City of Cairo, Georgia

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017



City of Cairo, Georgia
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June 30, 2017

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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

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CPAs and Advisors

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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, 2017, 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, 2017, 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.

Correction of Error

As described in Note 16 to the financial statements, an error in the City's previously issued financial statements for the year ended June 30, 2017, with an audit report date of December 28, 2017, resulting in an understatement of $566,872 in the change in net position for the Cable TV Fund for the year ended June 30, 2017 was discovered by management. Accordingly the change in net position for the Cable TV Fund for the year ended June 30, 2017 has been adjusted to reflect the increase of $566,872.

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 March 28, 2018, 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
March 28, 2018

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, 2017. 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 $69.23 million in total assets of which $40.11 million are capital assets.
- The City has $23.22 million in total liabilities of which $18.19 million are long-term.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $45.73 million (net assets). Of this amount, $12.75 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors while $29.93 million is invested in capital assets net of related debt.
- The City's total net assets increased by $2.83 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $7.07 million, a decrease of $2 million in comparison with the prior year. This amount consists of $3.05 million reserved for specific projects and public services, $3.17 million committed for specific projects and an unassigned balance of $827 thousand.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $4.0 million, or 11.42% of total general fund expenditures.
- The City's long-term debt decreased by $806 thousand during the current fiscal year as a result of scheduled principle payments.
- The City sold the capital assets of the CNS fund to the South Georgia Governmental Services Association. Broadband Cable Television, Internet Services and Telephone service assets were transferred on May 1, 2017. A total loss of $603 thousand resulted from the sale.

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 assets and the

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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?

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 assets. The statement is a tool to measure the City's financial health or financial position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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 seven (7) 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 and for the SPLOST 2012 fund as they are considered to be major funds. Data from the other five (5) 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, the Cable TV Fund and the Landfill, 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $45.73 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (57%) 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 assets as of June 30, 2017 and 2016.

Table 2
Condensed Statement of Net Position

	Governmental Activities		Business – type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	$ 7,383,821	$ 9,521,557	$ 21,785,611	$ 17,090,183	$ 29,169,432	$ 26,611,740
Capital assets	11,048,697	10,066,011	29,013,130	29,353,051	40,061,827	39,419,062
Total assets	18,432,518	19,587,568	50,798,741	46,443,234	69,231,259	66,030,802
Deferred Outflow of Resources						
Deferred Outflows From Pensions	75,553	235,250	52,813	244,902	128,366	480,152
Liabilities						
Other liabilities	310,510	479,558	5,549,155	6.088,762	5,859,665	6,568,320
Long-term liabilities	2,465,808	2,663,034	14,898,903,	13,820,096	17,364,711	16,483,130
Total liabilities	2,776,318	3,142,592	20,448,058	19,908,858	23,224,376	23,051,450
Deferred Inflow of Resources						
Unavailable Proceeds			229	274,729	229	274,729
Deferred Inflows From Pensions	236,033	141,722	164,683	137,250	400,716	278,972
Total Deferred Inflows	236,033	141,722	164,912	411,979	400,945	553,701
Net position						
Invested in capital assets, net of related debt	10,700,711	9,630,487	19,237,356	19,518,879	29,938,067	29,149,366
Restricted	3,050,142	2,867,069	--	--	3,050,142	2,867,069
Unrestricted	1,744,867	4,040,948	11,001,228	6,848,420	12,746,095	10,889,368
Total net position	$ 15,495,720	$ 16,538,504	$ 30,238,584	$ 26,367,299	$ 45,734,304	$ 42,905,803

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Statement of Net Position (Continued)

Net assets may serve over time as a useful indicator of a government's financial position. The City's combined net liabilities exceeded assets by $45.73 million for 2017 as compared to $42.9 million for 2016 for an increase of 5.150%. Of this amount $30.24 million came from business-type activities and $15.49 million came from governmental activities.

An additional portion of the City's net assets (6.75%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($12.74 million) may be used to meet the City's ongoing obligations to citizens and creditors. This is an increase of $1.86 million or 17% from 2016.

