
CITY OF COCHRAN, GEORGIA

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

CITY OF COCHRAN, GEORGIA
Financial Statements
For the Fiscal Year Ended June 30, 2013

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CITY OF COCHRAN, GEORGIA
Financial Statements
for the Fiscal Year Ended June 30, 2013


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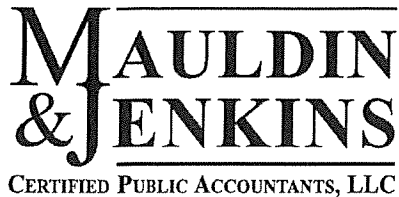
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Financial Section



INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members
of City Council
City of Cochran
Cochran, Georgia**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in 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 from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of July 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedule of funding progress as listed in the table of contents 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.

The City has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cochran, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements, the schedule of special purpose local option sales tax expenditures and other grant schedules listed as supplementary information in the table of contents (the "supplementary information") are presented for purposes of additional analysis and are not a required part of the basic financial statements.


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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
June 16, 2014



Basic Financial Statements

CITY OF COCHRAN, GEORGIA
Statement of Net Position
June 30, 2013

| | Governmental Activities | Business-Type Activities | Total |
|-------------------------------------------------------------------------------|----------------------------|-----------------------------|-----------------------------|
| ASSETS: | | | |
| Cash..... | \$ 591,989 | \$ 868,465 | \$ 1,460,454 |
| Restricted investments, current | - | 69,898 | 69,898 |
| Receivables, net: | | | |
| Taxes | 34,038 | - | 34,038 |
| Fines and forfeitures | 24,601 | - | 24,601 |
| Customers | - | 328,033 | 328,033 |
| Intergovernmental | 117,882 | - | 117,882 |
| Others | 4,466 | - | 4,466 |
| Prepaid Items | 50,374 | 37,708 | 88,082 |
| Inventory, at cost | 1,567 | 2,169 | 3,736 |
| Bond issue cost, net | - | 29,448 | 29,448 |
| Investment in joint venture | - | 695,606 | 695,606 |
| Restricted investments, noncurrent | - | 183,284 | 183,284 |
| Capital assets not being depreciated | 1,317,775 | 32,015 | 1,349,790 |
| Capital assets being depreciated, net | <u>7,165,203</u> | <u>6,804,254</u> | <u>13,969,457</u> |
| TOTAL ASSETS | <u>9,307,895</u> | <u>9,050,880</u> | <u>18,358,775</u> |
| LIABILITIES: | | | |
| Accounts payable | 108,051 | 114,133 | 222,184 |
| Deposits payable | - | 52,391 | 52,391 |
| Salaries and benefits payable | 63,637 | 16,568 | 80,205 |
| Accrued interest | - | 14,638 | 14,638 |
| Compensated absences, payable within one year | 60,737 | 21,665 | 82,402 |
| Compensated absences, payable after one year | 30,068 | 10,726 | 40,794 |
| Lease payable due within one year | 72,962 | - | 72,962 |
| Bonds payable due within one year - (payable from restricted assets) | - | 69,898 | 69,898 |
| Bonds and leases payable due after one year | <u>60,745</u> | <u>3,265,059</u> | <u>3,325,804</u> |
| TOTAL LIABILITIES | <u>396,200</u> | <u>3,565,078</u> | <u>3,961,278</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 8,349,271 | 3,501,312 | 11,850,583 |
| Restricted for capital improvements | 480,014 | - | 480,014 |
| Restricted for transportation projects | 24,828 | - | 24,828 |
| Restricted for debt service | - | 253,182 | 253,182 |
| Unrestricted | <u>57,582</u> | <u>1,731,308</u> | <u>1,788,890</u> |
| TOTAL NET POSITION | <u>\$ 8,911,695</u> | <u>\$ 5,485,802</u> | <u>\$ 14,397,497</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF COCHRAN, GEORGIA
Statement of Activities
For the Fiscal Year Ended June 30, 2013

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> | | |
|--------------------------------------------|---------------------|---------------------------------------------------------|---------------------------------------------------|-------------------------------------------------|--------------------------------------------------------------|-------------------------------------------|----------------------|
| | | <u>Fees, Fines and Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business - type Activities</u> | <u>Total</u> |
| Governmental activities: | | | | | | | |
| General government..... | \$ 1,017,822 | \$ 299,673 | \$ - | \$ - | \$ (718,149) | \$ - | \$ (718,149) |
| Public safety..... | 1,431,784 | - | 58,416 | 113,271 | (1,260,097) | - | (1,260,097) |
| Public works..... | 871,548 | - | - | 514,461 | (357,087) | - | (357,087) |
| Airport..... | 154,908 | - | - | - | (154,908) | - | (154,908) |
| Community development..... | 16,830 | - | - | - | (16,830) | - | (16,830) |
| Interest on long-term debt..... | 4,994 | - | - | - | (4,994) | - | (4,994) |
| Total governmental activities..... | <u>3,497,886</u> | <u>299,673</u> | <u>58,416</u> | <u>627,732</u> | <u>(2,512,065)</u> | <u>-</u> | <u>(2,512,065)</u> |
| Business-type activities: | | | | | | | |
| Water and sewer..... | 1,147,458 | 1,188,463 | - | - | - | 41,005 | 41,005 |
| Natural gas..... | 1,515,676 | 1,780,578 | - | - | - | 264,902 | 264,902 |
| Solid waste..... | 543,427 | 681,148 | - | - | - | 137,721 | 137,721 |
| Total business-type activities..... | <u>3,206,561</u> | <u>3,650,189</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>443,628</u> | <u>443,628</u> |
| Total..... | <u>\$ 6,704,447</u> | <u>\$ 3,949,862</u> | <u>\$ 58,416</u> | <u>\$ 627,732</u> | <u>(2,512,065)</u> | <u>443,628</u> | <u>(2,068,437)</u> |
| General revenues: | | | | | | | |
| Property taxes..... | | | | | 885,464 | - | 885,464 |
| General sales tax..... | | | | | 489,944 | - | 489,944 |
| Hotel/Motel tax..... | | | | | 16,830 | - | 16,830 |
| Other taxes..... | | | | | 616,960 | - | 616,960 |
| Interest earnings..... | | | | | 510 | 1,587 | 2,097 |
| Miscellaneous..... | | | | | 1,927 | 2,258 | 4,185 |
| Gain (loss) on sale of capital assets..... | | | | | 35,000 | 2,405 | 37,405 |
| Capital asset reassignment..... | | | | | (65,936) | 65,936 | - |
| Transfers..... | | | | | 746,669 | (746,669) | - |
| Total general revenues and transfers..... | | | | | <u>2,727,368</u> | <u>(674,483)</u> | <u>2,052,885</u> |
| Changes in net position..... | | | | | 215,303 | (230,855) | (15,552) |
| Net position - beginning..... | | | | | <u>8,696,392</u> | <u>5,716,657</u> | <u>14,413,049</u> |
| Net position - ending..... | | | | | <u>\$ 8,911,695</u> | <u>\$ 5,485,802</u> | <u>\$ 14,397,497</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF COCHRAN, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2013

| | <u>General</u> | <u>Capital Projects- Special Sales Tax – 2007</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| ASSETS: | | | | |
| Cash | \$ 62,946 | \$ 385,542 | \$ 143,501 | \$ 591,989 |
| Receivables, net | | | | |
| Taxes | 30,548 | - | 3,490 | 34,038 |
| Fines and forfeitures | 24,601 | - | - | 24,601 |
| Customers | - | - | - | - |
| Intergovernmental | 46,844 | - | 71,038 | 117,882 |
| Others | 4,466 | - | - | 4,466 |
| Due from other funds | 53,624 | - | 29,130 | 82,754 |
| Advance to other funds | - | 446,454 | - | 446,454 |
| Prepaid items | 50,374 | - | - | 50,374 |
| Inventory | <u>1,567</u> | <u>-</u> | <u>-</u> | <u>1,567</u> |
| TOTAL ASSETS | <u>\$ 274,970</u> | <u>\$ 831,996</u> | <u>\$ 247,159</u> | <u>\$ 1,354,125</u> |
| LIABILITIES: | | | | |
| Accounts payable | \$ 87,774 | \$ - | \$ 20,277 | \$ 108,051 |
| Salaries and benefits payable | 63,637 | - | - | 63,637 |
| Other accrued liabilities | - | - | - | - |
| Due to other funds | - | 29,130 | 53,624 | 82,754 |
| Advance from other funds | <u>446,454</u> | <u>-</u> | <u>-</u> | <u>446,454</u> |
| TOTAL LIABILITIES | <u>597,865</u> | <u>29,130</u> | <u>73,901</u> | <u>700,896</u> |
| DEFERRED INFLOWS OF RESOURCES- | | | | |
| Unavailable revenue-property taxes .. | <u>11,066</u> | <u>-</u> | <u>-</u> | <u>11,066</u> |
| FUND BALANCES (DEFICITS): | | | | |
| Nonspendable: | | | | |
| Prepaid items | 50,374 | - | - | 50,374 |
| Inventory | 1,567 | - | - | 1,567 |
| Advance to other funds | - | 446,454 | - | 446,454 |
| Restricted: | | | | |
| Capital projects | - | 356,412 | 148,430 | 504,842 |
| Transportation projects | - | - | 24,828 | 24,828 |
| Unassigned- | | | | |
| General fund | <u>(385,902)</u> | <u>-</u> | <u>-</u> | <u>(385,902)</u> |
| TOTAL FUND BALANCES | <u>(333,961)</u> | <u>802,866</u> | <u>173,258</u> | <u>642,163</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 274,970</u> | <u>\$ 831,996</u> | <u>\$ 247,159</u> | <u>\$ 1,354,125</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF COCHRAN, GEORGIA
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2013

Differences in amounts reported for governmental activities in the
 statement of net position:

