City of Cairo, Georgia

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016



City of Cairo, Georgia
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June 30, 2016

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ELECTED

Mayor
Robert Burns

Mayor Pro Tem
James H. Douglas

City Council
Lannis Thornton
Jerry L. Cox
Ernest W. Cloud, Jr.
Robert L. Gwaltney

APPOINTED

City Manager
Chris Addleton

Finance Director
Miriam Faircloth, CPA

City Clerk
Carolyn Lee

Human Resources Director
Carolyn Robinson

City Attorney
Thomas L. Lehman

Carr, Riggs & Ingram, LLC
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Tifton, GA 31794
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Cairo
Cairo, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cairo, Georgia, as of, and for the year ended, June 30, 2016, and the related notes to the financial statements which collectively comprise the City of Cairo, 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 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 the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cairo, Georgia, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 to 19 and the Required Supplementary Information on pages 82 to 84 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cairo, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of Special Purpose Local Option Sales Tax Expenditures is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of Special Purpose Local Option Sales Tax Expenditures are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and schedules and the schedule of Special Purpose Local Option Sales Tax Expenditures are 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 November 7, 2016, on our consideration of the City of Cairo, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Cairo, Georgia's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Certified Public Accountants
November 7, 2016

As management of the City of Cairo, Georgia, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The City has $66.03 million in total assets of which $39.42 million are capital assets.
- The City has $23.05 million in total liabilities of which $19.00 million are long-term.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $42.91 million (net position). Of this amount, $10.89 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors while $29.15 million is invested in capital assets net of related debt.
- The City's total net position increased by $5.35 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $9.13 million, an increase of $291 thousand in comparison with the prior year. This amount consists of $2.86 million reserved for specific projects and public services and an unreserved balance of $6.2 million.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $6.2 million, or 87.91% of total general fund expenditures.
- The City's long-term debt decreased by $1.60 million during the current fiscal year as a result of scheduled principle payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (which serves as an introduction to the City's basic financial statements), the *basic financial statements*, and *supplementary information* that presents combining statements for non-major governmental funds and non-major enterprise funds as well as other selected information. The City's basic financial statements consist of three components: 1) Government-Wide financial statements, 2) Fund financial statements and 3) Notes to financial statements.

Government-Wide Financial Statements

The primary role of the Government-Wide financial statements is to demonstrate operational accountability. Operational accountability requires that a government demonstrate the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to do so.

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Cairo's finances, in a manner similar to a private-sector business. It provides both long-term and short-term information about the City's overall financial status. The *statement of net position* and the *statement of activities* report information about the City as a whole and about its activities in a way that helps answer the question - is the City's financial health improving or deteriorating?

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

The *statement of net position* presents information on all the City's assets and liabilities, with the difference between the two reported as net position. The statement is a tool to measure the City's financial health or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The reader would need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure to assess the overall health of the City.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation, community development, and interest on long-term debt. The business-type activities of the City include water and sewer, electric, gas, cable TV, solid waste, landfill, airport operations, and telecommunications.

The government-wide financial statements include not only the City of Cairo itself (known as the *primary government*), but also a legally separate City of Cairo Development Authority, for which the City has some degree of financial accountability. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

The primary role of the Fund financial statements is to demonstrate fiscal accountability. Fiscal accountability requires that a government demonstrate compliance with public decisions concerning the raising and spending of public monies in the short term (usually one budgetary cycle or one year).

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows* and *outflows* of

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Governmental Funds (Continued)

spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains eight (8) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund as it is considered a major fund. Data from the other seven (7) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund, Electric Revenue Fund, Cable TV Fund, Solid Waste Fund, Airport Fund, Telecommunications Fund, Landfill Fund and Gas Revenue Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, Electric Revenue Fund, and the Cable TV Fund, all of which are considered to be major funds of the City. Conversely, the non-major enterprise funds are combined into single aggregated presentations in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds is provided in the form of *combining statements* elsewhere in this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Table 1 below summarizes the major features of the basic financial statements.

Table 1
Major Features of the Basic Financial Statements

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary	Activities of the City that are operated similar to private business
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenditures, and Changes in Net Position Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $42.91 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (68%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2 below presents the City's condensed statement of net position as of June 30, 2016 and 2015.

Table 2
Condensed Statement of Net Position

	Governmental Activities		Business – type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	$ 9,521,557	$ 9,418,527	$ 17,090,183	$ 14,874,130	$ 26,611,740	$ 24,292,657
Capital assets	10,066,011	8,964,858	29,353,051	27,866,738	39,419,062	36,831,596
Total assets	19,587,568	18,383,385	46,443,234	42,740,868	66,030,802	61,124,253
Liabilities						
Other liabilities	479,558	667,767	6,088,762	5,142,059	6,568,320	5,809,826
Long-term liabilities	2,663,034	2,481,994	13,820,096	14,422,189	16,483,130	16,904,183
Total liabilities	3,142,592	3,149,761	19,908,858	19,564,248	23,051,450	22,714,009
Deferred Inflow of Resources						
Unavailable Proceeds	141,722	309,728	411,979	550,496	553,701	860,224
Total Deferred Inflows	141,722	309,728	411,979	550,496	553,701	860,224
Net position						
Invested in capital assets, net of related debt	9,630,487	8,438,909	19,518,879	17,672,323	29,149,366	26,111,232
Restricted	2,867,069	2,913,638	--	--	2,867,069	2,913,638
Unrestricted	4,040,948	3,571,349	6,848,420	4,953,801	10,889,368	8,525,150
Total net position	$ 16,538,504	$ 14,923,896	$ 26,367,299	$ 22,626,214	$ 42,905,803	$ 37,550,020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Statement of Net Position (Continued)

Net position may serve over time as a useful indicator of a government's financial position. The City's combined net liabilities exceeded assets by $42.91 million for 2016 as compared to $37.55 million for 2015 for an increase of 14.26%. Of this amount $26.37 million came from business-type activities and $16.4 million came from governmental activities.

An additional portion of the City's net position (6.68%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($10.89 million) may be used to meet the City's ongoing obligations to citizens and creditors. This is an increase of $2.4 million or 25% from 2015.

For governmental activities, the City reported a balance of $4.04 million in unrestricted net position. This is an increase of $469 thousand from 2015. The business-type activities unrestricted net position was $6.8 million, an increase of $1.89 million from 2015.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Statement of Activities (Continued)

Table 3 below presents the City's condensed statement of activities for the years ended June 30, 2016 and 2015. Over time, increases or decreases in net position measure whether the City's financial position is improving or deteriorating.

Table 3
Condensed Statement of Activities

	Governmental Activities		Business – type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Revenues						
Program revenues:						
Charges for services	$ 320,353	$ 351,156	$ 31,116,714	$ 30,412,355	$ 31,437,067	$ 30,763,511
Operating grants and contributions	232,672		268,922	- -	501,594	
Capital grants and contributions	1,029,478	1,435,061	- -	- -	1,029,478	1,435,061
General revenues:						
Property taxes	1,619,702	1,609,590	- -	- -	1,619,702	1,609,590
Local option sales taxes	923,571	935,913	- -	- -	923,571	935,913
Other taxes	1,038,618	1,034,852	- -	- -	1,038,618	1,034,852
Investment income	26,282	34,144	96,639	100,108	122,921	134,252
Gain (loss) on disposal of capital assets	- -	- -	- -	442,973	- -	442,973
Other revenues	191,167	185,385	7,505	137,280	198,672	322,665
Total revenues	5,381,843	5,586,101	31,489,780	31,092,716	36,871,623	36,678,817
Expenses						
General government	1,063,071	756,179	- -	- -	1,063,071	756,179
Public safety	3,430,052	3,598,664	- -	- -	3,430,052	3,545,423
Public works	1,591,550	1,440,927	- -	- -	1,591,550	1,405,571
Parks and recreation	891,406	908,737	- -	- -	891,406	908,737
Community development	208,038	206,346	- -	- -	208,038	206,346
Interest long-term debt	13,440	16,018	- -	- -	13,440	16,018
Water and sewer	- -	- -	3,251,152	3,342,834	3,251,152	3,342,834
Electric revenue	- -	- -	14,415,162	14,553,027	14,415,162	14,553,027
Gas revenue	- -	- -	986,356	1,239,973	986,356	1,239,973
Cable TV	- -	- -	3,283,792	3,850,551	3,283,792	3,850,551
Garbage and trash	- -	- -	1,058,259	1,007,143	1,058,259	1,007,143
Airport	- -	- -	209,228	146,547	209,228	146,547
Telecommunications	- -	- -	346,854	341,446	346,854	341,446
Landfill	- -	- -	767,480	906,170	767,480	906,170
Total expenses	7,197,557	6,926,871	24,318,283	25,387,691	31,515,840	32,314,561
Increase (decrease) in net position before transfers	(1,815,714)	(1,340,770)	7,171,497	5,705,025	5,355,783	4,364,255
Transfers	3,430,322	4,912,514	(3,430,322)	(4,912,514)	- -	- -
Change in net position	$ 1,614,608	$ 3,571,744	$ 3,741,175	$ 792,511	$ 5,355,783	$ 4,364,255

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Statement of Activities (Continued)

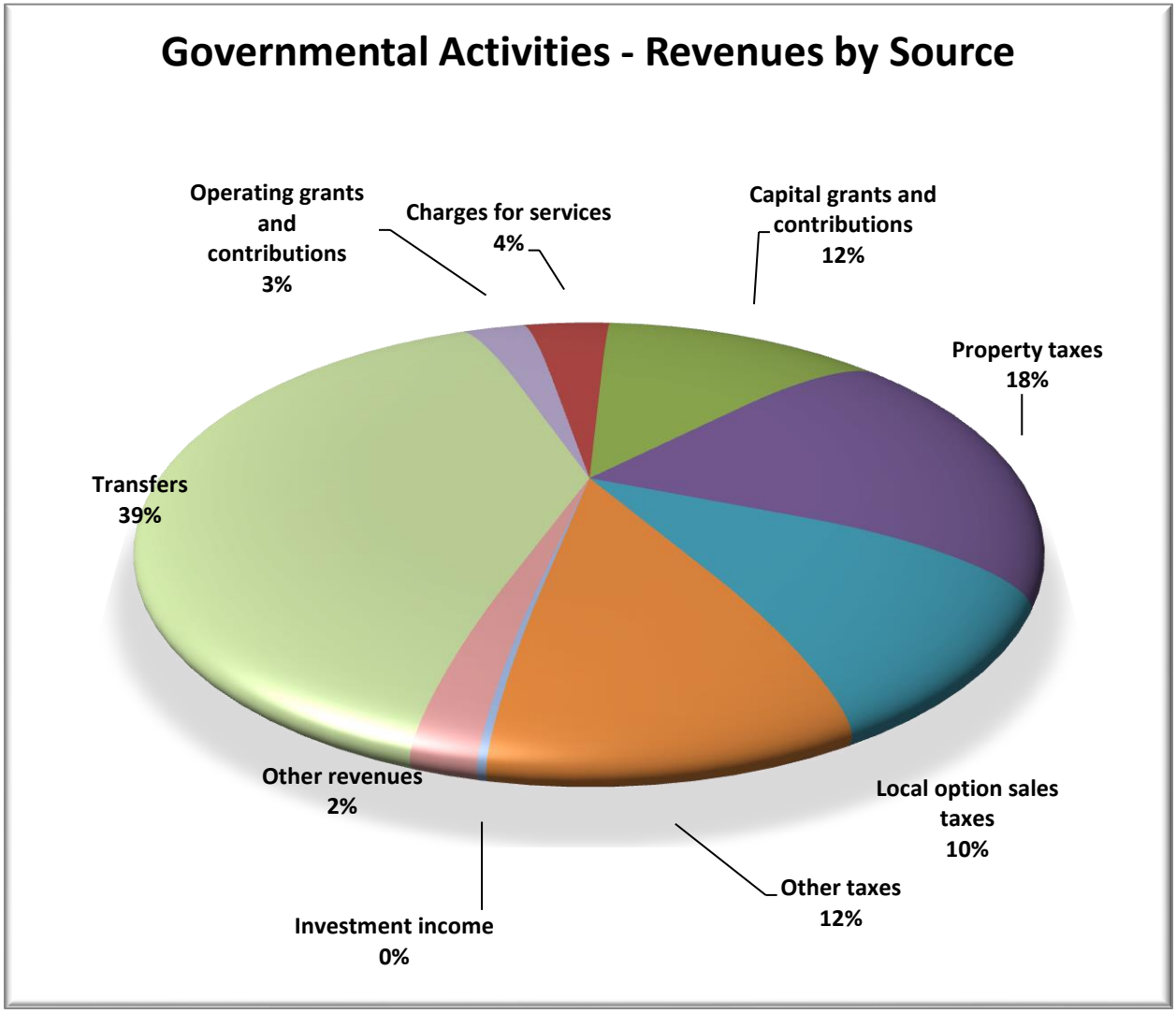
Governmental activities during the fiscal year ended June 30, 2016 increased the City's net position by $1.6 million. Business-type activities during the same period increased net position by $3.7 million. The net change in net position was an increase of $5.35 million. The Table above shows the revenue and expenses by activity for the total primary government. This Table shows total 2016 revenues from governmental activities at $5.38 million while expenses were $7.19 million. Business-type activities total revenues for 2016 were $31.5 million while expenses were $24.3 million. Transfers from business-type activities are the largest governmental activity revenue source at $3.43 million or 39%. The next largest revenue source for governmental activities comes from property taxes of $1.6 million which is 18% of the total governmental activity funding. Revenues from local option sales taxes are the third largest governmental activity revenue source at $923 thousand or 10%. Business-type activities program revenues exceeded expenses by $7.17 million before internal transfers to support the governmental activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Program Revenues and Expenses for Governmental Activities

Governmental Activities - Revenues by Source

The following chart shows the governmental activities revenues by major source and includes revenues from transfers. It is easy to see from the chart that governmental activities are funded to a great degree through property taxes and local option sales taxes (28.86%) of the primary government. For the year ended June 30, 2016 these revenues were $2.54 million.

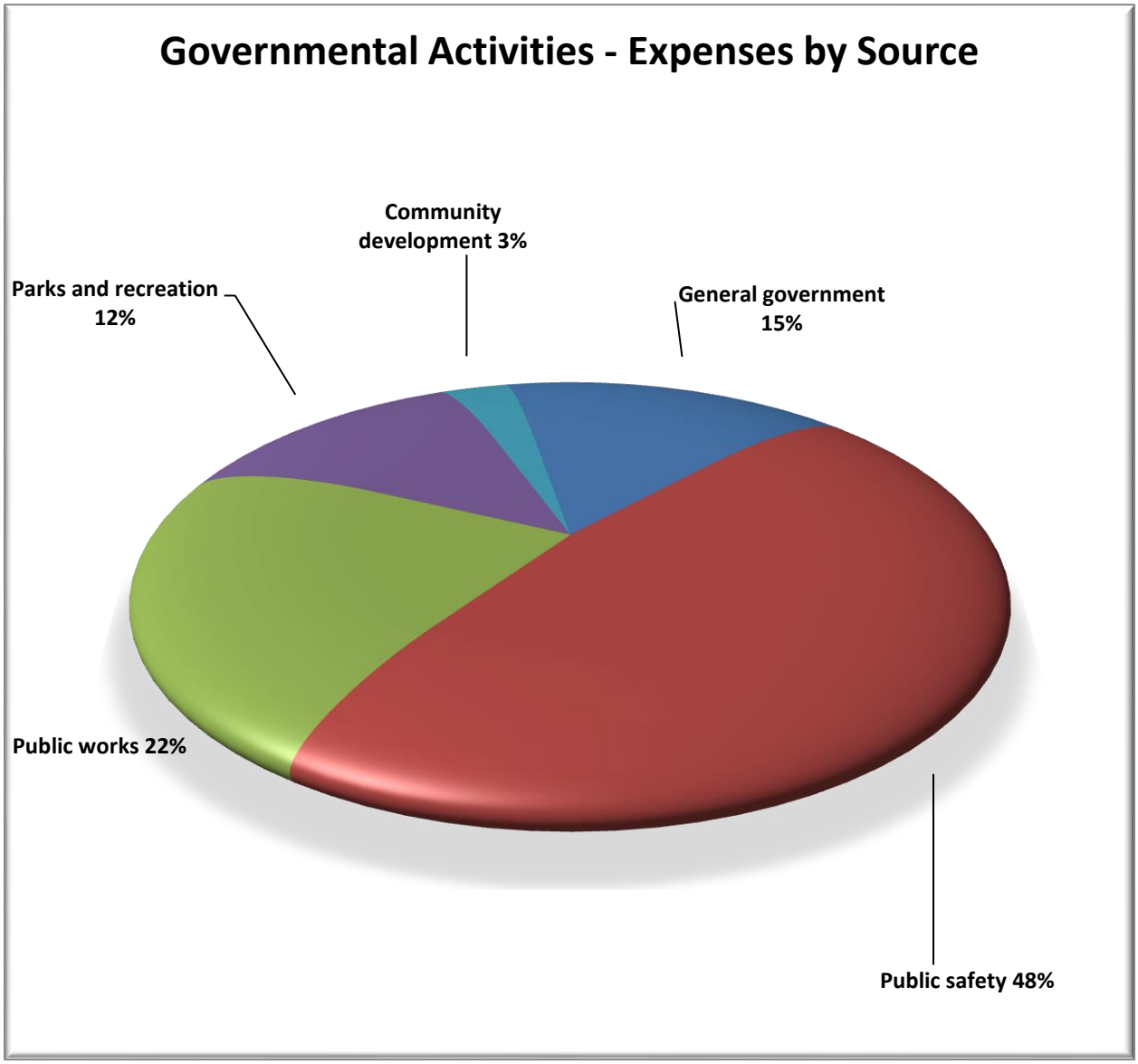


GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Program Revenues and Expenses for Governmental Activities (Continued)

Governmental Activities – Expenses by Source

The following chart shows the governmental activities expenses by source. The City of Cairo spent the greatest amount of its available funding on Public safety (48%). The next largest funding was required for Public Works at (22%).