For governmental activities, the City reported a balance of $1.74 million in unrestricted net assets. This is a decrease of $2.29 million from 2016. The business-type activities unrestricted net assets were $11.00 million, an increase of $3.87 million from 2016.

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

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 2016 and 2017. Over time, increases or decreases in net assets measure whether the City's financial position is improving or deteriorating.

Table 3

Condensed Statement of Activities

	Governmental Activities		Business – type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	$ 281,179	$ 320,353	$ 29,036,604	$ 31,116,714	$ 29,317,783	$ 31,437,067
Operating grants and contributions	467,328	232,672	-	268,922-	467,328	501,594
Capital grants and contributions	1,100,565	1,029,478	- -	- -	1,100,565	1,029,478
General revenues:						
Property taxes	1,604,490	1,619,702	- -	- -	1,604,490	1,619,702
Local option sales taxes	878,401	935,571	- -	- -	878,401	923,571
Other taxes	1,076,814	1,038,618	- -	- -	1,076,814	1,038,618
Investment income	22,154	26,282	(32,482)	96,639	(10,328)	122,921
Gain (loss) on disposal of capital assets			(609,796)		(609,796)	
Other revenues	242,444	191,167	71,259	7,505	313,703	198,672
Total revenues	5,673,375	5,381,843	28,465,585	31,489,780	34,138,960	36,871,623
Expenses						
General government	1,096,739	1,063,071	- -	- -	1,096,739	1,063,071
Public safety	4,295,264	3,430,052	- -	- -	4,295,264	3,430,052
Public works	1,318,581	1,591,550	- -	- -	1,318,581	1,591,550
Parks and recreation	840,561	891,406	- -	- -	840,561	891,406
Community development	233,989	208,038	- -	- -	233,989	208,038
Interest - long-term debt	16,328	13,440	- -	- -	16,328	13,440
Water and sewer	- -	- -	3,115,385	3,251,152	3,115,385	3,251,152
Electric revenue	- -	- -	14,237,959	14,415,162	14,237,959	14,415,162
Gas revenue	- -	- -	1,102,080	986,356	1,102,080	986,356
Cable TV	- -	- -	2,779,564	3,283,792	2,779,564	3,283,792
Garbage and trash	- -	- -	1,007,467	1,058,259	1,007,467	1,058,259
Airport	- -	- -	149,035	209,228	149,035	209,228
Telecommunications	- -	- -	302,206	346,854	302,206	346,854
Landfill	- -	- -	815,301	767,480	815,301	767,480
Total expenses	7,801,462	7,197,577	23,508,997	24,318,283	31,310,459	31,515,840
Increase (decrease) in net position before transfers	(2,128,087)	(1.815,714)	4,956,788	7,171,497	2,828,501	5,355,783
Transfers	1,085,303	3,430,322	(1,085,303)	(3,430,322)	- -	- -
Change in net position	$ (1,042,784)	$ 1,614,608	$ 3,871,285	$ 3,741,175	$ 2,828,501	$ 5,355,783

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Condensed Statement of Activities (Continued)