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Fund balances - total governmental funds | \$ 642,163 |
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds | 8,482,978 |
| Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds - Liability for compensated absences | (90,805) |
| Long-term notes payable are not due and payable in the current period and therefore are not reported in the governmental funds | (133,707) |
| Some governmental revenues will not be collected for several months after the year end and are deferred in the governmental funds | <u>11,066</u> |
| Net Position of governmental activities | <u>\$ 8,911,695</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF COCHRAN, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

| | General Fund | Capital Projects - Special Sales Tax – 2007 | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------------------------------|---------------------|------------------------------------------------------|--------------------------------|--------------------------------|
| REVENUES: | | | | |
| Taxes | \$ 1,979,878 | \$ - | \$ 41,658 | \$ 2,021,536 |
| Licenses and permits | 75,693 | - | - | 75,693 |
| Intergovernmental | 185,203 | 196,264 | 227,341 | 608,808 |
| Charges for services | 20,347 | - | - | 20,347 |
| Fines and forfeitures | 203,473 | - | - | 203,473 |
| Miscellaneous | 2,437 | 161 | 90 | 2,688 |
| Total Revenues | 2,467,031 | 196,425 | 269,089 | 2,932,545 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 996,893 | - | - | 996,893 |
| Public safety | 1,443,765 | - | - | 1,443,765 |
| Public works | 705,579 | - | - | 705,579 |
| Airport | 79,666 | - | - | 79,666 |
| Community development | - | - | 16,830 | 16,830 |
| Capital outlay | - | 204,870 | 185,059 | 389,929 |
| Debt service: | | | | |
| Principal | 14,678 | 51,134 | - | 65,812 |
| Interest | 1,625 | 3,369 | - | 4,994 |
| Total Expenditures | 3,242,206 | 259,373 | 201,889 | 3,703,468 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (775,175) | (62,948) | 67,200 | (770,923) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 726,677 | - | 19,992 | 746,669 |
| Issuance of capital leases | 81,970 | - | - | 81,970 |
| Sale of capital assets | 35,000 | - | - | 35,000 |
| Total Other Financing Sources | 843,647 | - | 19,992 | 863,639 |
| NET CHANGE IN FUND BALANCES | 68,472 | (62,948) | 87,192 | 92,716 |
| FUND BALANCE (DEFICIT), BEGINNING | (402,433) | 865,814 | 86,066 | 549,447 |
| FUND BALANCE (DEFICIT), ENDING | \$ (333,961) | \$ 802,866 | \$ 173,258 | \$ 642,163 |

The notes to the financial statements are an integral part of this statement

CITY OF COCHRAN, GEORGIA
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2013

Differences in amounts reported for governmental activities in the statement of activities:

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Net change in fund balances - total governmental funds..... | \$ 92,716 |
| Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net position | 449,619 |
| Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities | (325,850) |
| Issuance of long-term debt provides current financial resources in the governmental funds but are recorded as liabilities in the government activities statement of net position | (81,970) |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the statement of net position | 65,812 |
| Expenses for compensated absences are reported for governmental activities but do not require the use of current financial resources and therefore are not reported as expenditures for governmental funds: | |
| Liability balance at current fiscal year end..... | (90,805) |
| Liability balance at prior fiscal year end | 106,806 |
| Some governmental revenues will not be collected for several months after the year end and are deferred in the governmental funds: | |
| Unavailable revenue balance at current fiscal year end..... | 11,066 |
| Unavailable revenue balance at prior fiscal year end | (12,091) |
| Change in net position of governmental activities..... | <u>\$ 215,303</u> |

CITY OF COCHRAN, GEORGIA
Statement of Net Position
Proprietary Funds
June 30, 2013

| | Water and Sewer | Natural Gas | Solid Waste | Total |
|-----------------------------------------------------------------|---------------------|---------------------|------------------|---------------------|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash..... | \$ 643,890 | \$ 224,575 | \$ - | \$ 868,465 |
| Restricted investments..... | 69,898 | - | - | 69,898 |
| Receivables, net..... | 175,116 | 81,022 | 71,895 | 328,033 |
| Prepaid items..... | 19,458 | 9,125 | 9,125 | 37,708 |
| Inventory, at cost..... | 2,169 | - | - | 2,169 |
| Bond issue cost, net..... | 29,448 | - | - | 29,448 |
| Total Current Assets..... | <u>939,979</u> | <u>314,722</u> | <u>81,020</u> | <u>1,335,721</u> |
| Noncurrent Assets: | | | | |
| Investment in joint venture..... | - | 695,606 | - | 695,606 |
| Restricted investments..... | 183,284 | - | - | 183,284 |
| Capital assets: | | | | |
| Land..... | 9,700 | 515 | - | 10,215 |
| Construction in progress..... | 21,800 | - | - | 21,800 |
| Buildings, net..... | 13,903 | - | - | 13,903 |
| Machinery and equipment, net..... | 56,108 | 7,564 | 1,265 | 64,937 |
| Water and sewer system, net..... | 6,482,133 | - | - | 6,482,133 |
| Gas system, net..... | - | 128,656 | - | 128,656 |
| Transmission line, net..... | - | 114,625 | - | 114,625 |
| Total Noncurrent Assets..... | <u>6,766,928</u> | <u>946,966</u> | <u>1,265</u> | <u>7,715,159</u> |
| TOTAL ASSETS | <u>7,706,907</u> | <u>1,261,688</u> | <u>82,285</u> | <u>9,050,880</u> |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Accounts payable..... | 12,749 | 61,825 | 39,559 | 114,133 |
| Deposits payable..... | 35,003 | 17,388 | - | 52,391 |
| Salaries and benefits payable..... | 15,679 | - | 889 | 16,568 |
| Accrued interest..... | 14,638 | - | - | 14,638 |
| Compensated absences..... | 19,219 | - | 2,446 | 21,665 |
| Total..... | <u>97,288</u> | <u>79,213</u> | <u>42,894</u> | <u>219,395</u> |
| Current Liabilities (payable from restricted assets) - | | | | |
| Bonds payable..... | 69,898 | - | - | 69,898 |
| Total Current Liabilities (Payable from Restricted Assets)..... | <u>69,898</u> | <u>-</u> | <u>-</u> | <u>69,898</u> |
| Total Current Liabilities..... | <u>167,186</u> | <u>79,213</u> | <u>42,894</u> | <u>289,293</u> |
| Noncurrent Liabilities - | | | | |
| Bonds and leases payable..... | 3,265,059 | - | - | 3,265,059 |
| Compensated absences..... | 9,515 | - | 1,211 | 10,726 |
| Total Noncurrent Liabilities..... | <u>3,274,574</u> | <u>-</u> | <u>1,211</u> | <u>3,275,785</u> |
| TOTAL LIABILITIES | <u>3,441,760</u> | <u>79,213</u> | <u>44,105</u> | <u>3,565,078</u> |
| NET POSITION: | | | | |
| Net investment in capital assets..... | 3,248,687 | 251,360 | 1,265 | 3,501,312 |
| Restricted for debt service..... | 253,182 | - | - | 253,182 |
| Unrestricted..... | 763,278 | 931,115 | 36,915 | 1,731,308 |
| TOTAL NET POSITION | <u>\$ 4,265,147</u> | <u>\$ 1,182,475</u> | <u>\$ 38,180</u> | <u>\$ 5,485,802</u> |

The notes to the financial statements are an integral part of this statement

CITY OF COCHRAN, GEORGIA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

| | <u>Water and Sewer</u> | <u>Natural Gas</u> | <u>Solid Waste</u> | <u>Total</u> |
|---------------------------------------------------------------------|----------------------------|------------------------|------------------------|---------------------|
| OPERATING REVENUES: | | | | |
| Water and sewer charges pledged as security for revenue bonds | \$ 1,188,463 | \$ - | \$ - | \$ 1,188,463 |
| Charges for services | <u>-</u> | <u>1,780,578</u> | <u>681,148</u> | <u>2,461,726</u> |
| Total Operating Revenues | <u>1,188,463</u> | <u>1,780,578</u> | <u>681,148</u> | <u>3,650,189</u> |
| OPERATING EXPENSES: | | | | |
| Salaries and benefits | 347,051 | 93,074 | 151,497 | 591,622 |
| Services and fees | 79,444 | 1,368,421 | 243,649 | 1,691,514 |
| Supplies | 68,141 | 5,027 | 1,513 | 74,681 |
| Repairs and maintenance | 51,152 | 3,542 | 21,699 | 76,393 |
| Utilities | 159,538 | 11,395 | 30,939 | 201,872 |
| Insurance premiums | 48,477 | 21,433 | 21,433 | 91,343 |
| Depreciation | 238,008 | 12,268 | 31,965 | 282,241 |
| Amortization | 1,010 | - | - | 1,010 |
| Miscellaneous | <u>1,090</u> | <u>516</u> | <u>-</u> | <u>1,606</u> |
| Total Operating Expenses | <u>993,911</u> | <u>1,515,676</u> | <u>502,695</u> | <u>3,012,282</u> |
| OPERATING INCOME | <u>194,552</u> | <u>264,902</u> | <u>178,453</u> | <u>637,907</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Interest income | 1,024 | 563 | - | 1,587 |
| Income from joint venture | - | 2,258 | - | 2,258 |
| Gain (loss) on sale of capital assets | - | 2,405 | (39,283) | (36,878) |
| Interest expense | <u>(153,547)</u> | <u>-</u> | <u>(1,449)</u> | <u>(154,996)</u> |
| Total Non-Operating Revenues (Expenses) | <u>(152,523)</u> | <u>5,226</u> | <u>(40,732)</u> | <u>(188,029)</u> |
| INCOME BEFORE CONTRIBUTIONS AND TRANSFERS | | | | |
| Capital contributed | 42,029 | 270,128 | 137,721 | 449,878 |
| Transfers in | 65,936 | - | - | 65,936 |
| Transfers out | 173,855 | - | - | 173,855 |
| | <u>-</u> | <u>(425,075)</u> | <u>(495,449)</u> | <u>(920,524)</u> |
| CHANGES IN NET POSITION | 281,820 | (154,947) | (357,728) | (230,855) |
| NET POSITION, BEGINNING | <u>3,983,327</u> | <u>1,337,422</u> | <u>395,908</u> | <u>5,716,657</u> |
| NET POSITION, ENDING | <u>\$ 4,265,147</u> | <u>\$ 1,182,475</u> | <u>\$ 38,180</u> | <u>\$ 5,485,802</u> |