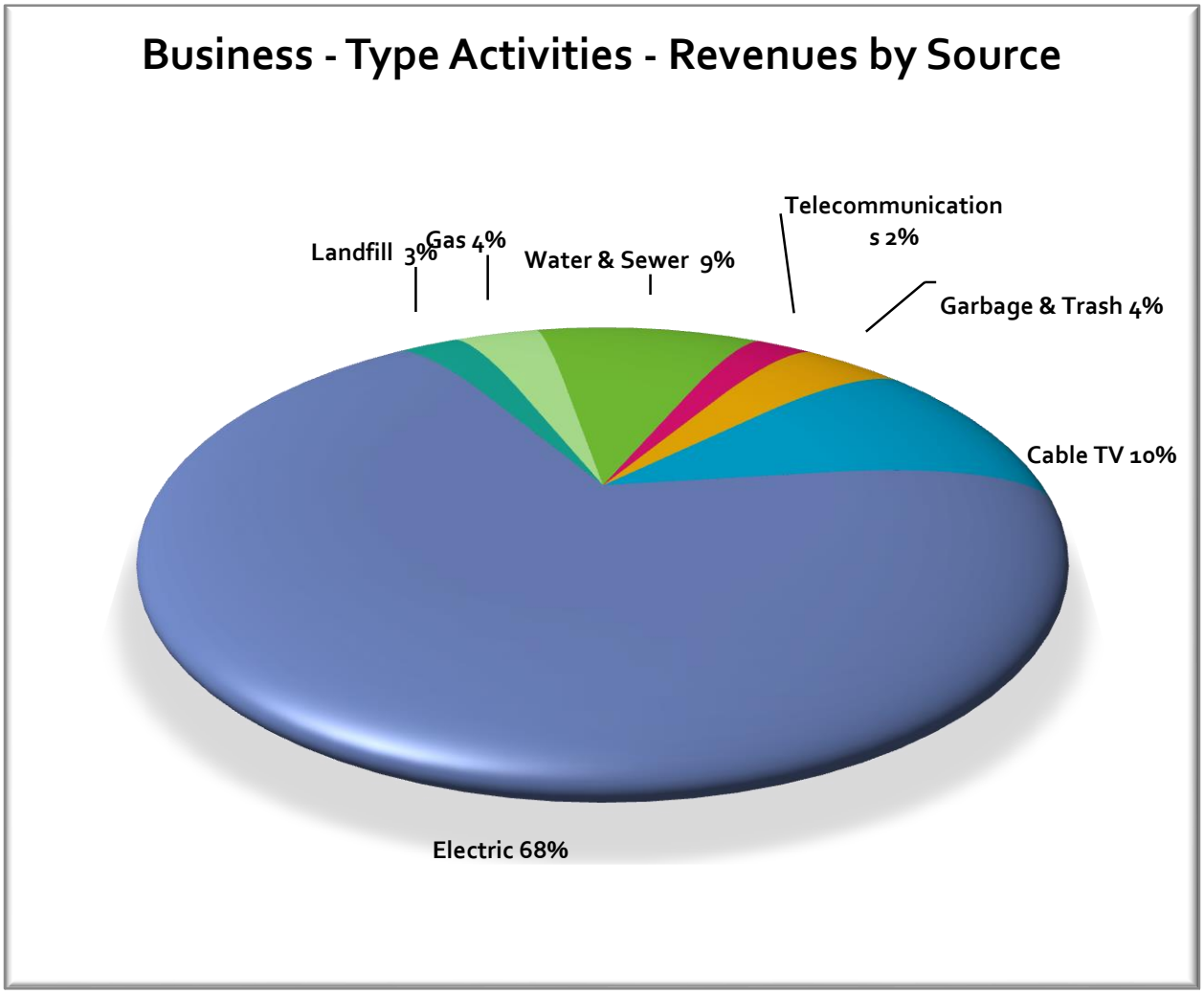


GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Program Revenues and Expenses for Business-Type Activities

Business-Type Activities – Revenues by Source

The business-type activities largest revenue source is from the Electric Revenue Fund. More revenues (68%) or $21.19 million are generated by the Electric Revenue Fund than all other business-type activities combined at (32%) or $9.92 million.

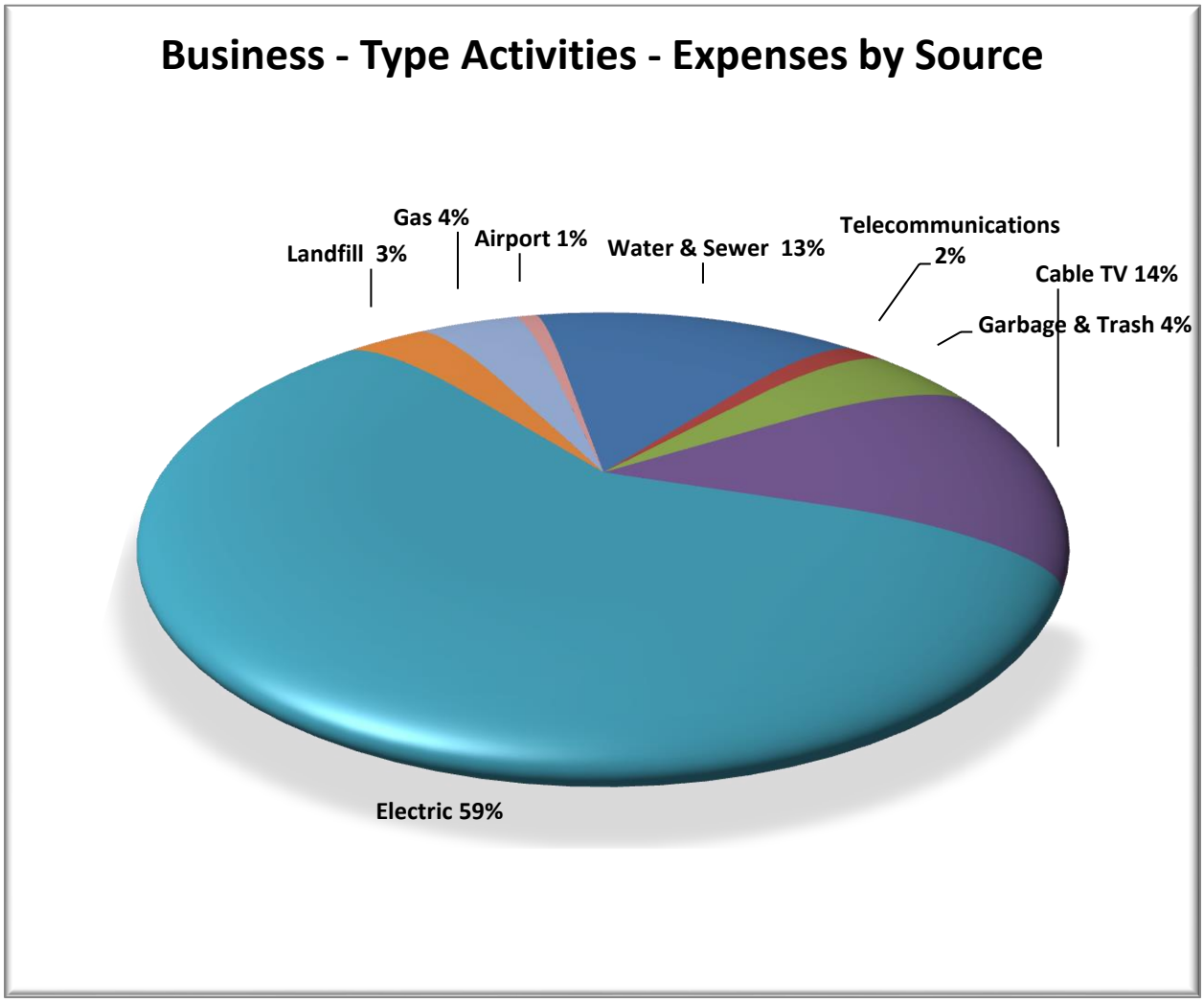


GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Program Revenues and Expenses for Business-Type Activities (Continued)

Business-Type Activities – Expenses by Source

The Electric Revenue fund has the largest amount of expenses as expected at 59% or $14.41 million but generated profits of $6.82 million before its transfers to other governmental and business-type activities.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The City of Cairo has only one major governmental fund which is the General Fund. At June 30, 2016, the General Fund had a fund balance of $6.26 million. This is an increase of $338 thousand from the beginning fund balance.

The fund balances for the other governmental funds decreased by $46 thousand. The final fund balance for these funds was $2.86 million at the end of the year.

Enterprise Funds

The Enterprise Funds, which include the City's Water and Sewer Fund, Electric Revenue Fund, Cable TV Fund, Landfill, and the non-major enterprise funds consisting of the Solid Waste, Airport, Telecommunications and Gas Revenue Funds showed a combined cash balance of $3.97 million for the year ended . This was an increase of $212 thousand from the previous year.

The Water and Sewer Fund had an ending cash balance of $23 thousand at June 30, 2016. This was an increase of $1.8 thousand from the previous year.

The Electric Fund had an ending cash balance of $638 thousand. This is an increase of $189 thousand from the previous year.

The Cable TV Fund showed an ending cash balance of $813 thousand staying consistent with the balance from the previous year.

The Landfill Fund had an ending cash balance of $2.48 million. This was an increase of $12 thousand from the previous year.

The combined cash balance of the non-major enterprise funds at the end of the year was $16 thousand. This is an increase of $13 thousand from the beginning cash balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

Generally, budget amendments fall into one of the following categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Amendments to the original budget for 2016 related to the transfer of budgeted amounts between departments and additional appropriations were due to elimination of interfund payables.

The actual revenues of the General Fund were more than final budgeted amounts by $172 thousand for the year ended June 30, 2016. The major factor contributing to this difference was an increase in sales tax and insurance premium taxes.

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

The actual expenditures of the General Fund were less than final budgeted amounts by $664 thousand for the year ended June 30, 2016. The major factor contributing to this difference was a decrease in actual expenditures in several departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30 2016, governmental activities and business-type activities had capital assets of $39.4 million (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment and recreation and park facilities.

The net capital assets from governmental activities increased $1.1 million from the 2015 amount due to current year acquisitions net of depreciation costs. The net capital assets from business-type activities increased by $1.5 million from the prior year due to current year acquisitions net of depreciation costs.

Additional information on the City's capital assets can be found in Note 6 of the Notes to Financial Statements.

Long-term Debt

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

At June 30, 2016, the City had $2.8 million of outstanding long-term liabilities related to governmental activities and $16.2 million of long-term liabilities related to business-type activities for a total of $19.0 million compared to the previous year's total of $18.59 million. This is an increase of $410 thousand as a result of scheduled principle payments and new acquisitions.

The City's component unit had $765 thousand in long-term debt outstanding in connection with City of Cairo Development Authority Taxable Revenue Bonds used to construct a United States Post Office. Under a lease agreement with the Postal Service, the Postal Service is to make rental payments to be used for the purpose of paying the principle and interest payments on the bonds until April of 2020.

Additional information on the City's long-term debt can be found in Note 7 of the Notes to Financial Statements.

FACTORS AFFECTING THE 2016 BUDGET

The Mayor and Council of the City of Cairo considered many factors when approving the City's 2016 budget and are very aware of present economic conditions and their effect on its citizens. The Mayor and Council chose to continue to use additional transfers from certain business-type activities to other business-type activities and to fund governmental activities and to use reserves and reductions in fund balances to fund operations and capital expenses in 2016 instead of increasing taxes or rates to provide the necessary funds required for the City's governmental and business-type activities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions about this report or requests for additional information may be addressed to:

City Finance Department
City of Cairo
119 North Broad Street
Cairo, Georgia 31728

City of Cairo, Georgia
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Cairo Development Authority
Assets				
Cash and cash equivalents	$ 769,001	$ 678,470	$ 1,447,471	$ -
Investments	-	13,086,234	13,086,234	-
Accounts receivable, net	1,297,660	3,529,865	4,827,525	757,975
Inventories	20,873	1,318,740	1,339,613	-
Other current assets	-	-	-	5,027
Internal balances	5,511,304	(5,511,304)	-	-
Restricted assets:				
Cash and cash equivalents	1,765,634	3,300,877	5,066,511	109,324
Investments	-	-	-	-
Sales tax receivable	157,085	-	157,085	-
Other noncurrent assets	-	687,301	687,301	5,041
Capital assets:				
Land	508,019	1,978,350	2,486,369	-
Construction in progress	-	2,957,064	2,957,064	-
Other capital assets, net of accumulated depreciation	9,557,992	24,417,637	33,975,629	-
Total assets	$ 19,587,568	$ 46,443,234	$ 66,030,802	$ 877,367
Deferred Outflows of Resources				
Deferred outflows from pensions	235,250	244,902	480,152	-

- Continued -

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

City of Cairo, Georgia
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Cairo Development Authority
Liabilities				
Accounts payable	134,072	2,538,279	$ 2,672,351	$ -
Accrued expenses	257,948	503,750	761,698	25,819
Customer deposits	-	613,481	613,481	-
Long-term liabilities:				
Due within one year	87,538	2,433,252	2,520,790	175,000
Due in more than one year	347,986	7,544,905	7,892,891	590,000
Compensated absences	167,488	113,206	280,694	-
Other	2,147,560	6,161,985	8,309,545	-
Total liabilities	3,142,592	19,908,858	23,051,450	790,819
Deferred Inflows of Resources				
Unavailable revenue	-	274,729	274,729	601,025
Deferred inflows from pensions	141,722	137,250	278,972	-
Total deferred inflows of resources	141,722	411,979	553,701	601,025
Net Position				
Net investment in capital assets	9,630,487	19,518,879	29,149,366	-
Restricted for:				
Debt service	-	-	-	-
Capital projects	2,780,677	-	2,780,677	-
Public services	74,950	-	74,950	-
Perpetual care - nonexpendable	11,442	-	11,442	
Unrestricted (deficit)	4,040,948	6,848,420	10,889,368	(514,477)
Total net position	$ 16,538,504	$ 26,367,299	$ 42,905,803	$ (514,477)