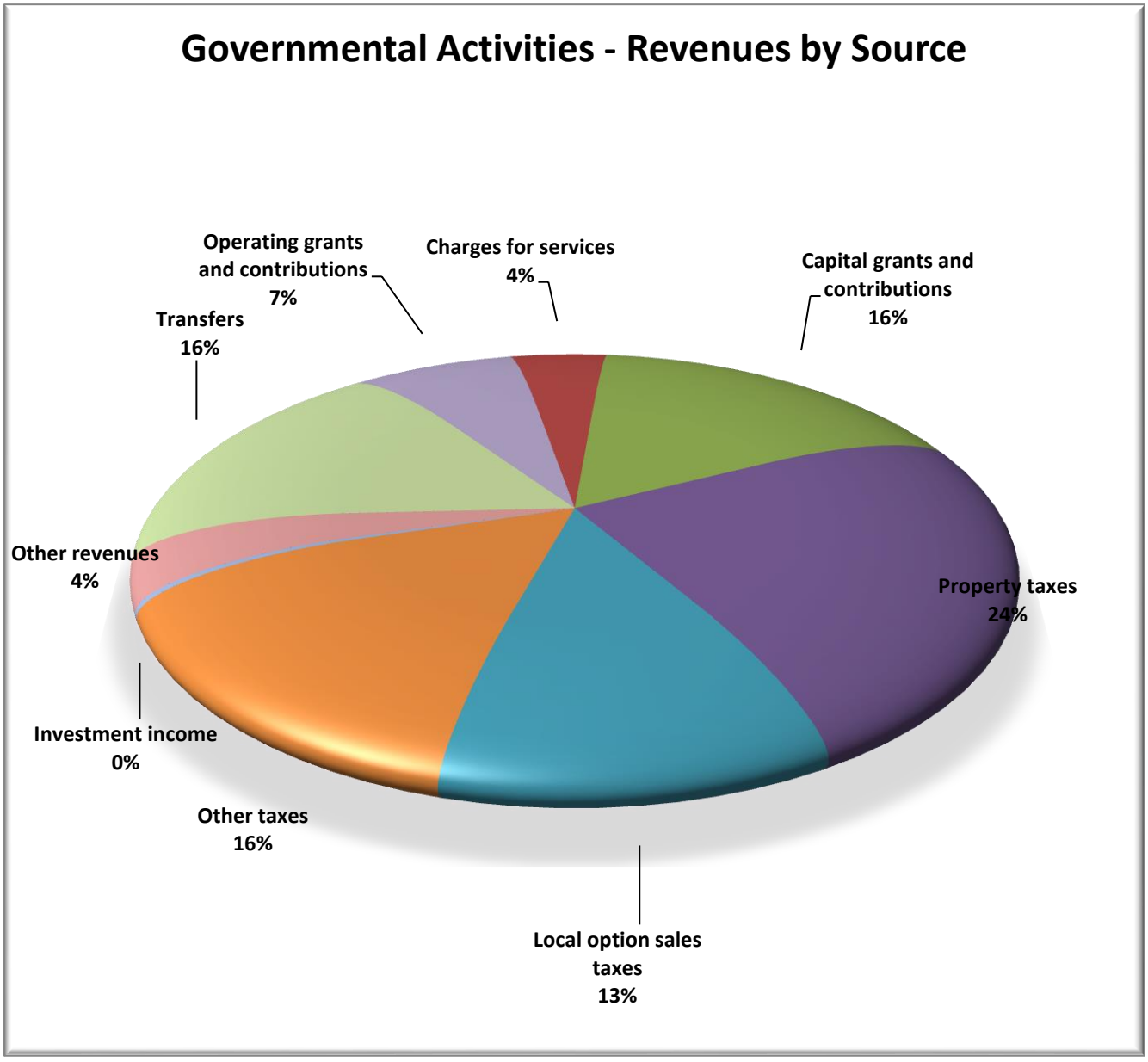
Governmental activities during the fiscal year ended decreased the City's net position by $1.04 million. Business-type activities during the same period increased net position by $3.87 million. The net change in net assets was an increase of $2.83 million. The Table above shows the revenue and expenses by activity for the total primary government. This Table shows total 2017 revenues from governmental activities at $5.67 million while expenses were $7.8 million. Business-type activities total revenues for 2017 were $28.47 million while expenses were $23.50 million. Transfers from business-type activities are the largest governmental activity revenue source at $1.08 million or 16%. The next largest revenue source for governmental activities comes from property taxes of $1.6 million which is 24% of the total governmental activity funding. Revenues from local option sales taxes are the third largest governmental activity revenue source at $878 thousand or 13%. Business-type activities program revenues exceeded expenses by $4.37 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 (23.74%) of the primary government. For the year ended June 30, 2017 these revenues were $1.60 million.