CITY OF COCHRAN, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

| | <u>Water and Sewer</u> | <u>Natural Gas</u> | <u>Solid Waste</u> | <u>Total</u> |
|---------------------------------------------------------------------------------------|----------------------------|------------------------|------------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from customers and users..... | \$ 1,232,393 | \$ 1,821,483 | \$ 681,944 | \$ 3,735,820 |
| Cash paid to suppliers | (443,904) | (1,438,634) | (283,964) | (2,166,502) |
| Cash paid to employees..... | (359,466) | (114,242) | (162,199) | (635,907) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 429,023 | 268,607 | 235,781 | 933,411 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES- | | | | |
| Transfer (to) from other funds | 173,855 | (425,075) | (495,449) | (746,669) |
| NET CASH FLOWS PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES | 173,855 | (425,075) | (495,449) | (746,669) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition of capital assets | (65,967) | - | - | (65,967) |
| Proceeds from sale of capital assets | - | 6,776 | 193,409 | 200,185 |
| Capital contributed | 65,936 | - | - | 65,936 |
| Principal payments on notes..... | - | - | (62,837) | (62,837) |
| Principal payments on bonds..... | (66,487) | - | - | (66,487) |
| Interest paid on bonds and notes | (154,307) | - | (1,449) | (155,756) |
| NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | (220,825) | 6,776 | 129,123 | (84,926) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest earned | 1,024 | 563 | - | 1,587 |
| Proceeds from sale of investments..... | 234,746 | 241,059 | - | 475,805 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 235,770 | 241,622 | - | 477,392 |
| NET INCREASE (DECREASE) IN CASH | 617,823 | 91,930 | (130,545) | 579,208 |
| CASH, BEGINNING | 26,067 | 132,645 | 130,545 | 289,257 |
| CASH, ENDING..... | \$ 643,890 | \$ 224,575 | \$ - | \$ 868,465 |
| CASH ENDING - | | | | |
| Unrestricted..... | \$ 643,890 | \$ 224,575 | \$ - | \$ 868,465 |
| Total | <u>\$ 643,890</u> | <u>\$ 224,575</u> | <u>\$ -</u> | <u>\$ 868,465</u> |

The notes to the financial statements are an integral part of this statement

CITY OF COCHRAN, GEORGIA
Statement of Cash Flows
Proprietary Funds - Continued
For the Fiscal Year Ended June 30, 2013

| | Water and Sewer | Natural Gas | Solid Waste | Total |
|--------------------------------------------------|--------------------|----------------|----------------|------------|
| RECONCILIATION OF OPERATING | | | | |
| INCOME TO NET CASH | | | | |
| PROVIDED BY | | | | |
| OPERATING ACTIVITIES: | | | | |
| Operating Income | \$ 194,552 | \$ 264,902 | \$ 178,453 | \$ 637,907 |
| Adjustments to reconcile operating | | | | |
| income to net cash provided | | | | |
| by operating activities: | | | | |
| Depreciation | 238,008 | 12,268 | 31,965 | 282,241 |
| Amortization..... | 1,010 | - | - | 1,010 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in: | | | | |
| Accounts receivable..... | 26,881 | 39,174 | 796 | 66,851 |
| Prepaid items, etc..... | (1,110) | (599) | (599) | (2,308) |
| Inventory, at cost | 6,862 | 5,705 | 13,949 | 26,516 |
| Increase (decrease) in: | | | | |
| Accounts payable..... | (63,247) | (33,592) | 21,917 | (74,922) |
| Deposits payable..... | 17,049 | 1,918 | - | 18,967 |
| Salaries and benefits payable... | 9,018 | (21,169) | (10,700) | (22,851) |
| Total adjustments | 234,471 | 3,705 | 57,328 | 295,504 |
| NET CASH PROVIDED BY | | | | |
| OPERATING ACTIVITIES | | | | |
| | \$ 429,023 | \$ 268,607 | \$ 235,781 | \$ 933,411 |
| NON-CASH TRANSACTIONS | | | | |
| AFFECTING FINANCIAL POSITION: | | | | |
| Net income from joint venture | \$ - | \$ 2,258 | \$ - | \$ 2,258 |
| Increase in investment in joint venture | - | (2,258) | - | (2,258) |
| NET-EFFECT-NON-CASH | | | | |
| TRANSACTIONS | | | | |
| | \$ - | \$ - | \$ - | \$ - |

The notes to the financial statements are an integral part of this statement

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Cochran, Georgia is an incorporated municipality under the provisions of Georgia law. The City operates under a Mayor and Council form of government. The City provides various services, levies taxes, and issues licenses as provided by the Charter. These services include public safety, highways and streets, sanitation, wastewater treatment, water, gas, and administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

Currently, the City has no blended or discretely presented component units. The City does have a duly organized downtown development authority which is currently inactive and, accordingly, is not included in these financial statements as a component unit.

The City is responsible for appointing some of the members of the boards of other organizations, but the City's accountability for these organizations do not extend beyond making the appointments. These related organizations include the following:

Cochran-Bleckley Recreation Authority
Cochran-Bleckley Library Board
Cochran-Bleckley Industrial Development Authority
Cochran-Bleckley Health Board
Cochran Housing Authority
Cochran Municipal Airport Authority

Disbursements to these organizations based on contractual agreements have been budgeted and expended as part of the regular operations of the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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.

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. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

Separate financial statements are provided for governmental funds and proprietary funds. 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 resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and certain compensated absences and claims and judgments are recorded when due.

Revenues considered susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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 **Special Purpose Local Option Sales Tax - 2007 Capital Projects Fund** accounts for capital outlay and other transactions related to the additional one-percent local option sales tax currently in effect.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** is used to account for the provision of water and sewer services to businesses and residences of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The **Natural Gas Fund** is used to account for the provision of natural gas services to businesses and residences of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

The **Solid Waste Fund** is used to account for the provision of solid waste services to businesses and residences of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

Additionally, the City reports the following fund types:

The **Special Revenue Funds** account for specific revenues legally restricted for specific purposes.

The **Capital Projects Funds** account for specific revenue restricted for capital projects.

Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. 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 nonoperating 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 City's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use for expenditures incurred, it is the City's policy to use restricted resources first, then unrestricted resources 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

D. Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval.

E. Budgets and Budgetary Accounting

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

1. Prior to May 15, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means by which they are to be financed.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

2. The City Council holds a public hearing on the budget, giving notice thereof at least 10 days in advance by publication in the official organ of the City of Cochran.
3. The budget is then revised and adopted or amended by the City Council at the first regular meeting prior to July 1 of the year to which it applies.
4. The budget so adopted may be revised during the year only by formal action of the City Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.
5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Budgeted amounts are as originally adopted, or as amended by the Council. Amendments were made to the current year's budget. Appropriated annual budgets have been legally adopted for the General Fund, Special Revenue Fund, Debt Service Fund, and Enterprise Funds. A project length budget is adopted for the capital projects funds.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are reported in order to reserve that portion of applicable appropriations, is not employed by the City because it is considered impractical and not necessary to insure effective budgetary and cash planning and control.

G. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments. For purpose of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The City maintains only checking and interest-bearing savings accounts in Georgia financial institutions as permitted by OCGA 36-83-4. Restricted investments include cash and certificates of deposit which have been segregated under the provisions of the revenue bond agreement. These investments are stated at cost plus accrued interest which approximates market value.

H. Inventories

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The consumption method is used to account for inventories. Under the consumption method, inventory items are recognized as expenditures when used.

I. Prepaid Items

Prepaid items are recorded as expenditures/expenses in the funds during the period benefited.

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 columns in the government-wide financial statements. Capital assets are defined by the City as assets with 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.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets prior to July 1, 2003, have not been recorded on the books of the City.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the assets' estimated useful lives as follows:

| <u>Asset Class</u> | <u>Estimated Useful Lives In Years</u> | <u>Capitalization Threshold</u> |
|-------------------------|------------------------------------------------|-------------------------------------|
| Buildings | 50 | \$ 15,000 |
| Building Improvements | 20 | \$ 5,000 |
| Machinery and equipment | 3-10 | \$ 1,000 |
| Water and sewer lines | 30-50 | \$ 1,500 |
| Gas Lines | 30-50 | \$ 5,000 |
| Airport runway | 30-50 | \$ 10,000 |
| Infrastructure | 30 | \$ 7,500 |

K. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefits

Vacation leave is earned by all permanent City employees at a rate determined by the amount of continuous employment the employee has with the City for the first 15 years of service. After fifteen years of service, the employees earn at a rate of eighteen days per year. Vacation leave may be accumulated and carried over to a maximum of 30 days per employee. Upon separation from the City, employees are entitled to accumulated vacation leave. In governmental funds, the cost of vacation leave is recognized when payments are made to employees. Proprietary funds accrue vacation leave in the period they are earned.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 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.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

M. Fund Equity

1. Government-wide Statements

Net position is the difference between assets and liabilities. Net position is categorized as follows:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position items that do not meet the definition of "Net investment in capital assets" or "Restricted".

2. Fund Statements

Governmental fund equity is classified as fund balance. Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund 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 Council through the approval of a motion. Only the City Council may modify or rescind the commitment.
- ***Assigned*** - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council can authorize the City Clerk or designee to assign fund balances.
- ***Unassigned*** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Proprietary fund equity is classified the same as in the government-wide statements.

N. Bond Issuance Costs

In governmental fund types, issuance costs are recognized in the current period. Issuance costs for the enterprise funds are capitalized and are being amortized on a straight-line basis over the life of the related bond. The difference between the reacquisition price of enterprise fund bonds and the net carrying amount of debt refunded is deferred and amortized over the life of the new bond issue or the old debt, whichever is shorter.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

P. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for all types of receivables which historically experience uncollectible accounts.

Q. Post-employment health care benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured for the actual month covered. This program is offered for duration of 18 months after the termination date. There is no associated cost to the City under this program.

R. Concentrations of Credit Risk

The City's Water and Sewer, Natural Gas, and Solid Waste Enterprise Funds services serve customers within the City of Cochran. The balance of receivables is composed mostly of residential and smaller commercial accounts. The City does not expect to incur significant losses as a result of these receivables. Management believes that the allowance for uncollectibles is adequate to cover all anticipated future losses on these receivables.

S. Use of Estimates

Preparation of the City's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts or revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Government may not be able to recover its deposits or recover collateral securities in the possession of an outside party. At year end, the City had deposits of \$1,718,249 the carrying amount for these deposits was \$1,711,873. The City's deposits were insured or collateralized with securities held by the City, an agent in the name of the City, or securities pledged by the financial institution in the name of the City.

Georgia law authorizes local governments to invest in the following types of obligations:

- Obligations of the State of Georgia or any other state;
- Obligations issued by the United States;
- Obligations fully insured or guaranteed by the United States government or governmental agency;
- Obligations of any corporation of the United States Government;
- Prime bankers' acceptances;
- The State of Georgia Local Government Investment Pool;
- Repurchase agreements; and
- Obligations of other political subdivisions of the State of Georgia.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

The City maintains only checking and interest-bearing savings accounts in Georgia financial institutions as permitted by OCGA 36-83-4. Restricted investments include cash and certificates of deposit which have been segregated under the provisions of the revenue bond agreement. These investments are stated at cost plus accrued interest which approximates market value.

