005	\$ 4,149	\$ 319,505	\$ 2,202,609

CITY OF CORDELE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>No.</u>	<u>Project</u>	<u>Original and Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<u>2006 Referendum</u>					
1	Library improvements	\$ 300,000	\$ 164,044	\$ 468,579	\$ 632,623
2	Industrial Park Elevated Tank	1,000,000	953,609	-	953,609
3	Water/Sewer Improvements	1,110,000	819,531	-	819,531
4	Police Vehicles	600,000	526,690	107,512	634,202
5	City Hall Improvements / HVAC/ADA	500,000	469,467	165,043	634,510
6	Emergency Warnings Signals	100,000	-	-	-
7	Public Works Equipment	90,000	202,139	-	202,139
8	Fire HVAC Systems	50,000	18,172	-	18,172
Totals		<u>\$ 3,750,000</u>	<u>\$ 3,153,652</u>	<u>\$ 741,134</u>	<u>\$ 3,894,786</u>

(Continued)

CITY OF CORDELE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>No.</u>	<u>Project</u>	<u>Original and Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
		<u>2012 Referendum</u>			
1	Sanitary Sewer	\$ -	\$ -	\$ -	\$ -
2	Gum Creek Facility	600,000	-	-	-
3	City Roads	600,000	-	-	-
4	Water & Sewer Utilities	1,000,000	-	-	-
5	Inland Port Utilities	500,000	-	-	-
6	City Hall/Fire Station 1 & 2	500,000	-	-	-
7	Police Cars	450,000	-	-	-
8	Fire Department	275,000			
9	Water Meters	-			
10	Public Works Vehicles	100,000	-	-	-
	Totals	<u>\$ 4,025,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMPONENT UNIT

CITY OF CORDELE, GEORGIA

BALANCE SHEET COMPONENT UNIT JUNE 30, 2012

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

CITY OF CORDELE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENT UNIT FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Downtown Development Authority</u>
Revenues	
Unrestricted investment earnings	\$ 22
Contribution revenues	-
Total revenues	<u>22</u>
Expenditures	
Professional services	<u>10,000</u>
Total expenditures	<u>10,000</u>
Excess (deficiency) of revenues over expenditures	<u>(9,978)</u>
Net change in fund balances	(9,978)
Fund balances, July 1	<u>13,248</u>
Fund balances, June 30	<u><u>\$ 3,270</u></u>

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cordele, Georgia (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 18, 2012. 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.

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

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

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 December 18, 2012.

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
December 18, 2012

CITY OF CORDELE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:
Material weaknesses identified?

___ yes X no

Significant deficiencies identified not considered
to be material weaknesses?

___ yes X none reported

Noncompliance material to financial statements
noted?

___ yes X no

Federal Awards

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

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

Not applicable

SECTION III FEDERAL AWARD FINDINGS

Not applicable

CITY OF CORDELE, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

2011 - 1. Recording 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: 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.

Auditee Response/Status: Resolved.

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.

Auditee Response/Status: Resolved.

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.

Auditee Response/Status: Resolved.