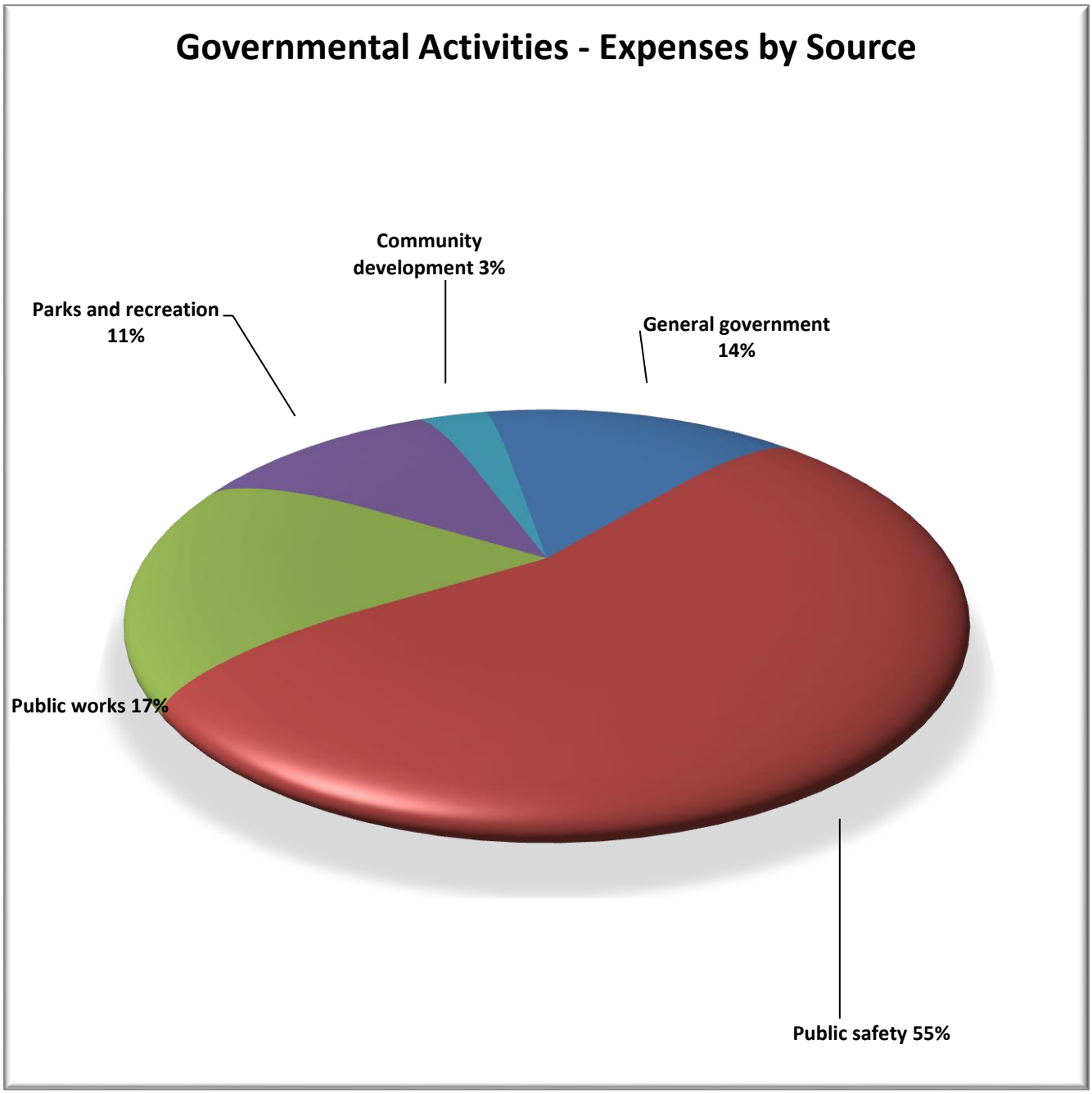


GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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 (55%). The next largest funding was required for Public Works at (17%).