Total deposits are reported under the following captions in the statement of net position:

| | |
|-----------------------------------------|---------------------|
| Cash..... | \$ 1,458,691 |
| Restricted Investments, Current..... | 69,898 |
| Restricted Investments, Noncurrent..... | <u>183,284</u> |
| Carrying Amount..... | 1,711,873 |
| Cash on hand..... | <u>1,763</u> |
| Totals..... | <u>\$ 1,713,636</u> |

Restricted investments have been reported as non-current restricted assets on the balance sheet.

3. PROPERTY TAXES

The City levies property taxes on September 1st of each year. Due date for these taxes is December 20th and the lien date is the following March 1st. Taxes are collected throughout the year.

Property taxes for the fiscal year ended June 30, 2013, were assessed at the net rate of 9.610 mills on the dollar on a total assessed valuation of \$78,572,176.

In the governmental fund financial statements, property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the fiscal year are therefore susceptible to accrual in accordance with GAAP and have been recognized as revenue.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

4. ACCOUNTS RECEIVABLE

Receivables at year-end for the City's individual major funds and non-major funds in the aggregate and the related allowance for uncollectibles are as follows:

| | General | Capital Projects SPLOST 2007 | Nonmajor Governmental Funds | Water and Sewer Fund | Natural Gas Fund | Solid Waste Fund | Total |
|-------------------------------------------|-------------------|------------------------------------|-----------------------------------|-------------------------|---------------------|---------------------|-------------------|
| Taxes | \$ 42,315 | \$ - | \$ 3,490 | \$ - | \$ - | \$ - | \$ 45,805 |
| Less allowance for uncollectibles.... | <u>(11,767)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(11,767)</u> |
| Net Taxes | <u>30,548</u> | <u>-</u> | <u>3,490</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>34,038</u> |
| Fines..... | 455,246 | - | - | - | - | - | 455,246 |
| Less allowance for uncollectibles..... | <u>(430,645)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(430,645)</u> |
| Net Fines | <u>24,601</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>24,601</u> |
| Customers..... | - | - | - | 472,297 | 315,341 | 234,914 | 1,031,552 |
| Less allowance for uncollectibles..... | <u>-</u> | <u>-</u> | <u>-</u> | <u>(297,181)</u> | <u>(234,319)</u> | <u>(172,019)</u> | <u>(703,519)</u> |
| Net accounts | <u>-</u> | <u>-</u> | <u>-</u> | <u>175,116</u> | <u>81,022</u> | <u>71,895</u> | <u>328,033</u> |
| Intergovernmental..... | <u>46,844</u> | <u>-</u> | <u>71,038</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>117,882</u> |
| Others | <u>4,466</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,466</u> |
| Total receivables..... | <u>\$ 106,459</u> | <u>\$ -</u> | <u>\$ 74,528</u> | <u>\$ 175,116</u> | <u>\$ 81,022</u> | <u>\$ 71,895</u> | <u>\$ 509,020</u> |

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

| <u>Description</u> | <u>Balance Beginning</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance Ending</u> |
|-------------------------------------------------------------------------------------|------------------------------|-------------------|--------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 876,374 | \$ - | \$ - | \$ 876,374 |
| Construction in progress | 275,069 | 166,332 | - | 441,401 |
| Total capital assets, not being depreciated | <u>1,151,443</u> | <u>166,332</u> | <u>-</u> | <u>1,317,775</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 5,691,942 | - | - | 5,691,942 |
| Buildings and improvements | 1,648,596 | - | - | 1,648,596 |
| Improvements other than buildings | 106,667 | - | - | 106,667 |
| Machinery and equipment | 2,158,338 | 283,287 | 163,151 | 2,278,474 |
| Total capital assets, being depreciated | <u>9,605,543</u> | <u>283,287</u> | <u>163,151</u> | <u>9,725,679</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 339,678 | 144,626 | - | 484,304 |
| Buildings and improvements | 570,156 | 35,208 | - | 605,364 |
| Improvements other than buildings | 12,927 | 2,376 | - | 15,303 |
| Machinery and equipment | 1,475,016 | 143,640 | 163,151 | 1,455,505 |
| Total accumulated depreciation | <u>2,397,777</u> | <u>325,850</u> | <u>163,151</u> | <u>2,560,476</u> |
| Governmental activities capital assets, net of accumulated depreciation: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | 876,374 | - | - | 876,374 |
| Construction in progress | 275,069 | 166,332 | - | 441,401 |
| Total capital assets, not being depreciated | <u>1,151,443</u> | <u>166,332</u> | <u>-</u> | <u>1,317,775</u> |
| Capital assets being depreciated, net of accumulated depreciation: | | | | |
| Infrastructure | 5,352,264 | (144,626) | - | 5,207,638 |
| Buildings and improvements | 1,078,440 | (35,208) | - | 1,043,232 |
| Improvements other than buildings | 93,740 | (2,376) | - | 91,364 |
| Machinery and equipment | 683,322 | 139,647 | - | 822,969 |
| Total capital assets being depreciated, net of accumulated depreciation | <u>7,207,766</u> | <u>(42,563)</u> | <u>-</u> | <u>7,165,203</u> |
| Total governmental activities capital assets, net of accumulated depreciation | <u>\$ 8,359,209</u> | <u>\$ 123,769</u> | <u>-</u> | <u>\$ 8,482,978</u> |

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

| Description | Balance Beginning | Additions | Retirements | Balance Ending |
|---------------------------------------------------------------------------|----------------------|---------------------|---------------------|---------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated - | | | | |
| Land | \$ 10,215 | \$ - | \$ - | \$ 10,215 |
| Construction in progress | - | 21,800 | - | 21,800 |
| Total capital assets not being depreciated | <u>10,215</u> | <u>21,800</u> | <u>-</u> | <u>32,015</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 35,512 | - | - | 35,512 |
| Machinery and equipment | 1,339,268 | 1,616 | 675,035 | 665,849 |
| Water and sewer system | 10,378,160 | 42,551 | - | 10,420,711 |
| Gas system | 585,395 | - | - | 585,395 |
| Transmission line | 667,584 | - | - | 667,584 |
| Total capital assets, being depreciated | <u>13,005,919</u> | <u>44,167</u> | <u>675,035</u> | <u>12,375,051</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 20,892 | 627 | - | 21,609 |
| Machinery and equipment | 985,806 | 53,080 | 437,974 | 600,912 |
| Water and sewer system | 3,718,236 | 220,342 | - | 3,938,578 |
| Gas system | 452,221 | 4,518 | - | 456,739 |
| Transmission line | 549,285 | 3,674 | - | 552,959 |
| Total accumulated depreciation | <u>5,726,530</u> | <u>282,241</u> | <u>437,974</u> | <u>5,570,797</u> |
| Business-type activities capital assets, net of accumulated depreciation: | | | | |
| Capital assets, not being depreciated - | | | | |
| Land | 10,215 | - | - | 10,215 |
| Construction in progress | - | 21,800 | - | 21,800 |
| Total capital assets not being depreciated | <u>10,215</u> | <u>21,800</u> | <u>-</u> | <u>32,015</u> |
| Capital assets, being depreciated, net of accumulated depreciation: | | | | |
| Buildings and improvements | 14,530 | (627) | - | 13,903 |
| Machinery and equipment | 353,462 | (51,464) | (237,061) | 64,937 |
| Water and sewer system | 6,659,924 | (177,791) | - | 6,482,133 |
| Gas system | 133,174 | (4,518) | - | 128,656 |
| Transmission line | 118,299 | (3,674) | - | 114,625 |
| Total capital assets, being depreciated, net of accumulated depreciation | <u>7,279,389</u> | <u>(238,074)</u> | <u>(237,061)</u> | <u>6,804,254</u> |
| Business-type activities capital assets, net | <u>\$ 7,289,604</u> | <u>\$ (216,274)</u> | <u>\$ (237,061)</u> | <u>\$ 6,836,269</u> |

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

| | |
|-------------------------------------------------------|-------------------|
| Governmental activities: | |
| General government | \$ 36,930 |
| Public safety | 97,106 |
| Public works | 59,159 |
| Airport | 132,655 |
| Total depreciation expense - governmental activities | <u>\$ 325,850</u> |
| Business-type activities: | |
| Water and sewer system | \$ 238,008 |
| Gas system | 12,268 |
| Solid waste system | 31,965 |
| Total depreciation expense - business-type activities | <u>\$ 282,241</u> |

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

6. JOINT VENTURES

The City of Cochran participates in three joint ventures, which are not part of the City's reporting entity.

A. Jointly Owned Natural Gas Transmission Line

The Jointly Owned Natural Gas Transmission Line was established in 1953 by the cities of Warner Robins, Perry, Hawkinsville, and Cochran, Georgia. The venture was established to provide maintenance and related services for the natural gas transmission line serving the member cities. The joint venture is governed by a four-member board composed of one member from each participating city. Under the terms of the joint venture contract, each city pays for and owns its own separate section of the transmission line. The income generated from the venture is allocated to each city based on various percentages as specified in the joint venture contract. Each city's share in the income and retained earnings of the joint venture is reported in the audited financial statements of the Jointly Owned Natural Gas Transmission Line. The Jointly Owned Natural Gas Transmission Line net income (loss) and retained earnings as of and for the years ended September 30, 2012 and 2011 allocated to the City of Cochran are reported in the Natural Gas Enterprise Fund as of and for the years ended June 30, 2013 and 2012.

The amounts allocated to the City of Cochran in the audited financial statements of the Jointly Owned Natural Gas Transmission Line as of and for the years ended September 30, 2012 and 2011 are as follows:

| | <u>2012</u> | <u>2011</u> |
|--------------------------------------|-------------------|-------------------|
| Retained earnings, beginning..... | \$ 693,348 | \$ 670,861 |
| Net income (loss) for the year | <u>2,258</u> | <u>22,487</u> |
| Retained earnings, ending..... | <u>\$ 695,606</u> | <u>\$ 693,348</u> |

The above amounts are reported in the Natural Gas Enterprise Fund of the City of Cochran as of and for the years ended June 30, 2013 and 2012, are as follows:

| | <u>2013</u> | <u>2012</u> |
|-------------------------------------------|-------------------|-------------------|
| Investment in joint venture | <u>\$ 695,606</u> | <u>\$ 693,348</u> |
| Net income (loss) from joint venture..... | <u>\$ 2,258</u> | <u>\$ 22,487</u> |

The audited financial statements of the Jointly Owned Natural Gas Transmission Line are available at City Hall, P.O. Box 8, Cochran, Georgia 31014.