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

City of Cairo, Georgia
Statement of Activities
For the Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental activities:					
General government	$ 1,063,071	$ 103,378	$ 232,672	1,029,478	$ 302,457
Public safety	3,430,052	216,975	-	-	(3,213,077)
Public works	1,591,550	-	-	-	(1,591,550)
Parks and recreation	891,406	-	-	-	(891,406)
Community development	208,038	-	-	-	(208,038)
Interest on long-term debt	13,440	-	-	-	(13,440)
Total governmental activities	7,197,557	320,353	232,672	1,029,478	(5,615,054)
Business-type activities:					
Water and sewer	3,251,152	2,899,596	-	-	(351,556)
Electric revenue	14,415,162	21,189,968	-	-	6,774,806
Gas revenue	986,356	1,065,441	-	-	79,085
Cable TV	3,283,792	3,161,405	-	-	(122,387)
Garbage and trash	1,058,259	1,247,949	-	-	189,690
Airport	209,228	94,563	-	-	(114,665)
Telecommunications	346,854	696,895	268,922	-	618,963
Landfill	767,480	760,897	-	-	(6,583)
Total business-type activities	24,318,283	31,116,714	268,922	-	7,067,353
Total primary government	$ 31,515,840	$ 31,437,067	$ 501,594	$ 1,029,478	$ 1,452,299
Component unit:					
City of Cairo Development Authority	$ 67,494	$ -	$ -	$ -	$ (67,494)

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

City of Cairo, Georgia
Statement of Activities
For the Year Ended June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Cairo Development Authority
Change in net position:				
Net (expense) revenue	$ (5,615,054)	$ 7,067,353	$ 1,452,299	$ (67,494)
General revenues:				
Taxes:				
Property taxes	1,619,702	-	1,619,702	-
Sales taxes	923,571	-	923,571	-
Other taxes	1,038,618	-	1,038,618	-
Payments in lieu of taxes	-	-	-	-
Investment income	26,282	96,639	122,921	-
Gain on disposal of capital assets	-	-	-	49,815
Other revenues	191,167	7,505	198,672	-
Transfers	3,430,322	(3,430,322)	-	-
Total general revenues and transfers	7,229,662	(3,326,178)	3,903,484	49,815
Change in net position	1,614,608	3,741,175	5,355,783	(17,679)
Net position, beginning of year, restated	14,923,896	22,626,124	37,550,020	(496,798)
Net position, end of year	$ 16,538,504	$ 26,367,299	$ 42,905,803	$ (514,477)

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

City of Cairo, Georgia
Balance Sheet – Governmental Funds
June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 691,812	$ 77,189	$ 769,001
Accounts receivable, net	58,930	223,529	282,459
Inventories	20,873	-	20,873
Due from other funds	5,511,304	-	5,511,304
Restricted assets:			
Cash and cash equivalents	206,889	1,558,745	1,765,634
Sales tax receivable	157,085	-	157,085
Program receivables	-	1,015,201	1,015,201
Total assets	$ 6,646,893	$ 2,874,664	$ 9,521,557
Liabilities			
Accounts payable	$ 126,477	$ 7,595	$ 134,072
Accrued expenses	257,948	-	257,948
Due to other governments	-	-	-
Due to other funds	-	-	-
Advance from other funds	-	-	-
Notes payable	-	-	-
Total liabilities	384,425	7,595	392,020
Deferred Inflows of Resources			
Unavailable revenue	-	-	-
Fund Balances			
Nonspendable:			
Inventories	20,873	-	20,873
Restricted for:			
Specific projects	-	2,780,677	2,780,677
Public services	-	86,392	86,392
Unassigned, reported in:			
General fund	6,241,595	-	6,241,595
Total fund balances	6,262,468	2,867,069	9,129,537
Total liabilities , deferred inflows of resources and fund balances	$ 6,646,893	$ 2,874,664	$ 9,521,557

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

City of Cairo, Georgia
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

Total governmental fund balances	$	9,129,537
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		10,066,011
Certain long-term liabilities and related deferred items are not due and payable in the current period and therefore are not reported in the funds		
Capital leases		(111,740)
Notes payable		(323,784)
Net pension liability		(2,147,560)
Deferred outflows of resources - pensions		235,250
Deferred inflows of resources - pensions		(141,722)
Compensated absences		(167,488)
Net position of governmental activities	$	16,538,504

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

City of Cairo, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	$ 1,619,702	$ -	$ 1,619,702
Local option sales taxes	923,571	-	923,571
Other taxes	988,088	50,530	1,038,618
Licenses and permits	72,435	-	72,435
Fines and forfeitures	216,975	-	216,975
Charges for services	30,943	-	30,943
Investment income	1,665	24,617	26,282
Intergovernmental	-	1,262,150	1,262,150
Other revenues	191,167	-	191,167
Total revenues	4,044,546	1,337,297	5,381,843
Expenditures			
Current:			
General government	1,049,945	-	1,049,945
Public safety	3,745,170	49,149	3,794,319
Public works	1,333,050	-	1,333,050
Parks and recreation	891,847	-	891,847
Community development	-	41,898	41,898
Capital outlays	-	1,306,002	1,306,002
Debt service:			
Principal	90,425	-	90,425
Interest	13,440	-	13,440
Total expenditures	7,123,877	1,397,049	8,520,926
Excess (deficiency) of revenues over expenditures	(3,079,331)	(59,752)	(3,139,083)
Other Financing Sources (Uses)			
Transfers	3,417,139	13,183	3,430,322
Sale of capital assets	-	-	-
Long term debt issued	-	-	-
Other	-	-	-
Total other financing sources (uses)	3,417,139	13,183	3,430,322
Net change in fund balances	337,808	(46,569)	291,239
Fund balances (deficit), beginning of year	5,924,660	2,913,638	8,838,298
Fund balances (deficit), end of year	$ 6,262,468	$ 2,867,069	$ 9,129,537

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

City of Cairo, Georgia
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds	$ 291,239
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital asset purchases capitalized	1,812,650
Depreciation expense	(711,496)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of premiums and discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items.	
Debt payments made	90,424
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Increase in net pension asset	(251,386)
Increase in pension deferred outflows	235,250
Increase in pension deferred inflows	168,006
Increase in compensated absences	(20,079)
Change in net position of governmental activities	$ 1,614,608

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

City of Cairo, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property taxes	$ 1,523,000	$ 1,523,000	$ 1,619,702	$ 96,702
Local option sales taxes	900,000	900,000	923,571	23,571
Other taxes	913,000	913,000	988,088	75,088
Licenses and permits	77,500	77,500	72,435	(5,065)
Fines and forfeitures	240,000	240,000	216,975	(23,025)
Charges for services	50,083	50,083	30,943	(19,140)
Investment income	1,500	1,500	1,665	165
Intergovernmental	-	-	-	-
Other revenues	167,012	167,012	191,167	24,155
Total revenues	3,872,095	3,872,095	4,044,546	172,451
Expenditures				
Current:				
General government				
City council	114,340	117,665	117,647	18
City manager	265,958	268,268	273,969	(5,701)
Finance	212,915	204,205	195,905	8,300
Legal	25,483	25,483	22,985	2,498
Municipal court	37,558	37,558	37,799	(241)
Human resources	189,529	187,479	191,580	(4,101)
Clerk of council	225,345	228,170	210,060	18,110
Total general government	1,071,128	1,068,828	1,049,945	18,883
Public Safety				
Police	2,380,457	2,239,792	2,161,663	78,129
Fire	1,762,464	1,762,464	1,368,611	393,853
Code enforcement	234,047	238,047	214,896	23,151
Total public safety	4,376,968	4,240,303	3,745,170	495,133

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

City of Cairo, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Public works				
Office of the director	167,488	187,488	179,803	7,685
Streets and sidewalks	776,815	807,480	795,418	12,062
Maintenance and shop	414,205	414,205	357,829	56,376
Total public works	1,358,508	1,409,173	1,333,050	76,123
Parks and recreation				
Recreation	144,552	144,552	70,105	74,447
Parks and cemetery	504,118	584,118	584,242	(124)
Library	237,500	237,500	237,500	-
Total parks and recreation	886,170	966,170	891,847	74,323
Debt service:				
Principal	90,425	90,425	90,425	-
Interest	13,440	13,440	13,440	-
Total expenditures	7,796,639	7,788,339	7,123,877	664,462
Excess (deficiency) of revenues over expenditures	(3,924,544)	(3,916,244)	(3,079,331)	836,913
Other Financing Sources (Uses)				
Transfers	3,924,544	3,924,544	3,417,139	(507,405)
Sale of capital assets	-	-	-	-
Long term debt issued	-	-	-	-
Other	-	-	-	-
Total other financing sources (uses)	3,924,544	3,924,544	3,417,139	(507,405)
Net change in fund balances	-	8,300	337,808	329,508
Fund balances, beginning of year	5,924,660	5,924,660	5,924,660	-
Fund balances, end of year	$ 5,924,660	$ 5,932,960	$ 6,262,468	$ 329,508

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

City of Cairo, Georgia
Statement of Net Position – Proprietary Funds
June 30, 2016

	Business Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Revenue Fund	Cable TV Fund
Assets			
Current assets			
Cash and cash equivalents	$ 23,191	$ 638,763	$ -
Investments	-	13,086,234	-
Restricted assets - investments	-	-	-
Accounts receivable, net	302,744	1,650,623	323,234
Due from other funds	-	3,268,076	1,187,131
Advance to other funds	-	-	-
Due from component unit	-	-	-
Inventories	136,406	659,605	463,261
Other current assets	-	-	-
Total current assets	462,341	19,303,301	1,973,626
Noncurrent assets			
Investment in SGGSA	-	-	687,301
Restricted assets - cash	52	-	813,126
Restricted assets - investments	-	-	-
Capital assets:			
Land	1,419,016	118,595	-
Construction in progress	2,947,719	825	-
Other capital assets, net of accumulated depreciation	14,979,253	2,375,014	4,035,804
Total noncurrent assets	19,346,040	2,494,434	5,536,231
Total assets	$ 19,808,381	$ 21,797,735	$ 7,509,857
Deferred Outflows of Resources			
Deferred outflows from pensions	89,250	69,637	13,854
Total deferred outflows of resources	89,250	69,637	13,854

- Continued -

City of Cairo, Georgia
Statement of Net Position – Proprietary Funds
June 30, 2016

	Business Type Activities - Enterprise Funds		
	Landfill	Nonmajor Enterprise Funds	Total
Assets			
Current assets			
Cash and cash equivalents	$ 100	$ 16,416	$ 678,470
Investments	-	-	13,086,234
Restricted assets - investments	-	-	-
Accounts receivable, net	895,217	358,047	3,529,865
Due from other funds	878,015	-	5,333,222
Advance to other funds		-	-
Due from component unit	-	-	-
Inventories	-	59,468	1,318,740
Other current assets	-	-	-
Total current assets	1,773,332	433,931	23,946,531
Noncurrent assets			
Investment in SGGSA	-	-	687,301
Restricted assets - cash	2,487,699	-	3,300,877
Restricted assets - investments	-	-	-
Capital assets:			-
Land	206,305	234,434	1,978,350
Construction in progress	8,520	-	2,957,064
Other capital assets,			-
net of accumulated depreciation	912,965	2,114,601	24,417,637
Total noncurrent assets	3,615,489	2,349,035	33,341,229
Total assets	5,388,821	2,782,966	57,287,760
Deferred Outflows of Resources			
Deferred outflows from pensions	11,004	61,157	244,902
Total deferred outflows of resources	11,004	61,157	244,902

- Continued -

City of Cairo, Georgia
Statement of Net Position – Proprietary Funds
June 30, 2016

	Business Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Revenue Fund	Cable TV Fund
Liabilities			
Current liabilities			
Accounts payable	$ 35,466	$ 1,208,450	$ 181,832
Accrued expenses	22,866	139,687	179,900
Lines of credit	-	-	-
Short - term notes payable	-	-	-
Current portion of long - term debt	722,635	37,365	1,506,014
Customer deposits	-	613,481	-
Due to other governments	-	-	-
Due to other funds	-	297,000	9,360,395
Liabilities payable from restricted assets:			
Current portion of long - term debt	-	-	-
Total current liabilities	780,967	2,295,983	11,228,141
Long - term debt, net of current portion	6,954,769	290,239	-
Compensated absences	38,839	49,087	-
Other liabilities	706,221	544,530	116,367
Total liabilities	8,480,796	3,179,839	11,344,508
Deferred Inflows of Resources			
Unavailable revenue	-	-	252,101
Deferred inflows from pensions	52,538	39,932	9,256
Total deferred inflows of resources	52,538	39,932	261,357
Net Position			
Net investment in capital assets	11,668,584	2,166,830	2,529,790
Restricted for debt service	-	-	-
Unrestricted (deficit)	(304,287)	16,480,771	(6,611,944)
Total net position	$ 11,364,297	$ 18,647,601	$ (4,082,154)

- Continued -

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

City of Cairo, Georgia
Statement of Net Position – Proprietary Funds
June 30, 2016

	Business Type Activities - Enterprise Funds		
	Landfill	Nonmajor Enterprise Funds	Total
Liabilities			
Current liabilities			
Accounts payable	$ 848,455	$ 264,076	$ 2,538,279
Accrued expenses	3,342	157,955	503,750
Lines of credit	-	-	-
Short - term notes payable	-	-	-
Current portion of long - term debt	53,253	113,985	2,433,252
Customer deposits	-	-	613,481
Due to other governments	-	-	-
Due to other funds	-	1,187,131	10,844,526
Liabilities payable from			-
restricted assets:			-
Current portion of long - term debt	-	-	-
Total current liabilities	905,050	1,723,147	16,933,288
Long - term debt, net of current portion	299,897	-	7,544,905
Compensated absences	4,668	20,612	113,206
Other liabilities	4,347,995	446,872	6,161,985
Total liabilities	5,557,610	2,190,631	30,753,384
Deferred Inflows of Resources			
Unavailable revenue	-	22,628	274,729
Deferred inflows from pensions	5,574	29,950	137,250
Total deferred inflows of resources	5,574	52,578	411,979
Net Position			
Net investment in capital assets	804,640	2,349,035	19,518,879
Restricted for debt service	-	-	-
Unrestricted (deficit)	(967,999)	(1,748,121)	6,848,420
Total net position	$ (163,359)	$ 600,914	$ 26,367,299

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

City of Cairo, Georgia
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Revenue Fund	Cable TV Fund
Operating Revenues			
Utility revenues	$ -	$ 21,189,968	$ -
Charges for services	2,899,596	-	3,161,405
Other revenues	-	-	-
Intergovernmental	-	-	-
Total operating revenues	2,899,596	21,189,968	3,161,405
Operating Expenses			
Salaries and wages	897,530	688,568	193,288
Operating, administrative and maintenance	1,488,024	13,427,239	2,568,837
Depreciation	628,811	292,052	463,872
Total operating expenses	3,014,365	14,407,859	3,225,997
Operating income (loss)	(114,769)	6,782,109	(64,592)
Non-Operating Income (Expenses)			
Interest income	65	45,631	45,152
Interest expense	(232,116)	(7,303)	(57,795)
Issuance costs	-	(4,671)	-
Other non-operating income (loss)	-	-	-
Income (loss) before contributions and transfers	(346,820)	6,815,766	(77,235)
Transfers	1,756,180	(4,079,686)	45,584
Capital contributions	-	-	-
Change in net position	1,409,360	2,736,080	(31,651)
Net position (deficit), beginning of year	9,954,937	15,911,521	(4,050,503)
Net position (deficit), end of year	$ 11,364,297	$ 18,647,601	$ (4,082,154)

- Continued -

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

City of Cairo, Georgia
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds		
	Landfill	Nonmajor Enterprise Funds	Total
Operating Revenues			
Utility revenues	$ -	$ -	$ 21,189,968
Charges for services	760,897	3,104,848	9,926,746
Other revenues	7,038	467	7,505
Intergovernmental	-	268,922	268,922
Total operating revenues	767,935	3,374,237	31,393,141
Operating Expenses			
Salaries and wages	143,225	862,590	2,785,201
Operating, administrative and maintenance	465,385	1,540,133	19,489,618
Depreciation	150,370	189,597	1,724,702
Total operating expenses	758,980	2,592,320	23,999,521
Operating income (loss)	8,955	781,917	7,393,620
Non-Operating Income (Expenses)			
Interest income	5,783	8	96,639
Interest expense	(8,500)	(8,377)	(314,091)
Issuance costs	-	-	(4,671)
Other non-operating income (loss)	-	-	-
Income (loss) before contributions and transfers	6,238	773,548	7,171,497
Transfers	(278,251)	(874,149)	(3,430,322)
Capital contributions	-	-	-
Change in net position	(272,013)	(100,601)	3,741,175
Net position (deficit), beginning of year	108,654	701,515	22,626,124
Net position (deficit), end of year	$ (163,359)	$ 600,914	$ 26,367,299