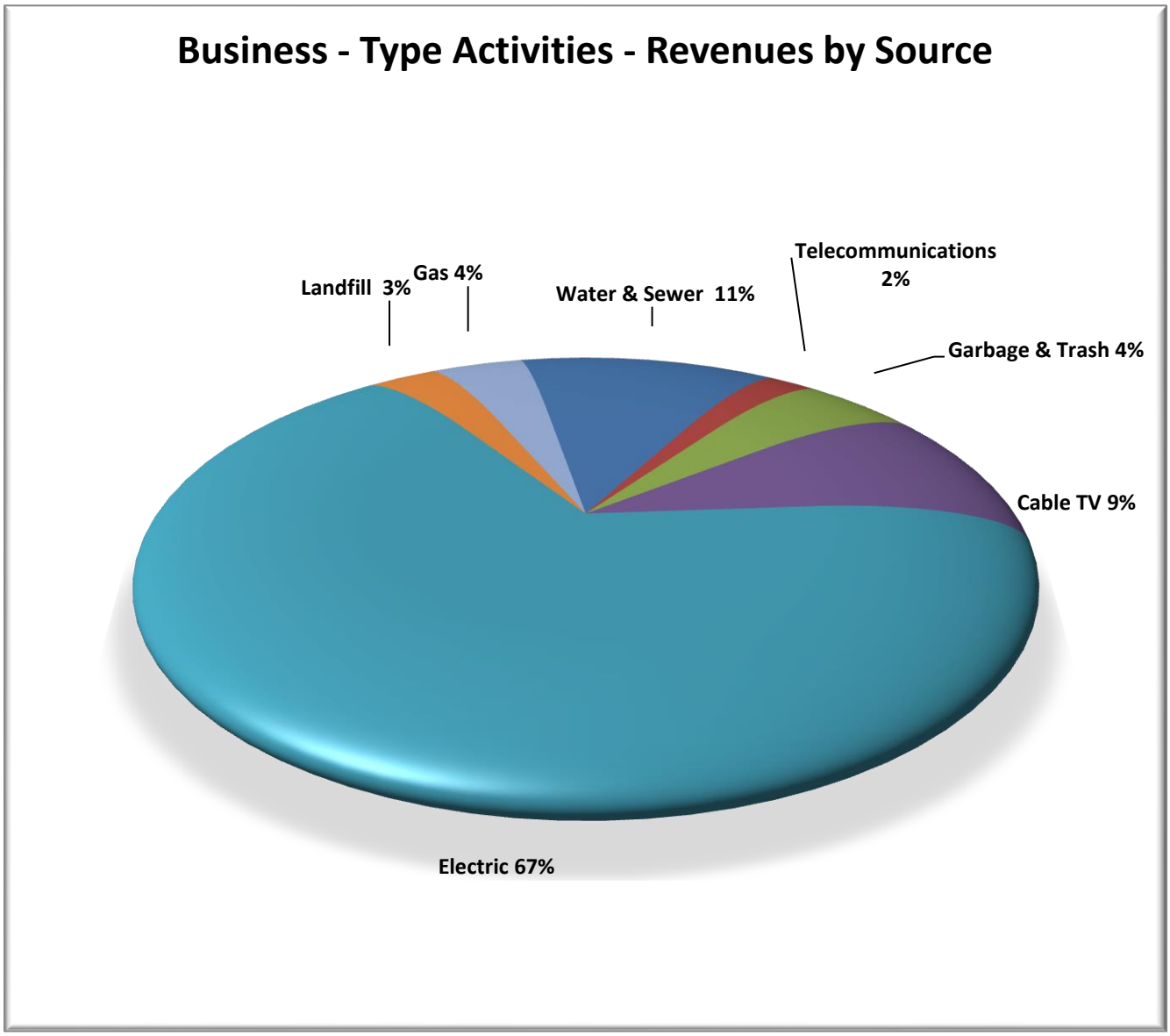


GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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 (66%) or $19.30 million are generated by the Electric Revenue Fund than all other business-type activities combined at (36%) or $9.73 million.