B. Cochran-Bleckley Emergency Management Office

The Cochran-Bleckley Emergency Management Office is a joint venture between the City of Cochran, Georgia and Bleckley County, Georgia. The net monthly cost of operations of this joint venture is paid equally by the City and the County. The total expenditures paid by the General Fund of the City of Cochran for the year ended June 30, 2013, were \$28,838. However, the operations, capital assets and long-term debt were transferred to the books and records of Bleckley County, Georgia, under agreement with the City of Cochran and Bleckley County, Georgia, for 2004 and future years.

C. Regional Commission

Under Georgia law, the City, in conjunction with municipalities and counties in the eleven (11) county Heart of Georgia area are members of the Heart of Georgia Altamaha Regional Commission (HOGARC). Membership in the HOGARC is required for each municipality and county in the Heart of Georgia region. The Official Code of Georgia Section 50-8-34 provides for the organizational structure.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
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The HOGARC Board membership includes the elected official of each county and the chief elected official of each municipality. The City board members and municipal board members from the same county elect one Member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as a nonpublic member and a minority member who must be an elected official to serve as board members from a County. O.C.G.A. 50-8-39.1 provides that the member governments are liable for any debts or obligations of the HOGARC. Separate financial statements for the HOGARC are available from: Heart of Georgia Altamaha Regional Commission, 5405 Oak Street, Eastman, GA 31023.

7. COMPLIANCE

The City levies and collects a five percent hotel/motel tax in accordance with the provisions of OCGA 48-13-51. The City has complied with the expenditure requirements of this code section as required under Code Section 36-81-7. Presented below is a table which summarizes hotel/motel tax transactions during the current fiscal year and is reported in the special revenue fund:

| | |
|--------------------------------------------|-----------|
| Total Hotel/Motel tax funds expended | \$ 16,830 |
| Total Hotel/Motel tax receipts | \$ 16,830 |
| Percentage of expenditures to tax receipts | 100 % |

Deficit Fund Balance-

The following fund had a deficit fund balance at year end-

| | |
|--------------|------------|
| General Fund | \$ 333,961 |
|--------------|------------|

The City plans to reduce expenditures in future periods to eliminate this deficit.

Excess of Expenditures Over Appropriations in Individual Departments and Budget Compliance-

No individual funds or departments had an excess of expenditures over appropriations during the current year.

SPLOST Funds-

SPLOST Funds were maintained in separate bank accounts as required by O. C. G. A. 48-8-121(a)(1) during the current year. Funds had been advanced to and are due from other funds in the amount of \$29,130 for the 2013 SPLOST and \$446,454 for the 2007 SPLOST.

8. LONG-TERM LIABILITIES

The following is a summary of debt transactions of the City of Cochran for the year ended June 30, 2013:

| | Balance Beginning | Increases | Decreases | Balance Ending | Amounts Due Within One Year | Long-term Portion |
|---------------------------------|----------------------|------------------|------------------|-------------------|-----------------------------------|----------------------|
| Governmental Activities: | | | | | | |
| Compensated Absences..... | \$ 106,806 | \$ - | \$ 16,001 | \$ 90,805 | \$ 60,737 | \$ 30,068 |
| Capital Leases Payable: | | | | | | |
| Capital leases | 117,549 | 81,970 | 65,812 | 133,707 | 72,962 | 60,745 |
| Total Governmental Activities | <u>\$ 224,355</u> | <u>\$ 81,970</u> | <u>\$ 81,813</u> | <u>\$ 224,512</u> | <u>\$ 133,699</u> | <u>\$ 90,813</u> |

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

| | Balance Beginning | Increases | Decreases | Balance Ending | Amounts Due Within One Year | Long-term Portion |
|----------------------------------|----------------------|-------------|-------------------|---------------------|-----------------------------------|----------------------|
| Business-Type Activities: | | | | | | |
| Compensated Absences | \$ 46,445 | \$ - | \$ 14,054 | \$ 32,391 | \$ 21,665 | \$ 10,726 |
| Bonds and Leases Payable | | | | | | |
| Revenue Bonds: | | | | | | |
| Series 1989 | 121,000 | - | 14,000 | 107,000 | 15,000 | 92,000 |
| Series 2002 | 3,280,444 | - | 52,487 | 3,227,957 | 54,898 | 3,173,059 |
| Total Revenue Bonds | 3,401,444 | - | 66,487 | 3,334,957 | 69,898 | 3,265,059 |
| Bonds and Leases Payable - | | | | | | |
| Capital leases | 62,837 | - | 62,837 | - | - | - |
| Total Bonds and leases | 3,464,281 | - | 129,324 | 3,334,957 | 69,898 | 3,265,059 |
| Total Business-Type Activities | <u>\$ 3,510,726</u> | <u>\$ -</u> | <u>\$ 143,378</u> | <u>\$ 3,367,348</u> | <u>\$ 91,563</u> | <u>\$ 3,275,785</u> |

Details of capital leases and notes payable are as follows:

| | Balance Beginning | Additions | Retirements | Balance Ending |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------|-------------------|---------------------|
| Governmental Activities: | | | | |
| Capital Leases: | | | | |
| 3.42% Capital lease payable, with quarterly payments of \$13,626, including interest, original principal of \$251,000, made on October 15, 2009, incurred to purchase fire department equipment | \$ 117,549 | \$ - | \$ 51,134 | \$ 66,415 |
| 2.81% Capital lease payable, with quarterly payments of \$5,434, including interest, original principal of \$81,970, made on September 21, 2012, incurred to purchase police department vehicles | | 81,970 | 14,678 | 67,292 |
| Total Capital Leases Payable-Governmental Activities | <u>\$ 117,549</u> | <u>\$ 81,970</u> | <u>\$ 65,812</u> | <u>\$ 133,707</u> |
| Business-Type Activities: | | | | |
| Revenue Bonds Payable: | | | | |
| 6.375% Revenue bond payable (Series 1989), with payments due annually in increasing amounts due October 1 of each year, original principal amount of \$300,000, made on January 1, 1989, with final payment due on October 1, 2018, incurred to extend and improve water and sewer system | \$ 121,000 | \$ - | \$ 14,000 | \$ 107,000 |
| 4.50% Revenue bond payable (Series 2002), with payments due monthly in amounts of \$16,590 beginning October 5, 2002, original principal amount of \$3,685,650, made on September 5, 2002, with final payment due on August 5, 2042, incurred to extend and improve water and sewer system | 3,280,444 | - | 52,487 | 3,227,957 |
| Total Revenue Bonds Payable - Business-Type Activities | 3,401,444 | - | 66,487 | 3,334,957 |
| Capital Leases- | | | | |
| 3.51% Capital lease payable, with quarterly payments of \$10,797, including interest, original principal of \$197,336, made on November 21, 2008, incurred to purchase solid waste equipment | 62,837 | - | 62,837 | - |
| Total Capital Lease Payable- Business-Type Activities | 62,837 | - | 62,837 | - |
| Total Revenue Bonds and Capital Leases- Business-Type Activities | <u>\$ 3,464,281</u> | <u>\$ -</u> | <u>\$ 129,324</u> | <u>\$ 3,334,957</u> |

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

The total assets recorded in the governmental activities statement of net position under capital leases outstanding at June 30, 2013, is \$332,970 with accumulated depreciation of \$73,710.

The combined aggregate amount of maturities and sinking fund requirements of long-term borrowings is as follows:

| Year ending June 30 | Governmental Activities | | | | | | | | |
|------------------------|-------------------------|-------------|-------------|------------------------|-----------------|-------------------|-------------------|-----------------|-------------------|
| | Notes Payable | | | Capital Leases Payable | | | Totals | | |
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2014 | \$ - | \$ - | \$ - | \$ 72,962 | \$ 3,279 | \$ 76,241 | \$ 72,962 | \$ 3,279 | \$ 76,241 |
| 2015 | - | - | - | 34,136 | 1,227 | 35,363 | 34,136 | 1,227 | 35,363 |
| 2016 | - | - | - | 21,212 | 525 | 21,737 | 21,212 | 525 | 21,737 |
| 2017 | - | - | - | 5,397 | 38 | 5,435 | 5,397 | 38 | 5,435 |
| 2018 | - | - | - | - | - | - | - | - | - |
| 2019-2023 | - | - | - | - | - | - | - | - | - |
| 2024-2028 | - | - | - | - | - | - | - | - | - |
| 2029-2033 | - | - | - | - | - | - | - | - | - |
| 2034-2038 | - | - | - | - | - | - | - | - | - |
| 2039-2043 | - | - | - | - | - | - | - | - | - |
| 2044-2048 | - | - | - | - | - | - | - | - | - |
| Totals | \$ - | \$ - | \$ - | \$ 133,707 | \$ 5,069 | \$ 138,776 | \$ 133,707 | \$ 5,069 | \$ 138,776 |

| Year ending June 30 | Business-Type Activities | | | | | | | | |
|------------------------|--------------------------|---------------------|---------------------|----------------|-------------|-------------|---------------------|---------------------|---------------------|
| | Revenue Bonds | | | Capital Leases | | | Totals | | |
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2014 | \$ 69,898 | \$ 151,003 | \$ 220,901 | \$ - | \$ - | \$ - | \$ 69,898 | \$ 151,003 | \$ 220,901 |
| 2015 | 73,420 | 147,525 | 220,945 | - | - | - | 73,420 | 147,525 | 220,945 |
| 2016 | 77,058 | 143,867 | 220,925 | - | - | - | 77,058 | 143,867 | 220,925 |
| 2017 | 80,817 | 140,024 | 220,841 | - | - | - | 80,817 | 140,024 | 220,841 |
| 2018 | 85,703 | 135,991 | 221,694 | - | - | - | 85,703 | 135,991 | 221,694 |
| 2019-2023 | 397,664 | 620,075 | 1,017,739 | - | - | - | 397,664 | 620,075 | 1,017,739 |
| 2024-2028 | 471,504 | 523,896 | 995,400 | - | - | - | 471,504 | 523,896 | 995,400 |
| 2029-2033 | 590,228 | 405,172 | 995,400 | - | - | - | 590,228 | 405,172 | 995,400 |
| 2034-2038 | 738,844 | 256,556 | 995,400 | - | - | - | 738,844 | 256,556 | 995,400 |
| 2039-2043 | 749,821 | 74,573 | 824,394 | - | - | - | 749,821 | 74,573 | 824,394 |
| Totals | \$ 3,334,957 | \$ 2,598,682 | \$ 5,933,639 | \$ - | \$ - | \$ - | \$ 3,334,957 | \$ 2,598,682 | \$ 5,933,639 |

Total interest paid on long-term debt was \$159,990 during the year ended June 30, 2013.

| Governmental Activities | | | Business Type Activities | | |
|-------------------------|----------|----------|--------------------------|----------------------|--------------|
| Total | Less | Net | Total | Less | Net |
| Interest | Interest | Interest | Interest | Capitalized Interest | Net Interest |
| \$ 4,994 | \$ - | \$ 4,994 | \$ 154,996 | \$ - | \$ 154,996 |

The City had no earnings on unexpended debt proceeds and, accordingly, federal arbitrage regulations do not currently apply.