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

City of Cairo, Georgia
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Revenue Fund	Cable TV Fund
Cash Flows from Operating Activities			
Cash received from customers and users	$ 2,544,356	$ 20,966,158	$ 3,108,473
Other operating receipts	-	-	-
Cash payments to employees	(961,727)	(738,658)	(248,403)
Cash payments to suppliers	(1,208,256)	(13,257,852)	(2,761,984)
Net cash provided (used) by operating activities	374,373	6,969,648	98,086
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	1,995,082	1,179,960	182,034
Transfers to other funds	(238,902)	(5,259,646)	(136,450)
Net change in due from other funds	-	-	(234,852)
Net change in due from component unit	-	-	-
Net change in due to other funds	-	(632,288)	1,072,353
Net cash provided (used) by noncapital financing activities	1,756,180	(4,711,974)	883,085
Cash Flows from Capital and Related Financing Activities			
Debt issuance costs	-	(4,671)	-
Proceeds from issuance of long - term debt	-	-	-
Proceeds from sale of assets	-	-	-
Proceeds from capital contributions	-	-	-
Acquisition and construction of capital assets	(2,663,520)	(110,043)	(152,924)
Principal payments on debt	676,524	(30,521)	(820,797)
Interest paid	(141,787)	(7,303)	(57,795)
Net cash provided (used) by capital and related financing activities	(2,128,783)	(152,538)	(1,031,516)
Cash Flows from Investing Activities			
Sale of investment securities	-	-	-
Purchase of investments	-	(1,961,351)	-
Loan disbursements	-	-	
Interest received	65	45,631	45,152
Net cash provided (used) by investing activities	65	(1,915,720)	45,152
Net increase (decrease) in cash and cash equivalents	1,835	189,416	(5,193)
Cash and cash equivalents, beginning of year	21,356	449,347	818,319
Cash and cash equivalents, end of year	$ 23,191	$ 638,763	$ 813,126

- Continued -

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

City of Cairo, Georgia
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds		
	Landfill	Nonmajor Enterprise Funds	Total
Cash Flows from Operating Activities			
Cash received from customers and users	$ 344,932	$ 3,131,846	$ 30,095,765
Other operating receipts	7,038	268,922	275,960
Cash payments to employees	8,173	(909,753)	(2,850,368)
Cash payments to suppliers	(41,623)	(1,521,973)	(18,791,688)
Net cash provided (used) by operating activities	318,520	969,042	8,729,669
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	425,025	541,561	4,323,662
Transfers to other funds	(703,276)	(1,415,710)	(7,753,984)
Net change in due from other funds	-	-	(234,852)
Net change in due from component unit	-	-	-
Net change in due to other funds	-	234,852	674,917
Net cash provided (used) by noncapital financing activities	(278,251)	(639,297)	(2,990,257)
Cash Flows from Capital and Related Financing Activities			
Debt issuance costs	-	-	(4,671)
Proceeds from issuance of long - term debt	-	-	-
Proceeds from sale of assets	-	-	-
Proceeds from capital contributions	-	-	-
Acquisition and construction of capital assets	(25,991)	(258,589)	(3,211,067)
Principal payments on debt	1,261	(49,204)	(222,737)
Interest paid	(8,500)	(8,377)	(223,762)
Net cash provided (used) by capital and related financing activities	(33,230)	(316,170)	(3,662,237)
Cash Flows from Investing Activities			
Sale of investment securities	-	-	-
Purchase of investments	-	-	(1,961,351)
Loan disbursements	-	-	-
Interest received	5,783	8	96,639
Net cash provided (used) by investing activities	5,783	8	(1,864,712)
Net increase (decrease) in cash and cash equivalents	12,822	13,583	212,463
Cash and cash equivalents, beginning of year	2,474,977	2,833	3,766,832
Cash and cash equivalents, end of year	$ 2,487,799	$ 16,416	$ 3,979,295

- Continued -

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

City of Cairo, Georgia
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Revenue Fund	Cable TV Fund
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities			
Operating income (loss)	$ (114,769)	$ 6,782,109	$ (64,592)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	628,811	292,052	463,872
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(28,443)	(7,816)	(52,932)
Other current assets	(12,884)	-	-
Inventories	(20,719)	(116,185)	952
Deferred outflows of resources	(89,250)	(69,637)	(59,004)
Increase (decrease) in:			
Accounts payable	(29,208)	29,508	(225,762)
MEAG rebate program	-	-	-
Accrued expenses	15,782	15,816	31,663
Customer deposits	-	24,254	
Compensated absences	-	-	
Net pension liability	75,533	58,934	11,725
Other liabilities	-		
Deferred inflows of resources	(50,480)	(39,387)	(7,836)
Net cash provided (used) by operating activities	$ 374,373	$ 6,969,648	$ 98,086
Noncash Capital and Related Financing Activities			
Capital assets purchased with debt	$ -	$ -	$ -
Transfer of capital assets from governmental fun	-	-	-
Total noncash capital and related financing activities	$ -	$ -	$ -

- Continued -

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

City of Cairo, Georgia
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds		
	Landfill	Nonmajor Enterprise Funds	Total
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities			
Operating income (loss)	$ 8,955	$ 781,917	$ 7,393,620
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	150,370	189,597	1,724,702
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(228,142)	35,822	(281,511.0)
Other current assets	-	(1)	(12,885)
Inventories	-	(6,755)	(142,707)
Deferred outflows of resources	(11,004)	(61,157)	(290,052)
Increase (decrease) in:			
Accounts payable	235,017	(2,165)	7,390
MEAG rebate program	-	11,426	11,426
Accrued expenses	922	3,191	67,374
Customer deposits	-	-	24,254
Compensated absences	-	-	-
Net pension liability	9,313	51,758	207,263
Other liabilities	159,313	-	159,313
Deferred inflows of resources	(6,224)	(34,591)	(138,518)
Net cash provided (used) by operating activities	$ 318,520	$ 969,042	$ 8,729,669
Noncash Capital and Related Financing Activities			
Capital assets purchased with debt	$ -	$ -	$ -
Transfer of capital assets from governmental fun	-	-	-
Total noncash capital and related financing activities	$ -	$ -	$ -

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cairo, Georgia (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, including component units, the City has adopted GASB Statement of Accounting Standards No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting.

Reporting Entity

The City of Cairo was incorporated in 1906. The City's Charter provides for a Council-Mayor form of government. The City Manager is the head of the administrative branch of government and is responsible for the day-to-day operations of the city government. The legislative authority of the City is vested in the Mayor and five Council members with an appointed City Manager. The City provides the following services and operations as authorized by its charter: public safety (police and fire), public works, recreation, airport, and public utilities (water and sewer, gas, electric, solid waste, landfill, cable TV and Internet services).

The financial reporting entity has been determined by management in accordance with accounting principles generally accepted in the United States of America to be the City of Cairo (the primary government) and its component unit. A component unit is a legally separate organization for which the primary government is financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the government for financial reporting purposes, management has considered all component units.

The criteria used to determine financial accountability are the ability of the primary government to appoint a voting majority of the organization's governing body, and effectively impose its will on the organization. Also, if there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government, financial accountability would exist. Based upon the application of these criteria, the following is a brief review of the component unit included in the City's reporting unit as a discretely presented component unit.

City of Cairo Development Authority

The City of Cairo Development Authority (the Authority) plans and develops the downtown area of the City in order to attract new business and residences. The Mayor and Council elect all three members of the Authority's Board and the City possesses the authority to review, approve and revise the Authority's budget and governs collection and disbursement of its funds. The Authority is reported as a proprietary fund type component unit. Separate financial statements are not issued.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Changes in Net Position) report information on all non-fiduciary activities of the primary government and its component unit. As a general rule, 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is accountable.

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

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government – Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type activities for the City.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Accordingly, all the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function, and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function. 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certain eliminations have been made as prescribed by GASB Statement of Accounting Standards No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated, however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Fund Financial Statements

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The City considers revenues to be available if they are collected within sixty days after year end. Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, and investment income. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due

The City reports the following major governmental funds:

> The *General Fund* is the principal fund of the City and is used to account for all of its activities not otherwise accounted for by a specified fund.

Additionally, the City reports the following governmental fund types:

> The *Special Revenue Funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
>
> The *Capital Projects Funds* are used to account for financial resources for the acquisition or construction of major capital facilities and improvements other than those financed by Proprietary Funds. These projects are financed through budget appropriations, revenue bonds, sales tax proceeds and general obligation sales tax, and capital leases.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting* and are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds 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 non-operating revenues and expenses.

Enterprise Funds account for activities that are usually self-sustaining, principally through user charges for services rendered.

The City reports the following major enterprise funds:

The Water and Sewer Fund accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The Electric Revenue Fund accounts for the provision of electrical services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The Cable TV Fund accounts for the provision of cable television services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The Landfill Fund accounts for the operations and activities of the City landfill.

Component Units: All component units are reported using the *economic resources measurement focus basis* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America except that encumbrances are treated as budgeted expenditures in the year of the incurrence of the commitment to purchase. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to restrict, commit or assign that portion of the applicable appropriation, is not employed by the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents
Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less.

Investments
State Statutes authorize the City and the Authority to invest in obligations of the State of Georgia, obligations issued by the United States Government, obligations fully insured or guaranteed by the United States Government or by a government agency of the United States, obligations of any corporation of the United States Government, prime bankers' acceptances, the local government's investment pool established by Georgia Law, repurchase agreements, and obligations of other political sub-divisions of the State of Georgia, and, additionally, certificates of deposits, NOW accounts, and money market accounts of banks, which have deposits insured by the Federal Deposit Insurance Corporation; provided, however, that portion of such investment shall be secured by direct obligations of the State of Georgia or the United States, which are of a par value equal to one hundred ten percent (110%) of funds on deposit at the institution.

Investments for the City and its component unit are reported at fair value.

Receivables
Receivables and Due from Other Governments represent funds to be received from other local governments, state grant in aid, state contracts, or federal funds. No allowance is deemed necessary for these receivables.

All trade and property tax receivables have been reduced to their estimated net realizable value and are shown net of an allowance for doubtful accounts. Estimated uncollectible amounts are based upon historical experience rates.

Inventories
Inventory in enterprise funds is valued at the lower of cost or market, using the first-in, first-out method. Inventory in the General Fund is valued at cost and consists of expendable supplies held for consumption. The City accounts for inventory on the purchase basis.

Prepaid Items
Certain payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements of the enterprise funds.

Interfund Receivables / Payables
Outstanding balances between funds at the end of the fiscal year are referred to as either “Due From Other Funds” or “Due To Other Funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “Internal Balances”.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Certain assets of the City and the Authority are subject to restrictions imposed by parties outside the government (such as creditors, grantors, contributors, and laws or regulations of other governments). The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use, thereof, to a future project or replacement equipment acquisition.

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. The City's policy has set the capitalization threshold at $5,000 for reporting capital assets and infrastructure assets. All capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the year ended June 30, 2016, no interest incurred was attributable to the cost of capital assets associated with construction projects.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Governmental Assets	
Buildings and improvements	10-30 years
Machinery and equipment	3-10 years
Infrastructure	20-50 years
Business-type Assets	
Buildings and improvements	10-50 years
Machinery and equipment	3-10 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future periods and thus, will not be recognized as an outflow of resources (expense) until then. The City has only one item that qualifies for reporting in this category. It is the deferred charge on refunding in the government-wide statement of net position and the Proprietary Funds Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Inflows of Resources
In addition to liabilities, the City will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds and government-wide statement of net position report unavailable revenues from property taxes, grants and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences
It is the City's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Government does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and/or retirements. The General Fund is used to liquidate compensated absences, unless associated with a specific proprietary fund.

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 is not significantly different than the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 the issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

Beginning with fiscal year 2011, the City implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a formal action of the City Council through adoption of a resolution. Only the City Council may modify or rescind the commitment;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Fund and Capital Projects Funds. Encumbrances outstanding at year end are reported as restrictions of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at the end of the year. Encumbrances are re-appropriated in the following year, except for encumbrances in the Capital Projects Funds which are continuing. Encumbrances do not represent GAAP expenditures. At June 30, 2016, there were no encumbrances outstanding.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The City has performed an evaluation of subsequent events, as defined under Accounting Standards Codification (ASC) 855-10, through November 7, 2016, which is the date the financial statements were available to be issued. Management has determined that there are no subsequent events that are required to be adjusted to, or disclosed in, the financial statements.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

Budget Process

The annual budget document is the financial plan for the operation of the City. The budget process exists for the purpose of providing a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the City's financial position. An annual operating budget is adopted for the General Fund and Enterprise Funds.

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

1) City departments submit budget requests to the City Manager.
2) Proposed budgets are reviewed and prepared by the City Manager for submission to the Mayor and the City Council.
3) Public hearings on the proposed budgets are held.
4) The budget is legally adopted by the Mayor and the City Council.
5) All budgets revisions must be approved as required by Georgia law and administrative policy. Revisions that alter the total expenditures of any department or fund must be approved by the City Council.
6) Formal budgetary integration is employed as a management control device during the year for the General Fund and the Enterprise Funds.
7) Budgets for the General Fund and the Enterprise Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Original budgeted amounts for the year ended June 30, 2016, were adopted by the City Council on June 22, 2015.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Capital Projects Budget

The construction of certain major capital facilities and improvements, which are accounted for by the City in the Capital Projects Fund, are subject to budgetary control on a project basis. The budgets are approved by the City Council and are generally subject to specific provisions of voter referendums, State Statutes, and/or grant agreements. Appropriations for a specific project do not lapse until completion of the project.

Deficit Fund Balances / Retained Earnings in Individual Funds

The following funds had deficit balances in net position as of June 30, 2016:

Fund		Deficit
Cable TV Fund	$	4,082,154
Landfill Fund		163,359
Garbage and Trash Fund		139,209
Tele-Comm Fund		858,740

The fund deficits above are expected to be reduced through increased user charges and transfers from reserve and utility funds.

Excess of Expenditures Over Appropriations in Individual Funds

The following funds incurred actual expenditures in excess of budgeted amounts for the year ended June 30, 2016:

Department/Fund		Excess of Expenditures Over Budgeted Amounts
Hotel/Motel Fund	$	3,098

NOTE 3 - DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2016, are summarized as follows:

		Deposits with Financial Institutions
Deposits with financial institutions	$	6,623,306
Investments		13,086,234
	$	19,709,540

	June 30, 2016
Primary government:	
Amounts as presented on the entity-wide Statement of Net Position	
Governmental Activities:	
Cash and cash equivalents	$ 769,001
Investments	-
Restricted cash and cash equivalents	1,765,634
Restricted investments	-
Business-Type Activities:	
Cash and cash equivalents	678,470
Investments	13,086,234
Restricted cash and cash equivalents	3,300,877
Total primary government	19,600,216
Component units:	
Cash and cash equivalents	-
Restricted cash and cash equivalents	109,324
Total component units	109,324
Total	$ 19,709,540

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

Municipal Competitive Trust

The Municipal Electric Authority of Georgia (MEAG) formed a Trust, known as the "Municipal Competitive Trust", for the benefit of its participants, (which includes the City of Cairo, Georgia, along with forty-eight (48) other Cities and Counties). The Competitive Trust has been funded with certain monies, which have been accumulated in MEAG Power reserves, including certain rate stabilization monies and sums from the debt service reserves, which were released following a successful effort to obtain bondholder consent to amend the Project One and General Resolution Projects Resolutions. Surety bonds were substituted for the debt service reserves, to preserve the security of the bondholders, thus, allowing the accumulated debt service reserves to be transferred to the Competitive Trust. Funds in the Competitive Trust will be invested and reinvested, and will be available to reduce future power supply costs of the participants to meet retail competition.

Discretionary funds from the participants were deposited in the Flexible Trust Account, which is part of the Municipal Competitive Trust, established by MEAG and represents an involuntary participation external investment pool that is not registered with the S.E.C., as an investment company. The City of Cairo, Georgia has recorded the investments in the Flexible Trust Account in the Electric Fund at fair market value which was $13,086,234 at June 30, 2016. Fair market value is determined based on the fair value of the underlying portfolio, calculated daily, with earnings distributed monthly. The fair value of the position in the external investment pool is the same as the value of the pool shares. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, certain government agencies, if guaranteed by the United States Government, direct and general obligations of States, certain Federal agency discount notes and repurchase agreements collateralized by securities, which would, otherwise, be permissible under the laws of the State of Georgia.