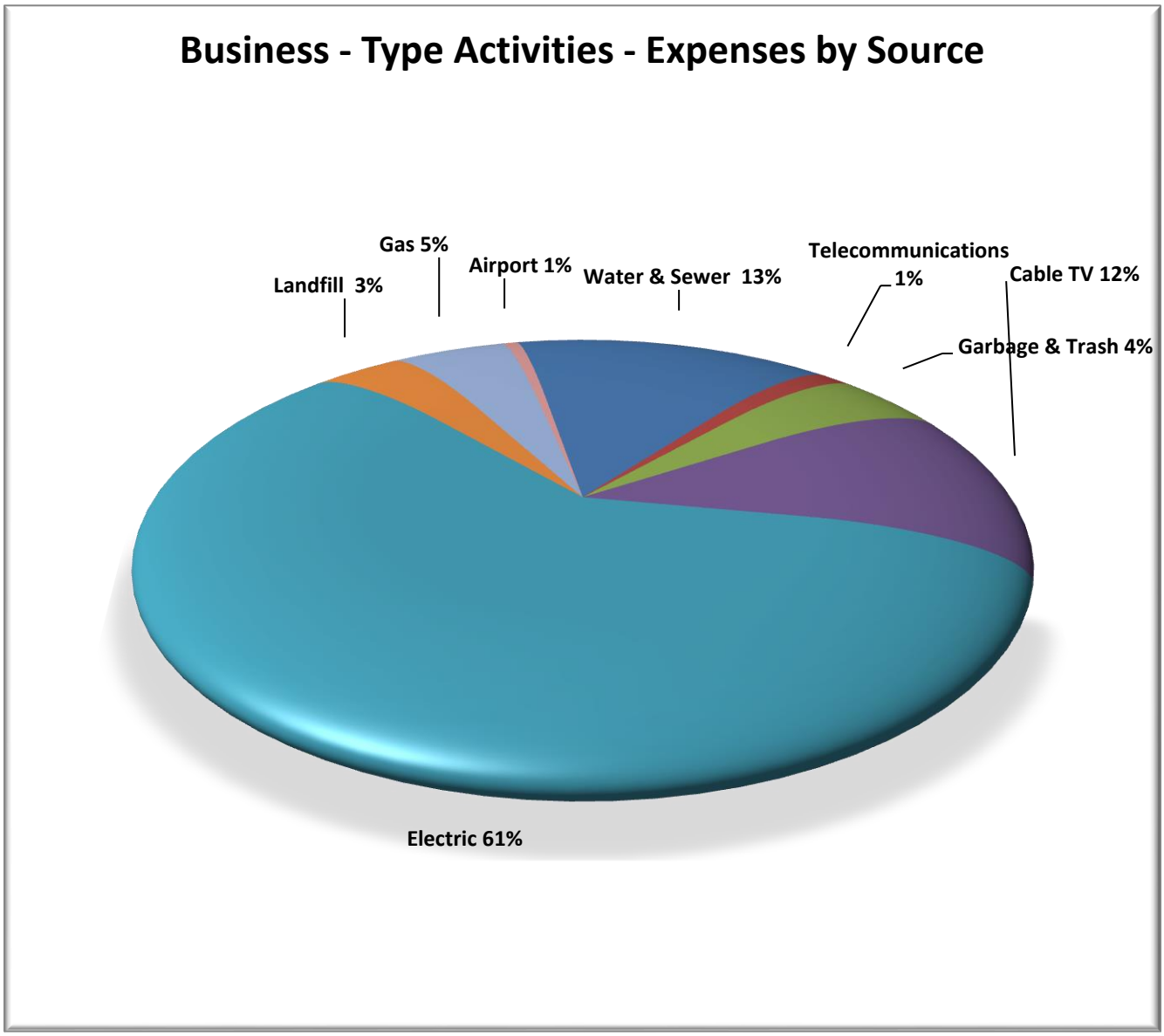


GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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 61% or $14.23 million but generated profits of $5.06 million before its transfers to governmental 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 2017, the General Fund had a fund balance of $4.02 million. This is a decrease of $2.24 million from the beginning fund balance.