For governmental activities, compensated absences are generally liquidated by the general fund.

The City has several annually renewable leases on office equipment with no contingent payments included therein. Total equipment rental during the current year was \$22,054.

The City did not have short-term debt activity during the current year.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

9. RESTRICTED ASSETS - PROPRIETARY FUNDS

The revenue bonds payable require the restriction of certain fund assets for the purpose designated by the revenue bond agreement. The assets so designated have been identified as "restricted investments" on the balance sheet. The significant requirements of the bond covenants were met on a timely basis through June 30, 2013.

10. INTERFUND BALANCES AND TRANSFERS

Interfund balances and transfers as of and for the year ended June 30, 2013, were for routine operating functions in payroll and debt service administration. In addition, the interfund balances as of June 30, 2013, include similar amounts which were not repaid during the current year, including Special Purpose Local Option Sales Tax as described more fully in Note 7 above. The interfund balances are expected to be repaid within one year from June 30, 2013.

Interfund balances of amounts due to/from other funds and transfers by fund as of and for the year ended June 30, 2013, are as follows:

| <u>Fund</u> | <u>Receivables</u> | <u>Payables</u> |
|----------------------------------------------------------|--------------------|-------------------|
| Major Governmental Funds: | | |
| Capital Projects Fund- Special Sales Tax 2007- | | |
| Advance to General Fund | \$ 446,454 | \$ - |
| General Fund advance from- | | |
| Capital Projects Fund - Special Sales Tax - 2007 | - | 446,454 |
| Total Major Governmental Funds-interfund advances | 446,454 | 446,454 |
| General Fund-due from Capital Projects-CDBG Fund..... | 53,624 | - |
| Capital Projects Fund-Special Sales Tax 2007 Fund- | | |
| Due to Capital Projects Special Sales Tax 2013 Fund..... | - | 29,130 |
| Total Major Governmental Funds | 500,078 | 475,584 |
| Nonmajor Governmental Funds-due to other funds | 29,130 | 53,624 |
| Totals | <u>\$ 529,208</u> | <u>\$ 529,208</u> |

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Net Transfers In (Out)</u> |
|--------------------------------------|-------------------------|--------------------------|---------------------------------------|
| Major Governmental Funds- | | | |
| General fund..... | \$ 726,677 | \$ - | \$ 726,677 |
| Total Major Governmental Funds | 726,677 | - | 726,677 |
| Nonmajor Governmental Funds | 19,992 | - | 19,992 |
| Total Governmental Funds | <u>\$ 746,669</u> | <u>\$ -</u> | <u>\$ 746,669</u> |
| Major Proprietary Funds: | | | |
| Water and Sewer fund | \$ 173,855 | \$ - | \$ 173,855 |
| Natural Gas fund | - | 425,075 | (425,075) |
| Solid Waste fund | - | 495,449 | (495,449) |
| Total Proprietary Funds..... | <u>\$ 173,855</u> | <u>\$ 920,524</u> | <u>\$ (746,669)</u> |

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
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11. GRANTS

In the normal course of operations, the City, receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage in the current year. Commercial insurance premiums totaled \$126,677 during the current year.

13. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

There are currently no lawsuits pending against the City.

14. PENSION PLANS

A. Plan Description

The City's defined benefit plan, City of Cochran Retirement Plan, is administered through the Board of Trustees of the Georgia Municipal Employees Benefit System Retirement Fund (GMEBS) an agent multiple employer pension fund. The plan was established by a City ordinance under authority of Georgia law. The authority to establish and amend the benefit provisions of the plan rests with the City. The amount of current year covered payroll is \$1,783,062. The total current year payroll for all employees is \$2,031,000. The GMEBS issues a publicly available financial report that includes financial statements and required supplemental information for GMEBS. That report may be obtained at City Hall of Cochran, Georgia, or by contacting the Georgia Municipal Association Risk Management and Employee Benefit Services, 201 Pryor Street, S.W., Atlanta, Georgia 30303-3606.

The plan covers all employees who have completed one continuous year of service and who normally work thirty or more hours per week. The plan also covers elected officials, effective December 1, 1991. Benefits are fully vested after ten years of service. Normal retirement age for employees is the earlier of age sixty-five with five years of service or upon the completion of thirty years of service, whichever is earlier. Normal retirement date for elected or appointed officials is age sixty-five or upon the completion of thirty years of service, whichever is earlier. All participants may elect early retirement upon the attainment of age fifty-five with a minimum of ten years of service.

The monthly retirement benefits, upon normal retirement, are as follows:

Full-time employees:

One-twelfth (1/12) the sum of: one percent (1%) of the Participant's Final Average Earnings up to the amount of Covered Compensation for the Participant's applicable year of birth, plus one and three-fourths percent (1-3/4%) of the Participant's Final Average Earnings in excess of the Covered Compensation applicable to the Participant, multiplied by years of Total Credited Service.

CITY OF COCHRAN, GEORGIA
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June 30, 2013

Elected or appointed members:

Ten dollars per month for each year of Service or major fraction thereof. However, in no event shall the Participant's Monthly Retirement Benefit exceed 100% of the monthly salary he was receiving as an elected or appointed member of the governing authority immediately prior to his retirement.

Benefits are adjusted accordingly for early retirement and delayed retirement.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these funding standards is \$162,530. If the City funds the recommended contribution each year, the Plan will meet applicable funding standards. Active plan members are not required or permitted to contribute to the Plan.

B. Effect of Plan Changes on the Actuarial Accrued Liability

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

C. Effect of Plan Changes on Recommended Contributions

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

D. Significant Actuarial Assumptions

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan used in the current valuation are:

| | |
|----------------------------------------------|-----------------|
| - Investment rate of return | 7.75 % per year |
| - Inflation rate assumption | 3.50 % per year |
| - Projected salary increase assumption | 3.50% per year |
| - Cost of living adjustments..... | 0.00% per year |

E. Funding Policy and Annual Contribution

The funding policy for the plan is to contribute an amount equal to the annual pension cost listed in A. below in each year. The recommending contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets as described in 2 below. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 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.

1. Trend Information for the Plan

| Fiscal Year Ended | Annual Pension Cost | Actual City Contribution | Percentage of APC Contributed | Net Pension Obligation |
|----------------------|------------------------|-----------------------------|-------------------------------------|---------------------------|
| 06/30/13 | \$ 273,737 | \$ 273,737 | 100.0% | \$ - |
| 06/30/12 | \$ 306,438 | \$ 306,438 | 100.0% | \$ - |
| 06/30/11 | \$ 329,229 | \$ 329,229 | 100.0% | \$ - |

2. Funded Status

| Actuarial Valuation Date (01/01) | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded Ratio | Unfunded Actuarial Accrued Liability | Annual Covered Payroll | Unfunded AAL as a Percentage of Payroll |
|----------------------------------------|---------------------------------|-----------------------------------------|-----------------|-----------------------------------------------|------------------------------|--------------------------------------------------|
| 2013 | \$ 2,685,350 | \$ 3,361,988 | 79.87% | \$ 676,638 | \$ 1,783,062 | 37.95% |

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

3. Actuarial Assumptions and Methods

Economic Assumptions:

| | |
|-----------------------------------|--------|
| Interest Rate: | |
| On-going plan basis | 7.75 % |
| Plan termination basis | 2.77% |
| Annual Rates of Increase in: | |
| Salaries | 3.50% |
| Future Social Security Wage Bases | 3.50% |
| Cost of living adjustment | N/A |

Demographic Assumptions:

| | |
|------------------------|-----------------------|
| Mortality: | |
| On-going plan basis | RP-2000 CHM Table |
| Plan termination basis | 1994 GAR Unisex Table |
| Disabled | RP-2000 DRM Table |

| | | |
|-------------|------------|-------------|
| Termination | <u>Age</u> | <u>Rate</u> |
| | 20 | 25.80 |
| | 25 | 19.80 |
| | 30 | 15.60 |
| | 35 | 12.15 |
| | 40 | 9.45 |
| | 45 | 7.80 |
| | 50 | 5.85 |
| | 55 | 3.30 |
| | 60 | - |

| | |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Retirement | Employees: Earlier of 65 with 5 years of service and 60 with 30 years of service. Class 1: Earlier of 65 with 5 years of service and 60 with 25 years of service. Officials: Earlier of 65 and 60 with 30 years of service. |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| | |
|-----------------|--------------|
| Form of Payment | Life annuity |
|-----------------|--------------|

| | |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Administrative Expenses | \$5,000 plus \$50 per participant, plus 0.05% of the market value of assets. This calculation is completed by GMEBS as of the end of calendar year preceding this valuation. |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Actuarial Methods:

| | |
|---------------------------------------------|------------------------------------|
| Normal Cost and Actuarial Accrued Liability | Projected Unit Credit Cost Method. |
|---------------------------------------------|------------------------------------|

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

| | |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Value of Assets | Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by service. |
| Asset Valuation Method | Sum of the actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10 percent of the amount that the value exceeds or is less than the market value at the end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value, for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% market value for 2012, 26% of market value for 2013, and 20% market value for 2014 and later years. |
| Other Features | <p>First year of service not credited, applies to participants terminating before 5-1-96. (Effective 5-1-95)</p> <p>For participants who have completed ten (10) years of total credited service, unused sick leave counts at a rate of 20 days equals 1 month of additional credited service. No maximum. Partial months shall not be credited. Unused sick leave cannot count toward any age, service, participation or vesting requirement under the plan.</p> <p>In-service distribution effective 1-1-2000, retired participants who are elected to serve as council member may continue to receive early or normal retirement benefit if they return to elective office with the City. This early retirement provision requires participants to be retired for a minimum of six months prior to taking office. No changes in plan features since last valuation.</p> |

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The City also participates in the Georgia Peace Officer's Annuity Benefit Program and does not present amounts under this defined contribution plan in its financial statements. Total employer payments under this plan for the years ended June 30, 2013 and 2012, respectively, are \$7,915 and \$8,582. Contributions are based upon fines collected and not upon salaries. Employees do not contribute to the plan.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2013

15. AMORTIZATION

The following is a summary of bond issue cost and related amortization:

| | <u>Bond Issue Cost</u> | <u>Accumulated Amortization</u> | <u>Net</u> |
|---------------------------------|----------------------------|-------------------------------------|------------------|
| Balance, beginning of year..... | \$ 40,311 | \$ 9,853 | \$ 30,458 |
| Amortization expense..... | - | 1,010 | (1,010) |
| Balance, end of year..... | <u>\$ 40,311</u> | <u>\$ 10,863</u> | <u>\$ 29,448</u> |

16. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The City was required to implement GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the current year. The statement establishes accounting and financial reporting standards for deferred outflows and inflows of resources and the concept of net position as the residual of all other elements presented in the statement of net position.