Under the above parameters, investments are made in mortgage and derivative securities. These securities principally include agency-issued mortgages, collateralized mortgage obligations, principle-only strips and interest only securities that are required to repay one hundred percent (100%) of their principal investment at maturity. The yield on derivative securities is based on cash flows received, as determined by a specified formula or index and/or cash flows from principle repayments on underlying mortgages. Therefore, the rate of return and market value of these securities may be sensitive to changes in their respective index or formula and/or in pre-payment on mortgages, which may result from changing interest rates.

MEAG Power and, therefore, the City of Cairo, Georgia, to the extent of its portion of the Flexible Trust Account, are exposed to credit and market risk, relating to its investments. Credit risk arises when an entity is unable to recover its investments, either by an inability to withdraw the funds through non-performance of a counter party or an inability to recover collateral. Market risk could affect the investments adversely when either the value of items purchased or the value of underlying collateral declines.

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Derivative Financial Instruments
Derivative financial instruments are used principally in the management of interest rate exposure and include interest rate swap transactions. Derivative financial instruments are not held or issued for trading purposes. The counter parties to derivative transactions are major financial institutions, with either high investment grade credit ratings or agreements to collateralize their net position.

Swap transactions are accrued to interest expense for the difference between the agreed upon fixed and floating rates. Options are recorded at fair value, based on the estimated amount that would be received or paid to terminate the options at the reporting date, based on broker quotes. Options are revalued and marked to market.

MEAG Power and the City's portion of the Flexible Trust Account will be exposed to less variable rate exposure if the counter party to the swap transaction defaults or if the swap is terminated. Any termination of the swap agreements may also result in MEAG Power, through the appropriate trust account, making or receiving a settlement payment.

Component Unit
The Authority's investments consist primarily of funds placed in irrevocable escrow accounts and invested in U.S. Treasury notes. These investments are restricted for the retirement of principle and interest on certain Revenue Bonds.

Classification of Investments
Investments are categorized into three categories of credit risk:

1) Insured or registered, or securities held by the City or Authority or their agent in the name of the City or Authority.
2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City or Authority's name.
3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City or Authority's name.

At June 30, 2016, The City's investments in the MEAG Municipal Competitive Trust investment pool totaling $13,086,234 are not evidenced by securities that exist, in physical or book entry form, and are not classified by category or credit risk. Additionally, no indication of the level of risk has been provided, because these investments are in pools managed by other governments or by other agents.

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2016, the City's investments were classified as follows:

	Category			
	1	2	3	Fair Value
U.S. Government Securities	-	13,086,234	-	13,086,234
	$ -	$ 13,086,234	$ -	$ 13,086,234

As of June 30, 2016, the City's interest rate risk related to its investments was as follows:

	Fair Value	Maturities	Credit Quality
U.S. Government Securities	13,086,234	July 29, 2016 to March 30, 2017	Unavailable
	$ 13,086,234		

NOTE 4 – RECEIVABLES AND TAX REVENUE

Property Tax

Property taxes are levied in October based on property values assessed as of January 1. The billing representing the current year tax levy is mailed on October 20th. The billings are considered past due sixty (60) days after the billing date and penalties and interest are assessed. The applicable property is subject to lien after the billings are ninety (90) days delinquent.

The tax rate levied during fiscal year 2016 for the City's operations was 8.31 mills (mill equals $1 per thousand dollars of assessed value).

The City maintains no allowance for uncollectible property taxes at June 30, 2016.

Sales Tax

Grady County, Georgia has levied three 1% Special Purpose Local Option Sales Tax Programs (SPLOST) which were passed by referendum in 2007 and 2012. The proceeds from these sales tax programs are used to finance various capital projects. The SPLOST programs are administered by Grady County, Georgia.

NOTE 4 – RECEIVABLES AND TAX REVENUE (CONTINUED)

Receivables

Receivables as of June 30, 2016 are as follows:

	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Electric Revenue Fund
Receivables				
Accounts	58,930	223,529	406,055	2,251,231
Property tax	-	-	-	-
Sales tax	157,085	-	-	-
Program	-	1,015,201	-	-
Due from other governments	-	-	-	-
Gross receivables	216,015	1,238,730	406,055	2,251,231
Less allowance for uncollectibles	-	-	103,311	600,608
Total net receivables	$ 216,015	$ 1,238,730	$ 302,744	$ 1,650,623

	Cable TV Fund	Landfill Fund	Nonmajor Enterprise Funds	Total
Receivables				
Accounts	515,087	895,217	439,395	$ 4,789,444
Property tax				-
Sales tax				157,085
Program				1,015,201
Due from other governments				-
Gross receivables	515,087	895,217	439,395	5,961,730
Less allowance for uncollectibles	191,853	-	81,348	977,120
Total net receivables	$ 323,234	$ 895,217	$ 358,047	$ 4,984,610

NOTE 4 – RECEIVABLES AND TAX REVENUE (CONTINUED)

Component Unit

The City of Cairo Development Authority leases a post office building to the United States Postal Service under a sales-type lease, as defined in Accounting Standards Codification (ASC) 840, "*Accounting for Leases*". The investment in the sales-type lease is included in program receivables and unearned interest income is included in deferred inflows of resources.

The components of the net investment in the sales-type lease at June 30, 2016, were as follows:

Minimum future rentals	$ 845,972
Less unearned interest income	(87,997)
Net investment in sales-type lease	$ 757,975

At June 30, 2016, the minimum future lease payments to be received under the sales-type lease are as follows:

Year Ending June 30,	Total
2017	$ 223,769
2018	223,769
2019	223,769
2020	174,665
2021	-
Thereafter	-
	$ 845,972

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND INTERFUND TRANSFERS

Interfund Receivables and Payables

Interfund receivables and payables result from timing differences related to payroll and other year-end transactions which normally clear within one to two months. The composition of interfund receivables and payables as of June 30, 2016 is as follows:

	Due From			
Due to	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Electric Revenue Fund
General Fund	$ -	$ -	$ -	$ -
Nonmajor Governmental Funds	-	-	-	-
Water and Sewer Fund	-	-	-	-
Electric Revenue Fund	-	-	-	-
Cable TV Fund	-	-	-	-
Landfill Fund	-	-	-	297,000
Nonmajor Enterprise Funds	-	-	-	-
Total	$ -	$ -	$ -	$ 297,000

	Due From			
Due to	Cable TV Fund	Landfill Fund	Nonmajor Enterprise Funds	Total
General Fund	$ 5,511,304	$ -	$ -	$ 5,511,304
Nonmajor Governmental Funds	-	-	-	-
Water and Sewer Fund	-	-	-	-
Electric Revenue Fund	3,268,076	-	-	3,268,076
Cable TV Fund	-	-	1,187,131	1,187,131
Landfill Fund	581,015	-	-	878,015
Nonmajor Enterprise Funds	-	-	-	-
Total	$ 9,360,395	$ -	$ 1,187,131	$ 10,844,526

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND INTERFUND TRANSFERS (CONTINUED)

Interfund Transfers

Interfund transfers are used to move revenues from the fund that Statute or budget requires to collect them to the fund that the Statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund and Enterprise Funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2016, consisted of the following:

	Transfer To			
Transfer From	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Electric Revenue Fund
General Fund	$ -	$ 209,476	$ 774,998	$ -
Nonmajor Governmental Funds	196,293	-	-	-
Water and Sewer Fund	235,554	-	-	-
Electric Revenue Fund	3,663,875	-	1,170,746	-
Cable TV Fund	136,450	-	-	-
Landfill Fund	369,416	-	48,909	-
Nonmajor Enterprise Funds	185,208	-	429	1,179,960
Total	$ 4,786,796	$ 209,476	$ 1,995,082	$ 1,179,960

	Transfer To			
Transfer From	Cable TV Fund	Landfill Fund	Nonmajor Enterprise Funds	Total
General Fund	$ -	$ -	$ 385,183	$ 1,369,657
Nonmajor Governmental Funds	-	-	-	196,293
Water and Sewer Fund	-	3,080	268	238,902
Electric Revenue Fund	-	425,025	-	5,259,646
Cable TV Fund	-	-	-	136,450
Landfill Fund	-	-	288,031	706,356
Nonmajor Enterprise Funds	182,034	-	-	1,547,631
Total	$ 182,034	$ 428,105	$ 673,482	$ 9,454,935

NOTE 6 – CAPITAL ASSETS

The following is a summary of capital asset activity as of June 30, 2016:

Primary Government

Primary Government: ***Governmental Activities***	**Beginning Balance**	**Increases**	**Decreases**	**Transfers**	**Ending Balance**
Nondepreciable					
Land and improvements	$ 508,019	$ -	$ -	$ -	$ 508,019
Construction in progress	-	-	-	-	-
Total nondepreciable capital assets	508,019	-	-	-	508,019
Other capital assets					
Buildings and improvements	7,258,257	11,666	-	-	7,269,923
Machinery & equipment	4,006,477	227,843	-	-	4,234,320
Infrastructure	5,304,542	1,573,140	-	-	6,877,682
Total other capital assets at cost	16,569,276	1,812,649	-	-	18,381,925
Less accumulated depreciation for depreciation for:					
Buildings and improvements	(2,019,309)	(89,738)	-	-	(2,109,047)
Machinery & equipment	(3,292,540)	(175,653)	-	-	(3,468,193)
Infrastructure	(2,800,588)	(446,105)	-	-	(3,246,693)
Total accumulated depreciation	(8,112,437)	(711,496)	-	-	(8,823,933)
Other capital assets, net	8,456,839	1,101,153	-	-	9,557,992
Governmental activities capital assets, net	$ 8,964,858	$ 1,101,153	$ -	$ -	$ 10,066,011

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Primary Government: ***Business-type Activities***	**Beginning Balance**	**Increases**	**Decreases**	**Transfers**	**Ending Balance**
Nondepreciable					
Land and improvements	$ 1,978,350		$ -	$ -	$ 1,978,350
Construction in progress	1,522,412	1,921,068	-	(486,416)	2,957,064
Total nondepreciable capital assets	3,500,762	1,921,068	-	(486,416)	4,935,414
Other capital assets					
Buildings	50,838,206	877,837	-	486,416	52,202,459
Machinery & equipment	7,400,446	412,110	-	-	7,812,556
Total other capital assets at cost	58,238,652	1,289,947	-	486,416	60,015,015
Less accumulated depreciation for:					
Buildings	(26,750,492)	(1,221,293)	-	-	(27,971,785)
Machinery & equipment	(7,122,184)	(503,409)	-	-	(7,625,593)
Total accumulated depreciation	(33,872,676)	(1,724,702)	-	-	(35,597,378)
Other capital assets, net	24,365,976	(434,755)	-	486,416	24,417,637
Business-type activities capital assets, net	$ 27,866,738	$ 1,486,313	$ -	$ -	$ 29,353,051

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	$	55,568
Public safety		200,073
Public works		285,666
Parks and recreation		170,189
Total governmental activities depreciation expense	$	711,496
Business-type activities:		
Water & Sewer		628,811
Electric		292,052
Cable TV		463,872
Garbage and trash		7,591
Airport		54,793
Telecomm		52,108
Landfill		150,370
Gas		75,105
Total business-type activities depreciation expense	$	1,724,702

Component Units

Capital asset activity for the Downtown Development Authority of the City of Cairo, a discretely presented component unit, for the year ended June 30, 2016 is as follows:

Governmental Activities:

The Authority had no governmental capital asset activity for the year ended June 30, 2016.

Business-type activities:

The Authority had no business-type capital asset activity for the year ended June 30, 2016.

NOTE 7 – LONG TERM DEBT

Revenue Bonds

The City issues bonds where it pledges income derived from the acquired or constructed assets to pay debt service. The City's enterprise funds' revenue bonds outstanding at June 30, 2016, are as follows:

Enterprise Fund and Description	Original Amount	Interest Rate	Due Date	Amount
Water and Sewer and Electric Funds				
Combined Public Utility Refunding Revenue Bonds, Series 2014	12,800,000	2.50-5.00%	2024	$ 6,565,000
Cable TV Fund and Telecommunications Fund				
South Georgia Governmental Services Authority, Series 2004	9,725,000	2.00-5.00%	2016	1,620,000
			Unamortized bond premium	58,469
			Less current portion	(2,380,000)
				$5,863,469

Combined Public Utility Refunding Revenue Bonds, Series 2014

The City of Cairo Combined Public Utility Refunding Revenue Bonds, Series 2014 were issued December 11, 2014, in the amount of $7,300,000 to provide funds to prepay the City of Cairo Combined Public Utility Revenue Refunding and Improvement Bonds, Series 2004. These bonds will be repaid from the revenues and earnings derived from the City's ownership and operation of the water and sewerage system, the electric power distribution system and the natural gas distribution system.

The annual debt service requirement to maturity of the Series 2014 bonds at June 30, 2016, is as follows:

Year Ending June 30	Principal	Interest	Total
2017	$ 760,000	$ 144,430	$ 904,430
2018	775,000	127,710	902,710
2019	790,000	110,660	900,660
2019	810,000	93,280	903,280
2021	830,000	75,460	905,460
2022-2024	2,600,000	115,170	2,715,170
	$ 6,565,000	$ 666,710	$ 7,231,710

NOTE 7 – LONG TERM DEBT (CONTINUED)

South Georgia Governmental Services Authority Revenue Bonds, Series 2004

The Series 2004 bonds were issued on April 1, 2004, and were issued in the total amount of $35,405,000 (of which only $9,725,000 is applicable to the City of Cairo). The bonds were issued for the purpose of providing funds 1) to the City of Cairo, the City of Camilla, the City of Moultrie and the City of Thomasville to pay, on behalf of each of the Cities, certain intergovernmental contract obligations and bonds outstanding incurred to acquire, construct, and equip cable television and telecommunications systems for said Cities, 2) to the City of Cairo, the City of Camilla and the City of Thomasville for the acquisition, construction and equipping of additional equipment and facilities to be used in connection with the cable television and communications systems for said Cities, 3) to fund a reserve for payment of the Bonds, and 4) to pay the necessary costs of issuing the Bonds.

The Series 2004 bonds are limited obligations of the South Georgia Governmental Services Authority (the Authority) and are payable solely from and secured by the Trust Estate which includes rentals, revenues, earnings and funds of the Authority arising from the individual City projects as provided in the leases between the Authority and each of the Cities. The City of Cairo's obligation to make lease payments under the lease contract sufficient to pay the principal of, premium, if any, and interest on the 2004 Series bonds is absolute and unconditional and will not expire so long as any of the Series 2004 bonds remain outstanding and unpaid. Under the lease contract, the City has agreed to levy ad valorem property taxes, subject to millage limits prescribed by law, on all property in the City subject to such tax as may be necessary to make the payments required by the lease contract.

The issuance of the Series 2004 bonds effectively paid off, via an advance refunding, the City's outstanding City of Cairo Development Authority Revenue Bonds, Series 2000 and 2002 in the amount of $7.6 million. The Series 2000 have been called and retired as of January 2010. The defeased Series 2002 bonds were paid in full as of June 30, 2013.

The annual debt service requirement to maturity of the Revenue Bonds at June 30, 2016, is as follows:

Year Ending June 30	Principal	Interest	Total
2017	$ 1,620,000	$ 81,000	$ 1,701,000
	$ 1,620,000	$ 81,000	$ 1,701,000

NOTE 7 – LONG TERM DEBT (CONTINUED)

Component Unit

The City of Cairo Development Authority's revenue bonds outstanding at June 30, 2016, are as follows:

	Original Amount	Interest Rate	Due Date	Amount
City of Cairo Development Authority – Series 1999	$ 2,460,000	5.25-6.75%	2020	$ 765,000
				765,000
			Less current portion	(175,000)
				$ 590,000

City of Cairo Development Authority Taxable Revenue Bonds, Series 1999

The City of Cairo Development Authority (Authority) Series 1999 bonds were issued in April of 1999 in the amount of $2,460,000 to provide funds to finance the construction of the new post office building. The Authority and the City of Cairo entered into an intergovernmental contract as of April 1, 1999. This contract provides for the Authority to appoint the City of Cairo as its agent and authorizes the City of Cairo to complete the acquisition, construction and equipping of the Project. The U.S. Postal Service has entered into a lease agreement with the Authority effective April 26, 1999. The Authority will use the funds from the lease agreement to service its revenue bond indebtedness. The term of the lease is from April 12, 2000, until April 11, 2020. The annual lease payment is $223,769. At the end of the lease term the U.S. Postal Service has the option to purchase the building for $1.00.