The fund balances for the other governmental funds increased by $183 thousand. The final fund balance for these funds was $3.05 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 $5.10 million for the year ended . This was an increase of $1.12 million from the previous year.

The Water and Sewer Fund had an ending cash balance of $62 thousand at June 30, 2017. This was a decrease of $23 thousand from the previous year.

The Electric Fund had an ending cash balance of $931 thousand. This is an increase of $292 thousand from the previous year.

The Cable TV Fund showed an ending cash balance of $808 thousand down slightly from the balance from the previous year.
On May 1, 2017 the City sold all capital assets related to the Cable TV Fund resulting in a combined loss of $603 thousand. Additional information regarding the sale can be found in Note 10.

The Landfill Fund had an ending cash balance of $3.07 million. This was an increase of $587 thousand from the previous year.

The combined cash balance of the non-major enterprise funds at the end of the year was $289 thousand. This is an increase of $274 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 2017 related to the transfer of budgeted amounts between departments and additional appropriations were due to elimination of interfund payables.

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

The actual revenues of the General Fund were more than final budgeted amounts by $72 thousand for the year ended. The major factor contributing to this difference was an increase in collections of property tax and insurance premium taxes.

The actual expenditures of the General Fund were less than final budgeted amounts by $590 thousand for the year ended. 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 2017, governmental activities and business-type activities had capital assets of $40.1 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 $982 thousand from the 2016 amount due to current year acquisitions net of depreciation costs. The net capital assets from business-type activities decreased by $287 thousand 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, 2017, the City had $2.37 million of outstanding long-term liabilities related to governmental activities and $14.8 million of long-term liabilities related to business-type activities for a total of $17.2 million compared to the previous year's total of $16.4 million. This is a decrease of $785 thousand as a result of scheduled principle payments and new acquisitions.

The City's component unit had $590 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 2017 BUDGET

The Mayor and Council of the City of Cairo considered many factors when approving the City's 2017 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 2017 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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Cairo Development Authority
Assets				
Cash and cash equivalents	$ 763,610	$ 4,110,481	$ 4,874,091	$ -
Investments	-	11,897,194	11,897,194	-
Accounts receivable, net	793,321	3,024,489	3,817,810	573,332
Inventories	20,156	2,235,191	2,255,347	-
Other current assets	-	1	1	928
Internal balances	3,175,995	(3,175,995)	-	-
Restricted assets:				
Cash and cash equivalents	2,486,892	3,075,270	5,562,162	106,383
Investments	-	-	-	-
Sales tax receivable	143,847	-	143,847	-
Other noncurrent assets	-	566,872	566,872	3,634
Capital assets:				
Land	508,019	1,978,350	2,486,369	-
Construction in progress	-	220,868	220,868	-
Other capital assets, net of accumulated depreciation	10,540,678	26,866,020	37,406,698	-
Total assets	$ 18,432,518	$ 50,798,741	$ 69,231,259	$ 684,277
Deferred Outflows of Resources				
Deferred outflows from pensions	75,553	52,813	128,366	-