Deferred outflows of resources represents a use of net position that applies to future periods and, as such, will be recognized as an outflow of resources (expenditure or expense, as applicable) in the future. Deferred inflows of resources represents an acquisition of fund balance that applies to future periods and, as such, will be recognized as an inflow of resources (revenue) in the future.

17. SUBSEQUENT EVENTS


The City has elected to change its fiscal year end from June 30 to December 31, effective for the year ending December 31, 2013.

In addition, on May 17, 2014, the City borrowed \$100,000 in the form of a tax anticipation note to finance the repairs of a sewer line. The interest rate on the tax anticipation note is 5.0 %. The note matures on December 31, 2014.

CITY OF COCHRAN, GEORGIA
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget (GAAP Basis) and Actual - General Fund
For the Fiscal Year Ended June 30, 2013

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|------------------------------------------------|---------------------|---------------------|---------------------|----------------------------------|
| REVENUES: | | | | |
| Taxes | \$ 1,732,709 | \$ 2,001,500 | \$ 1,979,878 | \$ (21,622) |
| Licenses and permits | 294,000 | 75,000 | 75,693 | 693 |
| Intergovernmental | 83,500 | 184,000 | 185,203 | 1,203 |
| Charges for services | -16,050 | 20,050 | 20,347 | 297 |
| Fines and forfeitures | 240,000 | 202,500 | 203,473 | 973 |
| Miscellaneous | 15,400 | 36,950 | 2,437 | (34,513) |
| Total Revenues | 2,381,659 | 2,520,000 | 2,467,031 | (52,969) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 1,055,961 | 998,500 | 996,893 | 1,607 |
| Public safety | 1,372,295 | 1,444,500 | 1,443,765 | 735 |
| Public works | 690,460 | 706,000 | 705,579 | 421 |
| Airport | 41,900 | 80,000 | 79,666 | 334 |
| Debt Service: | | | | |
| Principal | - | 14,800 | 14,678 | 122 |
| Interest | - | 1,700 | 1,625 | 75 |
| TOTAL EXPENDITURES | 3,160,616 | 3,245,500 | 3,242,206 | 3,294 |
| EXCESS OF REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (778,957) | (725,500) | (775,175) | (49,675) |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | 778,957 | 725,500 | 726,677 | 1,177 |
| Issuance of capital leases | - | - | 81,970 | 81,970 |
| Sale of capital assets | - | - | 35,000 | 35,000 |
| Total Other Financing Sources | 778,957 | 725,500 | 843,647 | 118,147 |
| NET CHANGE IN FUND BALANCES | - | - | 68,472 | 68,472 |
| FUND BALANCE (DEFICIT), BEGINNING | (402,433) | (402,433) | (402,433) | - |
| FUND BALANCE (DEFICIT), ENDING | \$ (402,433) | \$ (402,433) | \$ (333,961) | \$ 68,472 |

The accompanying notes to required supplementary information are an integral part of this schedule.



Required Supplementary Information

CITY OF COCHRAN, GEORGIA
Required Supplementary Information
Schedule of Funding Progress – Defined Benefit Plan
For the Fiscal Year Ended June 30, 2013

| Actuarial Valuation Date (01/01) | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded Ratio | Unfunded Actuarial Accrued Liability | Annual Covered Payroll | Unfunded AAL as a Percentage of Payroll |
|----------------------------------------|---------------------------------|-----------------------------------------|-----------------|-----------------------------------------------|------------------------------|--------------------------------------------------|
| 2013 | \$ 2,685,350 | \$ 3,361,988 | 79.87% | \$ 676,638 | \$ 1,783,062 | 37.95% |
| 2012 | \$ 2,389,877 | \$ 3,293,010 | 72.57% | \$ 903,133 | \$ 1,900,656 | 47.52 % |
| 2011 | \$ 2,119,141 | \$ 3,339,917 | 63.45% | \$ 1,220,776 | \$ 1,793,606 | 68.06 % |

The assumptions used in the preparation of the above schedule are disclosed in Note 14 in the Notes to the Financial Statements.

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

CITY OF COCHRAN, GEORGIA
Notes to Required Supplementary Information
June 30, 2013

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budget:

1. Prior to May 15, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means by which they are to be financed.
2. The City Council holds a public hearing on the budget, giving notice thereof at least 10 days in advance by publication in the official organ of the City of Cochran.
3. The budget is then revised and adopted or amended by the City Council at the first regular meeting prior to July 1 of the year to which it applies.
4. The budget so adopted may be revised during the year only by formal action of the City Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.
5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Budgeted amounts are as originally adopted, or as amended by the Council. Amendments were made to the current year's budget. Appropriated annual budgets have been legally adopted for the General Fund, Special Revenue Fund and Enterprise Funds. A project length budget is adopted for the Capital Projects Funds.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are reported in order to reserve that portion of applicable appropriations, is not employed by the City because it is considered impractical and not necessary to insure effective budgetary and cash planning and control.

Excess of Expenditures over Appropriations in Individual Departments and Budget Compliance:

No individual funds or departments had an excess of expenditures over appropriations during the current year.

CITY OF COCHRAN, GEORGIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

| | Capital Projects- Special Sales Tax-2013 | Capital Projects- Special Sales Tax-2001 | Capital Projects CDBG | Special Revenue Hotel/Motel Tax | Special Revenue TIA Sales Tax | Total Nonmajor Governmental Funds |
|------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|-----------------------------|------------------------------------------|----------------------------------------|--------------------------------------------|
| ASSETS: | | | | | | |
| Cash | \$ 52,353 | \$ 53,624 | \$ 16,787 | \$ - | \$ 20,737 | \$143,501 |
| Receivables, net- | | | | | | |
| Taxes | - | - | - | 3,490 | - | 3,490 |
| Intergovernmental | 66,947 | - | - | - | 4,091 | 71,038 |
| Due from other funds | 29,130 | - | - | - | - | 29,130 |
| TOTAL ASSETS | \$ 148,430 | \$ 53,624 | \$ 16,787 | \$ 3,490 | \$ 24,828 | \$ 247,159 |
| LIABILITIES: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 16,787 | \$ 3,490 | \$ - | 20,277 |
| Due to other funds | - | 53,624 | - | - | - | 53,624 |
| TOTAL LIABILITIES | - | 53,624 | 16,787 | 3,490 | - | 73,901 |
| FUND BALANCES (DEFICITS): | | | | | | |
| Restricted: | | | | | | |
| Capital projects | 148,430 | - | - | - | - | 148,430 |
| Transportation projects | - | - | - | - | 24,828 | 24,828 |
| TOTAL FUND BALANCES | 148,430 | - | - | - | 24,828 | 173,258 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 148,430 | \$ 53,624 | \$ 16,787 | \$ 3,490 | \$ 24,828 | \$ 247,159 |



Supplementary Information

CITY OF COCHRAN, GEORGIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2013

| | Capital Projects- Special Sales Tax-2013 | Capital Projects- Special Sales Tax-2001 | Capital Projects CDBG | Special Revenue Hotel/Motel Tax | Special Revenue TIA Sales Tax | Total Nonmajor Governmental Funds |
|---------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|-----------------------------|------------------------------------------|----------------------------------------|--------------------------------------------|
| REVENUES: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 16,830 | \$ 24,828 | \$ 41,658 |
| Intergovernmental | 148,550 | - | 78,791 | - | - | 227,341 |
| Miscellaneous | 9 | 81 | - | - | - | 90 |
| Total Revenues | 148,559 | 81 | 78,791 | 16,830 | 24,828 | 269,089 |
| EXPENDITURES: | | | | | | |
| Current- | | | | | | |
| Community development | - | - | - | 16,830 | - | 16,830 |
| Capital outlay | 129 | 101,480 | 83,450 | - | - | 185,059 |
| Total Expenditures | 129 | 101,480 | 83,450 | 16,830 | - | 201,889 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 148,430 | (101,399) | (4,659) | - | 24,828 | 67,200 |
| OTHER FINANCING SOURCES: | | | | | | |
| Transfers in | - | - | 19,992 | - | - | 19,992 |
| Total other financing sources | - | - | 19,992 | - | - | 19,992 |
| NET CHANGE IN FUND BALANCES | 148,430 | (101,399) | 15,333 | - | 24,828 | 87,192 |
| FUND BALANCE- BEGINNING | - | 101,399 | (15,333) | - | - | 86,066 |
| FUND BALANCE-ENDING | \$ 148,430 | \$ - | \$ - | \$ - | \$ 24,828 | \$ 173,258 |

CITY OF COCHRAN, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Nonmajor Governmental Fund
Special Revenue - Hotel/Motel Tax
For the Fiscal Year Ended June 30, 2013