The annual debt service requirement to maturity of the Series 1999 bonds at June 30, 2016, is as follows:

Year Ending June 30	Principal	Interest	Total
2017	$ 175,000	$ 51,638	$ 226,638
2018	185,000	39,825	224,825
2019	195,000	27,338	222,338
2020	210,000	14,175	224,175
2021	-	-	-
	$ 765,000	$ 132,976	$ 897,976

NOTE 7 – LONG TERM DEBT (CONTINUED)

Closure and Post-Closure Care Liability

State and Federal laws and regulations require the City to place a final cover on its landfill site when it discontinues accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although, closure and post-closure care costs will be paid only near or after the date that the landfill discontinues accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $4,107,141 reported as landfill closure and post-closure care liability, as of June 30, 2016, represents the cumulative amount reported, based on a calculation using the utilized capacity percentage of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of $730,481 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2016. The total landfill capacity used, as of June 30, 2016, is 84.90%. The City estimates the remaining useful life of the landfill as five years. The City has restricted assets for the payment of future closure and post-closure costs. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The financial assurance requirements are being met through the proper maintenance of cash balances and financial ratios.

Capital Leases

The City has entered into various other lease agreements as lessee for financing the acquisition of vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. Equipment acquired under capital leases has a net book value of $432,633 at June 30, 2016. Amortization for assets acquired under capital leases is included in depreciation expense.

The following is a schedule of future minimum lease payments together with the present value of the net minimum lease payments at June 30, 2016:

Year Ending June 30	Governmental Activities	Business-type Activities
2017	$ 46,853	$ 59,868
2018	46,853	59,868
2019	23,426	59,868
2020	-	59,868
2021	-	26,391
2022 - 2026	-	123,104
Total minimum lease payments	117,132	388,967
Less amount representing interes	(5,392)	(35,819)
	$ 111,740	$ 353,148

NOTE 7 – LONG TERM DEBT (CONTINUED)

Notes Payable

Governmental Activities

The City has notes payable to a financial institution for the acquisition and construction of real estate. The debt is payable in monthly installments of $4,751 through July 2023. Interest on the debt is 2.6%.

The annual debt service to maturity of the long-term debt at June 30, 2016, is as follows:

Year Ending June 30	Principal	Interest	Total
2017	$ 49,176	$ 7,836	$ 57,012
2018	50,470	6,542	57,012
2019	51,798	5,214	57,012
2020	53,160	3,852	57,012
2021	54,884	2,128	57,012
2022-2023	64,296	665	64,961
	$ 323,784	$ 26,237	$ 350,021

Business-type Activities

The City has a note payable to the Georgia Environmental Finance Authority Drinking Water State Revolving Fund for the construction of two deep water supply wells and the construction of a new water treatment plant. Total funding available under the loan is $3,586,710. The debt is payable beginning in August 2017 in 120 monthly installments through July 2027. Interest on the debt is 0.66%. The loan agreement contains restrictive covenants, certain of which require, among other things, a minimum ratio, as defined, of fixed charges coverage.

The annual debt service to maturity of the long-term debt at June 30, 2016, is as follows:

Year Ending June 30	Principal	Interest	Total
2017	$ -	$ 9,118	$ 9,118
2018	-	9,118	9,118
2019	-	9,118	9,118
2020	-	9,118	9,118
2021	-	9,118	9,118
2022 - 2026	1,381,539	54,708	1,436,247
	$ 1,381,539	$ 100,298	$ 1,481,837

NOTE 7 – LONG TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	$ 154,074	$ -	$ (42,334)	$ 111,740	$ 40,983
Notes payable	371,875	-	(48,091)	323,784	46,555
Net pension obligation	1,896,174	251,386	-	2,147,560	-
Compensated absences	147,409	20,079	-	167,488	-
Governmental activities long-term liabilities	2,569,532	271,465	(90,425)	2,750,572	87,538
Business-type activities:					
Bonds payable	9,695,000	7,300,000	(8,810,000)	8,185,000	2,380,000
Plus unamortized bond premium	63,676	-	(5,207)	58,469	-
Total bonds payable	9,758,676	7,300,000	(8,815,207)	8,243,469	2,380,000
Capital leases	351,889	68,672	(67,413)	353,148	53,252
Notes payable	-	1,381,539	-	1,381,539	-
Net pension obligation	1,688,269	207,263		1,895,532	-
Compensated absences	113,206	-	-	113,206	-
Closure and post-closure care liability	4,107,141	159,313	-	4,266,454	-
Business-type activities long-term liabilities	$ 16,019,181	$ 9,116,787	$ (8,882,620)	$ 16,253,348	$ 2,433,252

Compensated absences are liquidated by the General Fund and Enterprise Funds for which the liability is incurred.

NOTE 7 – LONG TERM DEBT (CONTINUED)

Long-term liability activity for the City's component unit for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 925,000	$ -	$ 160,000	$ 765,000	$ 175,000
Business-type activities long-term liabilities	$ 925,000	$ -	$ 160,000	$ 765,000	$ 175,000

NOTE 8 – RESTRICTIONS OF FUND BALANCES

In the governmental fund financial statements, fund balances consist of restricted and unassigned amounts. Restrictions of fund balances represent that portion which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unassigned.

In the proprietary fund financial statements, fund balances consist of restricted and unrestricted amounts. Restrictions of fund balances represent that portion which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unrestricted.

Fund balance restrictions at June 30, 2016 include:

Capital Projects Funds	
Restricted for specific projects to reflect resources restricted for capital projects	$ 775,351
Special Revenue Funds	
Restricted to reflect resources legally restricted for economic development and tourism	2,080,276
Permanent Fund	
Restricted for purposes to reflect resources legally restricted for care of cemetery	11,442
Total restricted net position	$ 2,867,069

NOTE 9 – PENSION PLAN

City of Cairo Retirement Plan

Plan Description

The City's defined benefit pension plan, City of Cairo Retirement Plan (CCRP), provides retirement and disability benefits, and death benefits to plan members and beneficiaries. CCRP is affiliated with the Georgia Municipal Employees' Benefit System; an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Constitution of the State of Georgia enables the governing authority of the City, the City Council, to establish and amend the benefit provisions of the plans that participate in CCRP. The Georgia Municipal Employees' Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for CCRP. That report may be obtained by writing to the Georgia Municipal Employees' Benefit System, 201 Pryor Street, Southwest, Atlanta, Georgia 30303.

All full-time City employees are eligible to participate in the Plan after completing one year of service. Benefits vest after ten years of service. Participants become eligible to retire at age 65 with 5 years of participation in the Plan. The normal retirement benefit payable for life is based on a formula using 1.00% to 1.75 % of average monthly compensation and years of service, as defined in the plan.

Plan Membership

As of January 1, 2016 employee membership data related to the plan were as follows:

Number of retirees and beneficiaries current receiving benefits	66
Number of terminated employees entitled to benefits but not yet receiving them	22
Number of active plan participants	152

Contributions

The City is required to contribute at an actuarially determined rate in accordance with Section 47-20 of the Georgia Code, which sets forth the minimum funding standards for state and local government pension plans. Plan participants are not required to contribute to the Plan. The Constitution of the State of Georgia enables the governing authority of the City, the City Council, to establish and amend the contribution rates for the City and its plan participants. Contributions are determined using the projected unit credit cost method and assets are valued using market related value.

The most current valuation, dated January 1, 2015, determined that for the period beginning January 1, 2016, employer contributions of 11.10% of covered payroll are required to meet the current cost of the Plan. These contribution rates are based on an estimated total covered annual payroll of $5,511,469.

NOTE 9 – PENSION PLAN (CONTINUED)

Actuarial Assumptions

The net pension liability was measured as of January 1, 2016 and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of that date. The total pension liability in the actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.25% plus service based merit increases
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Combined Health Mortality Table with sex-distinct rates, set forward two years for males and one year for females and the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

The mortality and economic actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nominal Real Rate of Return
Domestic equity	50%	5.95%	9.20%
International equity	15%	6.45%	9.70%
Fixed income	25%	1.55%	4.80%
Real estate	10%	3.75%	7.00%
Total or weighted arithmetic average	100%		

NOTE 9: PENSION PLAN (CONTINUED)

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made based on rates determined by the plan Actuary. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Changes in the net pension liability for the year ended June 30, 2016 were as follows:

	Increase (Decrease)		
	Total Pension Liability (TPL) (a)	**Fiduciary Net Position (FNP) (b)**	**Net Pension Liability (NPL) (a) - (b)**
Balances at June 30, 2015	$ 12,734,223	$ 9,149,781	$ 3,584,442
Changes for the year:			
Service cost	$ 177,591	$ -	$ 177,591
Interest	965,009	-	965,009
Differences between expected and actual experience	192,509	-	192,509
Demographic experience	-	-	-
Contributions - employer	-	801,187	(801,187)
Net investment income	-	95,823	(95,823)
Benefit payments and refunds	(564,988)	(564,988)	-
Administrative expense	-	(20,550)	20,550
Other	-	-	-
Net changes	770,121	311,472	458,649
Balances at June 30, 2016	$ 13,504,344	$ 9,461,253	$ 4,043,091

NOTE 9: PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following table presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Net pension liability	$ 5,922,679	$ 4,043,091	$ 2,480,384

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of $473,161, consisting of the following:

Service cost	$ 177,591
Interest on TPL	965,009
Administrative expenses	20,550
Expected return on assets	(717,464)
Expensed portion of current year period differences and assumption changes	156,413
Current year recognition of deferred inflows and outflows established in prior years	(128,938)
Total expense	$ 473,161

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 160,425	$ (120,496)
Changes of assumptions		$ (158,476)
Net difference between projected and actual earnings on pension plan investments	319,727	-
Total	$ 480,152	$ (278,972)

NOTE 9: PENSION PLAN (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2016 will be recognized in pension expense as follows:

Fiscal Year Ending,		Total
2017	$	27,475
2018		27,475
2019		27,475
2020		86,670
2021		32,085
Thereafter		-
	$	201,180

Peace Officers' Annuity and Benefit Fund of Georgia

Plan Description:

The Peace Officers' Annuity and Benefit Fund of Georgia (POABFG) is a cost-sharing multiple employer defined benefit created in 1950 by the General Assembly of Georgia to provide retirement benefits to peace officers. Members of the POABFG are employed by units of government throughout the State of Georgia. The employers of the POABFG's members do not make contributions to the POABFG. The State of Georgia provides nonemployer contributions to the POABFG through the collection of court fines and forfeitures. Detailed information about the benefits provided to members is available in the separately issued POABFG financial report which is publicly available.

Actuarial Assumptions:

The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of that date. The total pension liability in the actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	n/a
Investment rate of return	7.00%
Mortality rates	RP-2000, Combined

NOTE 9: PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was calculated by the POABFG's investment manager as 6.66% using a Monte Carlo simulation in which best estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The POABFG's administrator determined that 7.00% was a reasonable assumption for the long-term rate of return on plan assets based on the calculation by the POABFG's investment manager.

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes revenues will remain level. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability:

At June 30, 2016, the City did not have a liability for a proportionate share of the net pension liability (asset) of the POABFG because of the related support from the State of Georgia. The amount of the State's proportionate share of the net pension liability (asset) associated with the City was $6,615 as of June 30, 2016.

Pension Expense:

For the year ended June 30, 2016, the City recognized pension expense related to the POABFG of $2,497 and revenue of $2,497 for support provided by the State of Georgia.

Georgia Firefighters' Pension Fund

Plan Description:

The Georgia Firefighters' Pension Fund (GFPF) is a cost-sharing multiple employer defined benefit created by the General Assembly of Georgia to provide retirement benefits to firefighters. Members of the GFPF are employed by units of government throughout the state of Georgia. Detailed information about the benefits provided to members is available in the separately issued GFPF financial report which is publicly available.

NOTE 9: PENSION PLAN (CONTINUED)

Actuarial Assumptions:

The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. The total pension liability in the actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	n/a
Investment rate of return	6.00%
Mortality rates	RP-2000, Combined

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability:

At June 30, 2016, the City did not have a liability for a proportionate share of the net pension liability of the GFPF because of the related support from the State of Georgia. The amount of the State's proportionate share of the net pension liability associated with the City was $339,941 as of June 30, 2016.

Pension Expense:

For the year ended June 30, 2016, the City recognized pension expense related to the GFPF of $68,398 and revenue of $68,398 for support provided by the State of Georgia.

NOTE 10 – JOINT VENTURES

Southwest Georgia Regional Commission

Under Georgia law, the City, in conjunction with other cities and counties in the eight county Southwest Georgia area, is a member of the Southwest Georgia Regional Commission (Commission) and is required to pay annual dues thereto. During the year ended June 30, 2016, the City paid $8,090 in such dues.

Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the Commission in Georgia. The Commission Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a Commission. Separate financial statements may be obtained from:

Southwest Georgia Regional Commission
P.O. Box 346
Camilla, Georgia 31730

South Georgia Governmental Services Authority

The City of Cairo, in conjunction with the Cities of Camilla, Moultrie and Thomasville, whom provide distribution of broadband cable television and internet services under the trade name "CNS", created the South Georgia Governmental Services Authority (SGGSA). The SGGSA was created and activated under the provisions of the Development Authority Law of the State of Georgia (O.C.G.A. 36-62-1) for the purpose of providing governmental, proprietary and administrative services and facilities to the Cities of Cairo, Camilla, Moultrie, and Thomasville and other subdivisions, agencies and authorities within its area of operation. Each member city has contracted with the SGGSA to provide management and marketing services for its individually owned broadband communications system. Pursuant to the agreement, the SGGSA procures certain goods and services on behalf of the member cities when cost effective. The SGGSA is reimbursed by each member city for any expense incurred on its behalf. The member cities provide funding on an annual basis to the SGGSA in the form of dues and contributed capital. The City paid the SGGSA $38,921 in such dues for the year ended June 30, 2016The City of Cairo's investment in the SGGSA is accounted for on the equity method and is recorded in the Cable TV enterprise fund. The investment had a carrying value of $687,301 at June 30, 2016, and a gain from the joint venture of $45,150 during the year. The SGGSA board is made up of eight members, two appointed by each participating city for one-year terms. Separate financial statements may be obtained from:

South Georgia Governmental Services Authority
P.O. Box 1676
Thomasville, Georgia 31799

NOTE 10 – JOINT VENTURES (CONTINUED)

City of Cairo Sanitary Landfill

On February 10, 1992, the City of Cairo, Georgia entered into an agreement with Grady County, Georgia and the City of Whigham, Georgia, to deposit solid waste collected in the sanitary landfill operated by Cairo, Georgia. The agreement provides that each party will equitably share in the cost of the operation of the landfill. The agreement also provides that the City of Cairo will establish a sinking fund to meet future capital needs or expenditures that may be required to comply with local, state, or federal laws (i.e., ground water monitoring costs and other post-closure costs). Should the City of Cairo incur any unexpected costs or additional requirements associated with post-closure costs in excess of the sinking/reserve funds retained, each party will make a contribution toward the additional costs in the percentage that shall equal the percentage of the total waste deposited at the landfill by the parties over the term of this agreement. The City of Whigham and Grady County shall not be required to make contributions toward additional costs that are due solely to the negligent act or intentional wrongful act of the City of Cairo in the administration of the landfill.

Each year, the City of Cairo provides to the City of Whigham and Grady County information regarding the operation of the landfill during the previous year. If it is determined that the funds collected do not meet the cost of the operation of the landfill and sinking/reserve fund requirements, each party will make a contribution toward the deficit in a percentage that equals the percentage of the total waste deposited at the landfill by the parties. If it is determined that the funds collected exceed the cost of the operation of the landfill, the excess is transferred to the sinking/reserve fund and each party is given credit in an amount based upon the percentage of waste deposited at the landfill by the parties toward any future deficit.

Any excess that is accumulated over the term of the agreement is considered to be jointly owned by all parties based on the percentage of waste deposited at the landfill over the term of the agreement and will be disbursed at such time as there are no required costs to monitor the landfill.

At June 30, 2016, funds held in the landfill restricted account were $2,487,699 and the total projected costs for the closure and post-closure maintenance and monitoring of the landfill were $4,885,999. The City of Cairo has recognized a liability for the landfill closure and post-closure costs of $4,266,454 as of June 30, 2016. The landfill has an estimated remaining useful life of five years.

Separate Financial Statements are not prepared or issued for the Landfill Joint Venture.

NOTE 11 – JOINTLY GOVERNED ORGANIZATION

The City of Cairo entered into an agreement with the City of Whigham and Grady County, Georgia, to establish a joint development authority. The purpose of the joint Grady County Development Authority is to facilitate economic development within Grady County, by coordinating the efforts of elected officials, the Cairo-Grady County Chamber of Commerce, private organizations and citizens,

NOTE 11 – JOINTLY GOVERNED ORGANIZATION (CONTINUED)

and state and local organizations and businesses located both within and outside of Grady County to foster economic growth and improve the welfare of all citizens of Grady County.

The business of the Grady County Development Authority is conducted and managed by its Board of Directors, which consists of seven members. The members are selected by the Grady County Board of Commissioners (3), the City of Cairo (3), and the City of Whigham (1), for such terms as the governing bodies shall determine.

NOTE 12 – RELATED ORGANIZATION

The City Council appoints Board members to the Housing Authority and the Library Board. However, the City has no further accountability for these organizations.

NOTE 13 – HOTEL / MOTEL LODGING TAX

The City has levied a 5% lodging tax. For the year ended June 30, 2016, $50,530 of hotel/motel tax was collected and $41,898 was remitted to the Chamber of Commerce. Management represents that 100% of the lodging tax received during the year ended June 30, 2016 was used for the promotion of tourism, conventions, or trade shows.

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and General Liability and Workers' Compensation

The City has joined together with other municipalities in the State, as part of the Georgia-Interlocal Risk Management Agency (GIRMA) Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Worker's Compensation Fund, a public entity risk pool, currently operating as common risk management and insurance programs for member local governments. GIRMA exists by authority of the Official Code of Georgia Annotated O.C.G.A. 36-85-1. GIRMA is an unincorporated nonprofit instrumentality of its member governments. GIRMA establishes and administers one or more groups of self-insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of City government.

GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

NOTE 14 - RISK MANAGEMENT (CONTINUED)

The Georgia Municipal Association Group Self-Insurance Worker's Compensation Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings, which may, at any time, be instituted against them on account of injuries or death within the preview of the Worker's Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation, therefore, although such suits, other proceedings, allegations or demands may be wholly groundless, false or fraudulent.

As part of these risk pools, the City is obligated to pay all contributions and assessments, as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible and, in accordance with any coverage descriptions issue, all incidents, which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions, and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds. The funds are to pay all costs taxed against members in any legal proceedings, defended by members, all interest accruing after judgment, and all expenses incurred for investigation, negotiation or defense.

The City of Cairo retains the first $2,500 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss, up to the $2,500 deductible. The City is not aware of any claims that the City is liable, for which, were outstanding and unpaid, as of June 30, 2016.

The City of Cairo is self-insured for group medical benefits up to $50,000 annually per participant. The self-insurance program is administered by a third party insurance service company. Administrative costs are allocated among the General Fund and Proprietary Funds. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic social factors. The liability for claims payable is reported in the General Fund. The change in the balance of claim liabilities during the past two years is as follows:

	Year Ended June 30,	
	2015	2016
Unpaid claims, beginning of year	$ 49,390	101,715
Incurred claims (including IBNRs)	1,457,193	1,296,028
Claim Payments	(1,404,868)	(1,215,022)
Unpaid claims, end of year	$ 101,715	182,721

During the year ended June 30, 2016, there were no significant reductions in insurance coverage from the prior year and there have been no settlements exceeding insurance coverage for the past three years.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in a number of legal matters, which either have or could result in litigation. The City has accrued amounts related to litigation where an outcome unfavorable to the City is probable and the amount can be estimated. In the opinion of the City attorney, the ultimate outcome of these contingencies will not have a material impact on the financial position of the City.

Grants from Governments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The City expects such disallowed amounts, if any, would not have a material impact on the financial position of the City.

Agreements with the Municipal Electric Authority of Georgia

The Municipal Electric Authority of Georgia (MEAG) is a public corporation and an instrumentality of the State of Georgia created to supply electricity to local government electric distribution systems. As provided by State law, MEAG establishes rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate any of its projects for profit, unless any such profits incur to the benefit of the public.

On October 1, 1975, the City of Cairo entered into a contract with MEAG and as an electric utility participant in MEAG is obligated to purchase all of its bulk power supply requirements from MEAG for a period not to exceed 50 years. The City has agreed to purchase all of its future power and energy requirements in excess of that received by the City through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by MEAG.

In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each participating City has guaranteed a portion of the unpaid debt based on its individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations. Payments to MEAG are made monthly based on KWH usage. The total payments under these contracts were $12,491,042 in 2016.

At June 30, 2016, the outstanding debt of MEAG was approximately $6.41 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $108.58 million at June 30, 2016.

On April 26, 1999, the City approved a resolution adopting the provisions of the Municipal Competitive Trust (Trust). The Trust was created by MEAG, in anticipation of future deregulation of the electric industry, which will provide customers with a choice among electric suppliers for their

NOTE 15 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreements with the Municipal Electric Authority of Georgia (Continued)

retail electric power supply. This is expected to include customers assigned to electrical systems of political subdivisions, which are wholesale power customers of MEAG, such as the City of Cairo. MEAG expects that after such legislation is effective, market rates for power will result, which will likely be lower for some period of time than the costs of power generated by MEAG facilities. The purpose of the Trust is to provide a means for MEAG and its wholesale customers who elect to become beneficiaries of the Trust to mitigate the change to full competition as a result of anticipated deregulation.

The Trust creates an account for the City of Cairo and within the account, creates the following subaccount, in which the City of Cairo participates:

Credit Support Operating Trust Account

This subaccount may be funded from the funds allocated to the City's account in MEAG's Rate Stabilization Reserve Fund or the City's Discretionary Reserve with MEAG, or from any other available funds. On May 3, 1999, MEAG transferred $2,379,633 to this fund from the City's account in MEAG's Rate Stabilization Reserve Fund. The balance of the account, as of June 30, 2016, is $-.
Flexible Trust Account

The MEAG trust agreement also created a flexible trust account. The City had the right to withdraw these funds, but it did not elect to do so prior to the fiscal year end of June 30, 2016. The balance in the flexible trust account, as of June 30, 2015, was $9,844,643 and has been recorded as an asset of the City.

The Municipal Competitive Trust also contains a "Reserve Funded Debt Account", which had, on June 30, 2016, a balance of $1,677,643. The balance in this account is not recognized as an asset of the City of Cairo as the City's right to control the funds is contingent upon future events.

Generation Trust Account

This subaccount may be funded by contributions by the City from any of its own funds that is has available for such purposes, including funds contained within the City’s Flexible Operating Trust Account. The trustee is required to pay all or any portion of such amounts contained in the City’s New Generation and Capacity Funding Account as directed in writing by the City for any of the following purposes: (1) to be applied as a credit against the City’s obligation share of costs in connection with Plant Vogtle Units 3 and 4; (2) to be applied as credit against the City’s obligation share of any other future generation project costs created by MEAG; (3) to be applied as a credit against any capital contributions committed to by Cairo in the event that MEAG provides the City with the option of paying interest expense incurred in connections with the construction of any

NOTE 15 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Generation Trust Account (Continued)

generation project prior to its commercial operation date; (4) to be applied as a credit against capacity charges incurred by the City in connection with power purchase agreements entered into by MEAG for the purpose of meeting the supplemental power needs of the City; and (5) as a payment to MEAG to mitigate that portion of any budgeted Bulk Power Supply cost increases incurred by the City which exceeds the City's prior year budgeted Bulk Power Supply costs by greater than 12%. The balance in the New Generation Trust Account, as of June 30, 2016, was $1,244,770 and has been recorded as an asset of the City.

Joint Consent Agreement with the Georgia Public Service Commission

On July 25, 2011, the City entered a Joint Consent Agreement (Agreement) with the Georgia Public Service Commission (Commission) regarding an accident at the City's Gas Department in September 2010. Under the terms of the agreement, the City is subject to a combined civil penalty of $4,415,000. These maximum civil penalties will be satisfied contingent upon the City coming into full compliance and maintenance of said compliance with all mandates delineated in the Agreement for a period of sixty months from August 2, 2011, the date the Agreement was adopted by the Commission.

In lieu of the maximum civil penalties of $4,415,000, the City agreed to a) pay the Commission penalties of $105,000, b) dedicate an additional $50,000 for the three mandatory training classes, a mandatory major "incident" response drill and investment in a fire detection and suppression training facility in Cairo, Georgia, and c) dedicate on an ongoing basis all such funds as are necessary to bring and keep the City in full compliance with all rules and regulations and terms outlined in the Agreement.

As of August 2, 2016, the City has satisfied the terms of the Agreement and has been released from the civil penalties by the Commission.

City of Cairo, Georgia

Schedule of Changes in Net Pension Liability and Related Ratios

June 30,	2016	2015
Total pension liability		
Service cost	$ 177,591	$ 198,883
Interest on pension liability	965,009	951,060
Differences between expected and actual results	192,509	(180,743)
Benefit payments	(564,988)	(537,999)
Other	-	(237,714)
Net change in pension liability	770,121	193,487
Total pension liability - beginning	12,734,223	12,540,736
Total pension liability - ending (a)	13,504,344	12,734,223
Plan fiduciary net position		
Employer contributions	801,187	670,804
Net investment income	95,823	928,602
Benefit payments	(564,988)	(537,999)
Administrative expenses	(20,550)	(16,360)
Net change in fiduciary net position	311,472	1,045,047
Plan fiduciary net position - beginning	9,149,781	8,104,734
Plan fiduciary net position - ending (b)	9,461,253	9,149,781
Net pension liability (a) - (b)	$ 4,043,091	$ 3,584,442
Plan fiduciary net position as a percentage of the total pension liability	70.1%	71.9%
Covered-employee payroll	$ 5,511,469	$ 5,239,696
Net pension liability as a percentage of covered-employee payroll	73.4%	68.4%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

City of Cairo, Georgia
Schedule of Employer Contributions

For the year ended June 30,	2016	2015
Actuarially determined contribution	$ 756,161	$ 670,804
Contributions in relation to the actuarially determined contribution	803,655	670,804
Contribution deficiency (excess)	(47,494)	-
Covered-employee payroll	$ 5,511,469	$ 5,239,696
Contributions as a percentage of covered-employee payroll	14.58%	12.80%

Notes to the Schedule

(1) Actuarial assumptions

Valuation date	January 1, 2016
Actuarial cost method	Projected unit credit
Actuarial asset valuation method	Market value of assets
Assumed rate of return on investments	7.75%
Projected salary increases	3.25%
Inflation rate	3.25%
Amortization method	Closed level dollar

(2) The schedule will present 10 years of information once it is accumulated.

City of Cairo, Georgia
Schedule of Proportionate Share of Net Pension Liabilities – Cost-Sharing Multiple-Employer Pension Plans

Peace Officers' Annuity and Benefit Fund of Georgia

For the year ended June 30,	2016	2015
City's proportion of the net pension liability (asset)	0.00%	0.00%
State of Georgia's proportionate share of the net pension liability (asset) associated with the City	$ 6,615	$ (15,636)
City's covered-employee payroll	n/a	n/a
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.28%	103.75%

Georgia Firefighters Pension Fund

For the year ended June 30,	2016	2015
City's proportion of the net pension liability	0.00%	0.00%
State of Georgia's proportionate share of the net pension liability associated with the City	$ 339,941	$ 191,704
City's covered-employee payroll	n/a	n/a
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability	83.06%	89.72%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

City of Cairo, Georgia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Capital Projects Funds		
	SPLOST 2014	SPLOST 2007	Grant Projects
Assets			
Cash and cash equivalents	$ -	$ -	$ -
Accounts receivable, net	223,529	-	-
Other current assets	-	-	-
Due from other funds	-	-	-
Restricted assets:			-
Cash and cash equivalents	557,178	-	-
Program receivables	-	-	-
Total assets	$ 780,707	$ -	$ -
Liabilities			
Accounts payable	5,356	-	-
Accrued expenses	-	-	-
Due to other funds	-	-	-
Due to component units	-	-	-
Total liabilities	5,356	-	-
Fund Balances			
Nonspendable:			
Prepaid expenses	-	-	-
Restricted for:			
Specific projects	775,351	-	-
Public services	-	-	-
Unassigned	-	-	-
Total fund balances	775,351	-	-
Total liabilities and fund balances	$ 780,707	$ -	$ -

City of Cairo, Georgia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds		Permanent Fund	Total Nonmajor Governmental Funds
	EIP CDBG	Hotel/ Motel Tax	Cemetery Perpetual Care	
Assets				
Cash and cash equivalents	$ -	77,189	$ -	$ 77,189
Accounts receivable, net	-	-	-	223,529
Other current assets	-	-	-	-
Due from other funds	-	-	-	-
Restricted assets:				
Cash and cash equivalents	990,125	-	11,442	1,558,745
Program receivables	1,015,201	-	-	1,015,201
Total assets	$ 2,005,326	$ 77,189	$ 11,442	$ 2,874,664
Liabilities				
Accounts payable	-	2,239	-	7,595
Accrued expenses	-	-	-	-
Due to other funds	-	-	-	-
Due to component units	-	-	-	-
Total liabilities	-	2,239	-	7,595
Fund Balances				
Nonspendable:				
Prepaid expenses	-	-	-	-
Restricted for:				-
Specific projects	2,005,326	-	-	2,780,677
Public services	-	74,950	11,442	86,392
Unassigned	-	-	-	-
Total fund balances	2,005,326	74,950	11,442	2,867,069
Total liabilities and fund balances	$ 2,005,326	$ 77,189	$ 11,442	$ 2,874,664

City of Cairo, Georgia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Capital Projects Funds		
	SPLOST 2014	SPLOST 2007	Grant Projects
Revenues			
Taxes	$ -	$ -	$ -
Fines, forfeitures and fees	-	-	-
Charges for services	-	-	-
Intergovernmental	875,092	-	387,058
Investment income	-	-	-
Other revenues	-	-	-
Total revenues	875,092	-	387,058
Expenditures			
Current:			
Community development	-	-	-
Public safety	49,149	-	-
Capital Outlay	856,247	-	449,755
Total expenditures	905,396	-	449,755
Excess (deficiency) of revenues over (under) expenditures	(30,304)	-	(62,697)
Other Financing Sources (Uses)			
Transfers	-	-	13,307
Total other financing sources (uses)	-	-	13,307
Net change in fund balances	(30,304)	-	(49,390)
Fund balances (deficits), beginning of year	805,655	-	49,390
Fund balances (deficits), end of year	$ 775,351	$ -	$ -

City of Cairo, Georgia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds		Permanent Fund	Total Nonmajor Governmental Funds
	EIP CDBG	Hotel/ Motel Tax	Cemetery Perpetual Care	
Revenues				
Taxes	$ -	$ 50,530	$ -	$ 50,530
Fines, forfeitures and fees	-	-	-	-
Charges for services	-	-	-	-
Intergovernmental	-	-	-	1,262,150
Investment income	24,594	-	23	24,617
Other revenues	-	-	-	-
Total revenues	24,594	50,530	23	1,337,297
Expenditures				
Current:				
Community development	-	41,898	-	41,898
Public safety	-	-	-	49,149
Capital Outlay	-	-	-	1,306,002
Total expenditures	-	41,898	-	1,397,049
Excess (deficiency) of revenues over (under) expenditures	24,594	8,632	23	(59,752)
Other Financing Sources (Uses)				
Transfers	-	(124)	-	13,183
Total other financing sources (uses)	-	(124)	-	13,183
Net change in fund balances	24,594	8,508	23	(46,569)
Fund balances (deficits), beginning of year	1,980,732	66,442	11,419	2,913,638
Fund balances (deficits), end of year	$ 2,005,326	$ 74,950	$ 11,442	$ 2,867,069

City of Cairo, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
EIP CDBG Revolving Loan Fund
For the Year Ended June 30, 2016