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|-------------------------------------------------------|-------------------------|---------------|-------------------------------------------|
| REVENUES - | | | |
| Taxes..... | \$ 17,000 | \$ 16,830 | \$ (170) |
| Total Revenues..... | <u>17,000</u> | <u>16,830</u> | <u>(170)</u> |
| EXPENDITURES - | | | |
| Current - | | | |
| Community development..... | <u>17,000</u> | <u>16,830</u> | <u>170</u> |
| Total Expenditures | <u>17,000</u> | <u>16,830</u> | <u>170</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | - | - | - |
| FUND BALANCE, BEGINNING..... | - | - | - |
| FUND BALANCE, ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF COCHRAN, GEORGIA
Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Period Ended June 30, 2013

| Project | Original Estimated Cost | Current Estimated Cost | Expenditures | | Total | Estimated Percentage of Completion |
|-----------------------------------------------------------------------------------------------|-------------------------------|------------------------------|---------------------|-------------------|---------------------|------------------------------------------|
| | | | Prior Year | Current Year | | |
| Beginning 2001: | | | | | | |
| Recreation Department..... | \$ 300,000 | \$ 300,000 | \$ 288,656 | \$ - | \$ 288,656 | 96.22% |
| Emergency Management Office..... | 120,000 | 120,000 | 138,513 | - | 138,513 | 115.43% |
| Roads, streets, water and sewer, municipal building, capital outlay projects..... | 2,580,000 | 2,580,000 | - | - | - | |
| Municipal Building | - | - | 166,979 | - | 166,979 | |
| Streets..... | - | - | 1,308,386 | 101,480 | 1,409,866 | |
| Water and Sewer | - | - | 500,940 | - | 500,940 | |
| Total roads, streets, water and sewer, municipal building, capital outlay projects..... | <u>2,580,000</u> | <u>2,580,000</u> | <u>1,976,305</u> | <u>101,480</u> | <u>2,077,785</u> | 80.53% |
| Total | <u>\$ 3,000,000</u> | <u>\$3,000,000</u> | <u>\$ 2,403,474</u> | <u>\$ 101,480</u> | <u>\$ 2,504,954</u> | |
| Beginning 2007: | | | | | | |
| Roads and Streets | \$ 700,000 | \$ 700,000 | \$ - | \$ 76,086 | \$ 76,086 | 10.87% |
| Sewer System..... | 600,000 | 600,000 | 601,614 | 52,909 | 654,523 | 109.09% |
| Water System | 285,000 | 285,000 | 285,769 | 13,027 | 298,796 | 104.84% |
| Fire Department Equipment..... | 200,000 | 200,000 | 153,808 | 54,503 | 208,311 | 104.16% |
| Police Department Equipment | 100,000 | 100,000 | 82,300 | 18,280 | 100,580 | 100.58% |
| Utility Vehicles | 100,000 | 100,000 | 100,000 | - | 100,000 | 100.00% |
| Library | 15,000 | 15,000 | 3,840 | - | 3,840 | 25.60% |
| Recreation Department | 180,000 | 180,000 | 77,353 | 44,568 | 121,921 | 67.73% |
| Emergency Management Office..... | 25,000 | 25,000 | 9,325 | - | 9,325 | 37.30% |
| Total 2007 SPLOST..... | <u>\$ 2,205,000</u> | <u>\$2,205,000</u> | <u>\$ 1,314,009</u> | <u>\$ 259,373</u> | <u>\$ 1,573,382</u> | |

Continued

CITY OF COCHRAN, GEORGIA
 Schedule of Special Purpose Local Option Sales Tax Expenditures
 For the Period Ended June 30, 2013

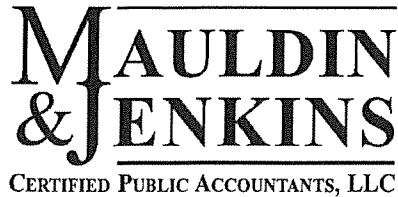
| Project | Original Estimated Cost | Current Estimated Cost | Expenditures | | Total | Estimated Percentage of Completion |
|--------------------------------|-------------------------------|------------------------------|---------------|-----------------|---------------|------------------------------------------|
| | | | Prior Year | Current Year | | |
| Beginning 2013: | | | | | | |
| Roads and Streets | \$ 530,600 | \$ 530,600 | \$ - | \$ 129 | \$ 129 | 0.02% |
| Fire Department | 100,000 | 100,000 | - | - | - | 0.00% |
| Sewer System | 625,000 | 625,000 | - | - | - | 0.00% |
| Water System | 330,000 | 330,000 | - | - | - | 0.00% |
| Police Department | 200,000 | 200,000 | - | - | - | 0.00% |
| Public Library | 15,000 | 15,000 | - | - | - | 0.00% |
| Recreation Department | 175,200 | 175,200 | - | - | - | 0.00% |
| Emergency Management Office... | 24,000 | 24,000 | - | - | - | 0.00% |
| Total 2013 SPLOST | <u>\$ 1,999,800</u> | <u>\$ 1,999,800</u> | <u>\$ -</u> | <u>\$ 129</u> | <u>\$ 129</u> | |

CITY OF COCHRAN, GEORGIA
Community Development Block Grant Program
Source and Application of Funds Schedule
Grant # 09p-x-012-2-5165
For the Period September 25, 2009 through June 30, 2013

| | |
|-------------------------------------------------------------|-------------------|
| I. Total Fiscal Year 2009 CDBG Funds Awarded to Recipient | <u>\$ 465,998</u> |
| II. Total Amount Drawn Down by Recipient from CDBG | \$ 358,518 |
| III. Less: CDBG Funds Expended by Recipient | <u>358,518</u> |
| iv. Amount of Fiscal Year 2009 CDBG Funds Held by Recipient | <u>\$ -</u> |

CITY OF COCHRAN, GEORGIA
Community Development Block Grant Program
Project Cost Schedule
Grant # 09p-x-012-2-5165
For the Period September 25, 2009 through June 30, 2013

| <u>Program Activity</u> | <u>Activity Code</u> | <u>Latest Approved Budget</u> | <u>Accumulative Expenditures To Date</u> | <u>Accumulative Expenditures to Date Other Funds</u> | <u>Grand Total of Expenditures To Date</u> | <u>Questioned Costs</u> |
|-----------------------------|--------------------------|---------------------------------------|--------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------|-----------------------------|
| Acquisition of Property | P-001-01 | \$ 13,000 | \$ - | \$ - | \$ - | \$ - |
| Street Improvements | P-03K-01 | 195,100 | 137,101 | - | 137,101 | - |
| Floods and drainage | P-03K-02 | 84,900 | 84,900 | - | 84,900 | - |
| Contingency | C-022-00 | 35,755 | - | - | - | - |
| Administration | A-21A-00 | 26,787 | 26,787 | - | 26,787 | - |
| Engineering Water and Sewer | T-03J-00 | 9,010 | 8,284 | - | 8,284 | - |
| Water Facilities | P-03J-01 | 77,550 | 77,550 | - | 77,550 | - |
| Engineering for Streets | T-03K-00 | <u>23,896</u> | <u>23,896</u> | <u>-</u> | <u>23,896</u> | <u>-</u> |
| Totals | | <u>\$ 465,998</u> | <u>\$ 358,518</u> | <u>\$ -</u> | <u>\$ 358,518</u> | <u>\$ -</u> |



**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**


**Honorable Mayor and Members
of City Council
City of Cochran
Cochran, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cochran, Georgia (the "City") as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 16, 2014. Our report also includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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



Compliance Section

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-02. Violation of Georgia Law – SPLOST Funds

Criteria: The OCGA Section 48-8-121(a)(1) states that the proceeds received from the tax authorized by this section shall be used by the county and qualified municipalities within the special district receiving proceeds of the sales and use tax exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax. Such proceeds shall be kept in a separate account from other funds of such county and each qualified municipality receiving proceeds of the sales and use tax and shall not in any manner be commingled with other funds of such county and each qualified municipality receiving proceeds of the sales and use tax prior to the expenditure.

Condition: The City has advanced some SPLOST funds to other funds of the City.

Context: We reviewed the general ledger noting transfers of funds from the SPLOST to other funds of the City.

Effect: The City is in violation of OCGA Section 48-2-121(a)(1).

Cause: Internal controls should be in place to prevent transfers from restricted accounts to fund the daily operations of the City.

Recommendation: We recommend the City implement procedures to ensure restricted funds are not accessed to finance daily operations of the City and efforts be made to eliminate current amounts already advanced to the General Fund.

Views of Responsible Officials and Planned Corrective Action: We concur. The City will implement controls to prevent transfers of this nature in the future.

2013-03. Violation of Bond Covenants – Sinking Fund

Criteria: Periodic transfers to the bond sinking fund are required to build a reserve for future debt payments. These funds should not be available to finance operations of the City.

Condition: The City has advanced some Water and Sewer sinking funds to the Water & Sewer Fund operating account. During the fiscal year, the shortage to the sinking fund was repaid.

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-03. Violation of Bond Covenants – Sinking Fund (Continued)

Context: We reviewed the general ledger noting transfers of funds from the Water and Sewer sinking fund to the Water & Sewer operating account.

Effect: The City was in violation of bond sinking fund requirements.

Cause: Internal controls should be in place to prevent transfers from restricted accounts to fund the daily operations of the City.

Recommendation: We recommend the City implement procedures to ensure restricted funds are not accessed to finance daily operations of the City.

Views of Responsible Officials and Planned Corrective Action: We concur. The City will implement controls to prevent such transfers of this nature in the future.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No Single Audit was performed. As such, there are no federal award findings to report.

CITY OF COCHRAN, GEORGIA

SCHEDULE OF PRIOR FISCAL YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

2012-01. Unbilled Utility Accounts Receivable

Criteria: Generally accepted accounting principles generally require the reporting of accounts receivable and related revenues be recognized in the accounting period in which they are measurable and available to finance expenditures of the current period.

Condition: At both June 30, 2011 and June 30, 2012, amounts recorded as outstanding for Water and Sewer and Natural Gas utility billing receivables were not properly stated.

Auditee Response/Status: Resolved

2012-02. Sales Taxes Accounts Receivable

Criteria: Generally accepted accounting principles generally require the reporting of accounts receivable and related revenues be recognized in the accounting period in which they are measurable and available to finance expenditures of the current fiscal period.

Condition: At both June 30, 2011 and June 30, 2012, amounts recorded as outstanding for local option sales tax (LOST) and special purpose local option sales tax (SPLOST) were not properly stated.

Auditee Response/Status: Resolved

2012-03. Segregation of Duties (Repeat of Finding 06-1)

Criteria: Internal controls should be in place that provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

Condition: Due to a limited number of personnel, overlapping duties exist in the City's operations, primarily in the areas of cash receipts and disbursements. This overlapping of duties presents a situation where unauthorized use of assets could occur and not be detected within a timely period.

Auditee Response/Status: Unresolved. See current year finding 2013-01.

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

2012.04. Violation of Georgia Law – SPLOST Funds

Criteria: The OCGA Section 48-8-121(a)(1) states that the proceeds received from the tax authorized by this part shall be used by the county and qualified municipalities within the special district receiving proceeds of the sales and use tax exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax. Such proceeds shall be kept in a separate account from other funds of such county and each qualified municipality receiving proceeds of the sales and use tax and shall not in any manner be commingled with other funds of such county and each qualified municipality receiving proceeds of the sales and use tax prior to the expenditure.

Condition: The City has advanced some SPLOST funds to other funds of the City.

Auditee Response/Status: Unresolved. See current year finding 2013-02.

2012.05. Violation of Bond Covenants – Sinking Fund

Criteria: Periodic transfers to the bond sinking fund are required to build a reserve for future debt payments. These funds should not be available to finance operations of the City.

Condition: The City has advanced some Water and Sewer sinking funds to the Water & Sewer Fund operating account. Subsequent to fiscal year end, the shortage to the sinking fund was repaid.

Auditee Response/Status: Unresolved. See current year finding 2013-03