	Budget			Variance With Final Budget
	Original	Final Amended	Actual	
Revenues				
Taxes	$ -	$ -	$ -	$ -
Fines, forfeitures and fees	-	-	-	-
Charges for services	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	31,000	31,000	24,594	(6,406)
Other revenues	-	-	-	-
Total revenues	31,000	31,000	24,594	(6,406)
Expenditures				
Current:				
Community development	-	-	-	-
Public safety	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	31,000	31,000	24,594	(6,406)
Other Financing Sources (Uses)				
Other	(31,000)	(31,000)	-	31,000
Transfers	-	-	-	-
Total other financing sources (uses)	(31,000)	(31,000)	-	31,000
Net change in fund balance	-	-	24,594	24,594
Fund balance, beginning of year	1,980,732	1,980,732	1,980,732	-
Fund balance, end of year	$ 1,980,732	$ 1,980,732	$ 2,005,326	$ 24,594

City of Cairo, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Hotel/Motel Tax Fund
For the Year Ended June 30, 2016

	Budget			Variance With Final Budget
	Original	Final Amended	Actual	
Revenues				
Taxes	$ 38,800	$ 38,800	$ 50,530	$ 11,730
Fines, forfeitures and fees	-	-	-	-
Charges for services	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	-	-	-	-
Other revenues	-	-	-	-
Total revenues	38,800	38,800	50,530	11,730
Expenditures				
Current:				
Community development	38,800	38,800	41,898	(3,098)
Public safety	-	-	-	
Capital outlays	-	-	-	-
Total expenditures	38,800	38,800	41,898	(3,098)
Excess (deficiency) of revenues over expenditures	-	-	8,632	8,632
Other Financing Sources (Uses)				
Transfers	-	-	(124)	(124)
Total other financing sources (uses)	-	-	(124)	(124)
Net change in fund balance	-	-	8,508	8,508
Fund balance, beginning of year	66,442	66,442	66,442	-
Fund balance, end of year	$ 66,442	$ 66,442	$ 74,950	$ 8,508

City of Cairo, Georgia
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2016

	Business Type Activities Enterprise Funds		
	Garbage & Trash Fund	Airport Fund	Tele-Comm Fund
Assets			
Current assets:			
Cash and cash equivalents	$ -	$ 16,416	$ -
Investments	-	-	-
Accounts receivable, net	90,924	750	223,171
Due from other funds	-	-	-
Due from component unit	-	-	-
Inventories	1,334	-	-
Other current assets	-	-	-
Total current assets	92,258	17,166	223,171
Noncurrent assets:			
Investment in SGGSA	-	-	-
Restricted assets - cash	-	-	-
Restricted assets - investments	-	-	-
Capital assets	-	-	-
Land	6,400	227,534	-
Construction in progress	-	-	-
Other capital assets, net of accumulated depreciation	170,022	944,703	297,235
Total noncurrent assets	176,422	1,172,237	297,235
Total assets	268,680	1,189,403	520,406
Deferred Outflows of Resources			
Deferred outflows from pensions	35,059	-	-
Total deferred inflows of resources	35,059	-	-

- Continued -

City of Cairo, Georgia
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2016

	Business Type Activities Enterprise Funds	
	Gas Fund	Total
Assets		
Current assets:		
Cash and cash equivalents	$ -	$ 16,416
Investments	-	-
Accounts receivable, net	43,202	358,047
Due from other funds	-	-
Due from component unit	-	-
Inventories	58,134	59,468
Other current assets	-	-
Total current assets	101,336	433,931
Noncurrent assets:		
Investment in SGGSA	-	-
Restricted assets - cash	-	-
Restricted assets - investments	-	-
Capital assets	-	-
Land	500	234,434
Construction in progress	-	-
Other capital assets, net of accumulated depreciation	702,641	2,114,601
Total noncurrent assets	703,141	2,349,035
Total assets	804,477	2,782,966
Deferred Outflows of Resources		
Deferred outflows from pensions	26,098	61,157
Total deferred inflows of resources	26,098	61,157

- Continued -

City of Cairo, Georgia
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2016

	Business Type Activities Enterprise Funds		
	Garbage & Trash Fund	Airport Fund	Tele-Comm Fund
Liabilities			
Current liabilities payable from current assets:			
Accounts payable	$ 152,681	$ 104	$ 16,246
Accrued expenses	11,402	-	39,156
MGAG rebates program	-	-	-
Customer deposits	-	-	-
Due to other governments	-	-	-
Due to other funds	-	-	1,187,131
Long term debt - current	-	-	113,985
Total current liabilities payable from current assets	164,083	104	1,356,518
Long-term liabilities:			
Long term debt	-	-	-
Compensated absences	12,768	-	-
Other liabilities	249,945	-	-
Total long-term liabilities	262,713	-	-
Total liabilities	426,796	104	1,356,518
Deferred Inflows of Resources			
Unavailable revenue	-	-	22,628
Deferred inflows from pensions	16,152	-	-
Total deferred inflows of resources	16,152	-	22,628
Net Position			
Net investment in capital assets	176,422	1,172,237	297,235
Restricted for debt service	-	-	-
Unrestricted	(315,631)	17,062	(1,155,975)
Total net position	$ (139,209)	$ 1,189,299	$ (858,740)

- Continued -

City of Cairo, Georgia
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2016

	Business Type Activities Enterprise Funds	
	Gas Fund	Total
Liabilities		
Current liabilities payable from current assets:		
Accounts payable	$ 95,045	$ 264,076
Accrued expenses	107,397	157,955
Lines of credit	-	-
Customer deposits	-	-
Due to other governments	-	-
Due to other funds	-	1,187,131
Long term debt - current	-	113,985
Total current liabilities payable from current assets	202,442	1,723,147
Long-term liabilities:		
Long term debt	-	-
Compensated absences	7,844	20,612
Other liabilities	196,927	446,872
Total long-term liabilities	204,771	467,484
Total liabilities	407,213	2,190,631
Deferred Inflows of Resources		
Unavailable revenue	-	22,628
Deferred inflows from pensions	13,798	29,950
Total deferred inflows of resources	13,798	52,578
Net Position		
Net investment in capital assets	703,141	2,349,035
Restricted for debt service	-	-
Unrestricted	(293,577)	(1,748,121)
Total net position	$ 409,564	$ 600,914

City of Cairo, Georgia
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Enterprise Funds
For the Year Ended June 30, 2016

	Business Type Activities Enterprise Funds		
	Garbage & Trash Fund	Airport Fund	Tele-Comm Fund
Operating Revenues			
Utility revenues	$ -	$ -	$ -
Charges for services	1,247,949	94,563	696,895
Other revenues	-	-	-
Intergovernmental	-	268,922	-
Total operating revenues	1,247,949	363,485	696,895
Operating Expenses			
Salaries and wages	514,868	-	-
Operating, administrative, and maintenance	531,018	154,435	291,281
Depreciation	7,591	54,793	52,108
Total operating expenses	1,053,477	209,228	343,389
Operating income (loss)	194,472	154,257	353,506
Nonoperating Revenues (Expenses)			
Interest income	-	8	-
Interest expense	(4,782)	-	(3,465)
Other nonoperating income (expense)	-	-	-
Total nonoperating revenues (expenses)	(4,782)	8	(3,465)
Income (loss) before transfers and capital contributions	189,690	154,265	350,041
Transfers	(167,589)	-	(583,257)
Capital Contributions	-	-	-
Change in net position	22,101	154,265	(233,216)
Net position, beginning of year	(161,310)	1,035,034	(625,524)
Net position, end of year	$ (139,209)	$ 1,189,299	$ (858,740)

- Continued -

City of Cairo, Georgia
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Enterprise Funds
For the Year Ended June 30, 2016

	Business Type Activities Enterprise Funds	
	Gas Fund	Total
Operating Revenues		
Utility revenues	$ -	$ -
Charges for services	1,065,441	3,104,848
Other revenues	467	467
Intergovernmental	-	268,922
Total operating revenues	1,065,908	3,374,237
Operating Expenses		
Salaries and wages	347,722	862,590
Operating, administrative, and maintenance	563,399	- 1,540,133
Depreciation	75,105	189,597
Total operating expenses	986,226	2,592,320
Operating income (loss)	79,682	781,917
Nonoperating Revenues (Expenses)		
Interest income	-	8
Interest expense	(130)	(8,377)
Other nonoperating income (expense)	-	-
Total nonoperating revenues (expenses)	(130)	(8,369)
Income (loss) before transfers and capital contributions	79,552	773,548
Transfers	(123,303)	(874,149)
Capital Contributions	-	-
Change in net position	(43,751)	(100,601)
Net position, beginning of year	453,315	701,515
Net position, end of year	$ 409,564	$ 600,914

City of Cairo, Georgia
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds		
	Garbage & Trash Fund	Airport Fund	Tele-Comm Fund
Cash Flows from Operating Activities			
Cash received from customers and users	1,241,612	$ 94,487	$ 747,006
Other operating receipts	-	268,922	-
Cash payments to employees	(543,259)	-	-
Cash payments to suppliers	(386,604)	(266,681)	(345,932)
Net cash provided (used) by operating activities	311,749	96,728	401,074
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	533,624	-	7,937
Transfers to other funds	(701,213)	-	(591,194)
Net change in due from other funds	-	-	-
Net change in due from component unit	-	-	-
Net change in due to other funds	-	-	234,852
Net cash provided (used) by noncapital financing activities	(167,589)	-	(348,405)
Cash Flows from Capital and Related Financing Activities			
Debt issuance costs	-	-	-
Proceeds from issuance of long - term debt	-	-	-
Proceeds from sale of assets	-	-	-
Proceeds from capital contributions	-	-	-
Acquisition and construction of capital assets	(139,378)	(83,153)	-
Principal payments on debt	-	-	(49,204)
Interest paid	(4,782)	-	(3,465)
Net cash provided (used) by capital and related financing activities	(144,160)	(83,153)	(52,669)
Cash Flows from Investing Activities			
Sale of investment securities	-	-	-
Purchase of investments	-	-	-
Loan disbursements	-	-	-
Interest received	-	8	-
Net cash provided (used) by investing activities	-	8	-
Net increase (decrease) in cash and cash equivalents	-	13,583	-
Cash and cash equivalents, beginning of year	-	2,833	-
Cash and cash equivalents, end of year	$ -	$ 16,416	$ -

- Continued -

City of Cairo, Georgia
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds	
	Gas Fund	Total
Cash Flows from Operating Activities		
Cash received from customers and users	$ 1,048,741	$ 3,131,846
Other operating receipts	-	268,922
Cash payments to employees	(366,494)	(909,753)
Refunded customer utility deposits	(522,756)	(1,521,973)
Net cash provided (used) by operating activities	159,491	969,042
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	-	541,561
Transfers to other funds	(123,303)	(1,415,710)
Net change in due from other funds	-	-
Net change in due from component unit	-	-
Net change in due to other funds	-	234,852
Net cash provided (used) by noncapital financing activities	(123,303)	(639,297)
Cash Flows from Capital and Related Financing Activities		
Debt issuance costs	-	-
Proceeds from issuance of long - term debt	-	-
Proceeds from sale of assets	-	-
Proceeds from capital contributions	-	-
Acquisition and construction of capital assets	(36,058)	(258,589)
Principal payments on debt	-	(49,204)
Interest paid	(130)	(8,377)
Net cash provided (used) by capital and related financing activities	(36,188)	(316,170)
Cash Flows from Investing Activities		
Sale of investment securities	-	-
Purchase of investments	-	-
Loan disbursements	-	-
Interest received	-	8
Net cash provided (used) by investing activities	-	8
Net increase (decrease) in cash and cash equivalents	-	13,583
Cash and cash equivalents, beginning of year	-	2,833
Cash and cash equivalents, end of year	$ -	$ 16,416

- Continued -

City of Cairo, Georgia
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds		
	Garbage & Trash Fund	Airport Fund	Tele-Comm Fund
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities			
Operating income (loss)	$ 194,472	$ 154,257	$ 353,506
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	7,591	54,793	52,108
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(11,615)	(75)	50,111
Other current assets	-	(1)	-
Inventories	9,144	-	-
Deferred outflows of resources	(35,059)	-	-
Increase (decrease) in:			
Accounts payable	135,270	(112,246)	(52,528)
MEAG rebate program			
Accrued expenses	2,105	-	(2,123)
Customer deposits	-	-	-
Compensated absences	-	-	-
Net pension liability	29,671	-	-
Other liabilities	-	-	
Deferred inflows of resources	(19,830)	-	-
Net cash provided (used) by operating activities	$ 311,749	$ 96,728	$ 401,074
Noncash Capital and Related Financing Activities			
Capital assets purchased with debt	$ -	$ -	$ -
Transfer of capital assets from governmental	-	-	-
Total noncash capital and related financing activities	$ -	$ -	$ -

- Continued -

City of Cairo, Georgia
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds	
	Gas Fund	Total
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities		
Operating income (loss)	$ 79,682	$ 781,917
Adjustments to reconcile operating income		-
(loss) to net cash provided (used) by		-
operating activities:		-
Depreciation	75,105	189,597
Changes in assets and liabilities:		-
(Increase) decrease in:		-
Accounts receivable	(2,599)	35,822
Other current assets	-	(1)
Inventories	(15,899)	(6,755)
Deferred outflows of resources	(26,098)	(61,157)
Increase (decrease) in:		
Accounts payable	27,339	(2,165)
MEAG rebate program	11,426	11,426
Accrued expenses	3,209	3,191
Customer deposits	-	-
Compensated absences	-	-
Net pension liability	22,087	51,758
Other liabilities	-	-
Deferred inflows of resources	(14,761)	(34,591)
Net cash provided (used) by operating activities	$ 159,491	$ 969,042
Noncash Capital and Related Financing Activities		
Capital assets purchased with debt	$ -	$ -
Transfer of capital assets from governmental	-	-
Total noncash capital and related financing activities	$ -	$ -

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INDEPENDENT AUDITORS' 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*

To the Honorable Mayor and City Council
City of Cairo, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cairo, Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise The City of Cairo, Georgia 's basic financial statements and have issued our report thereon dated November 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Cairo, Georgia'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 of Cairo, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cairo, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in item 2016-1 in the accompanying schedule of findings and questioned costs to be material weaknesses.

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 and Other Matters

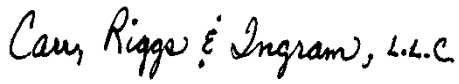
As part of obtaining reasonable assurance about whether City of Cairo, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

The City of Cairo, Georgia's Response to Findings

The City of Cairo, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Cairo, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Carr, Riggs & Ingram, LLC
Certified Public Accountants
November 7, 2016

SECTION I FINDINGS – FINANCIAL STATEMENT AUDIT

Finding noted on the 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.*

Material Weaknesses

2016-1

Criteria:

Duties should be segregated between employees so that the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different personnel.

Condition:

The City of Cairo, Georgia is a small local government and has a limited amount of resources and employees. Therefore, the City does not have an adequate number of employees to provide for the proper segregation of duties.

Cause of Condition:

Since the City is a small local government, it is not financially feasible for the City to hire additional employees to provide for and adequate segregation of duties.

Effect of Condition:

The City's internal control structure does not contain adequate safeguarding controls provided by segregation of duties that would provide for the prevention or timely detection of unauthorized access to assets that could result in losses that are material to the financial statements.

Response of Management:

Management concurs with this finding and is developing additional policies and procedures and monitoring activities over financial reporting.

Finding noted on the 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.*

2015-1

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Response of Management:

Management concurs with this finding and is developing additional policies and procedures and monitoring activities over financial reporting.

City of Cairo, Georgia
Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Year Ended June 30, 2016

Special Purpose Sales Tax -2007	Estimated Cost Original	Years	Expenditures Year	Total
Debt reduction	$ 500,000	$ 109,842	$ -	$ 109,842
Streets, sidewalks, curbs, gutters and drainage	3,772,450	4,600,312	-	4,600,312
Total	$ 3,772,450	$ 4,600,312	$ -	$ 4,600,312

Special Purpose Local Option Sales Tax -2012	Estimated Cost Original	Prior Years	Expenditures Current Year	Total
Debt reduction	$ 1,000,000	$ -	$ -	$ -
Drinking water capital improvements	1,000,000	-	-	-
Waste water treatment capital improvements	750,000	-	88,554	88,554
Equipment purchases	1,750,000	77,389	49,149	126,538
Streets, sidewalks, curbs, gutters and drainage	2,412,000	327,748	767,693	1,095,441
Total	$ 6,912,000	$ 405,137	$ 905,396	$ 1,310,533