- Continued -

City of Cairo, Georgia
Statement of Net Position
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Cairo Development Authority
Liabilities				
Accounts payable	208,858	3,579,378	$ 3,788,236	$ -
Accrued expenses	101,652	524,514	626,166	25,819
Customer deposits	-	612,932	612,932	-
Long-term liabilities:				
Due within one year	95,643	1,230,664	1,326,307	185,000
Due in more than one year	252,343	8,597,218	8,849,561	405,000
Compensated absences	187,488	113,206	300,694	-
Other	1,930,334	5,790,146	7,720,480	-
Total liabilities	2,776,318	20,448,058	23,224,376	615,819
Deferred Inflows of Resources				
Unavailable revenue	-	229	229	601,025
Deferred inflows from pensions	236,033	164,683	400,716	-
Total deferred inflows of resources	236,033	164,912	400,945	601,025
Net Position				
Net investment in capital assets	10,700,711	19,237,356	29,938,067	-
Restricted for:				
Debt service	-	-	-	-
Capital projects	2,954,378	-	2,954,378	-
Public services	84,299	-	84,299	-
Perpetual care - nonexpendable	11,465	-	11,465	
Unrestricted (deficit)	1,744,867	11,001,228	12,746,095	(532,567)
Total net position	$ 15,495,720	$ 30,238,584	$ 45,734,304	$ (532,567)

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

City of Cairo, Georgia
Statement of Activities
For the Year Ended June 30, 2017

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	$ 1,096,739	$ 114,601	$ 467,328	1,100,565	$ 585,755
Public safety	4,295,264	166,578	-	-	(4,128,686)
Public works	1,318,581	-	-	-	(1,318,581)
Parks and recreation	840,561	-	-	-	(840,561)
Community development	233,989	-	-	-	(233,989)
Interest on long-term debt	16,328	-	-	-	(16,328)
Total governmental activities	7,801,462	281,179	467,328	1,100,565	(5,952,390)
Business-type activities:					
Water and sewer	3,115,385	3,147,812	-	-	32,427
Electric revenue	14,237,959	19,305,452	-	-	5,067,493
Gas revenue	1,102,080	1,114,201	-	-	12,121
Cable TV	2,779,564	2,701,907	-	-	(77,657)
Garbage and trash	1,007,467	1,320,236	-	-	312,769
Airport	149,035	82,934	-	-	(66,101)
Telecommunications	302,206	553,909	-	-	251,703
Landfill	815,301	810,153	-	-	(5,148)
Total business-type activities	23,508,997	29,036,604	-	-	5,527,607
Total primary government	$ 31,310,459	$ 29,317,783	$ 467,328	$ 1,100,565	$ (424,783)
Component unit:					
City of Cairo Development Authority	$ 57,594	$ -	$ -	$ -	$ (57,594)

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

City of Cairo, Georgia
Statement of Activities
For the Year Ended June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Cairo Development Authority
Change in net position:				
Net (expense) revenue	$ (5,952,390)	$ 5,527,607	$ (424,783)	$ (57,594)
General revenues:				
Taxes:				
Property taxes	1,604,490	-	1,604,490	-
Sales taxes	878,401	-	878,401	-
Other taxes	1,076,814	-	1,076,814	-
Payments in lieu of taxes	-	-	-	-
Investment income	22,154	(32,482)	(10,328)	-
Gain (loss) on disposal of capital assets	-	(609,796)	(609,796)	39,504
Other revenues	242,444	71,259	313,703	-
Transfers	1,085,303	(1,085,303)	-	-
Total general revenues and transfers	4,909,606	(1,656,322)	3,253,284	39,504
Change in net position	(1,042,784)	3,871,285	2,828,501	(18,090)
Net position, beginning of year, restated	16,538,504	26,367,299	42,905,803	(514,477)
Net position, end of year	$ 15,495,720	$ 30,238,584	$ 45,734,304	$ (532,567)

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

City of Cairo, Georgia
Balance Sheet – Governmental Funds
June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 663,010	$ 100,600	$ 763,610
Accounts receivable, net	76,629	218,147	294,776
Inventories	20,156	-	20,156
Due from other funds	3,175,995	-	3,175,995
Restricted assets:			
Cash and cash equivalents	228,420	2,258,472	2,486,892
Sales tax receivable	143,847	-	143,847
Program receivables	-	498,545	498,545
Total assets	$ 4,308,057	$ 3,075,764	$ 7,383,821
Liabilities			
Accounts payable	$ 183,236	$ 25,622	$ 208,858
Accrued expenses	101,652	-	101,652
Due to other governments	-	-	-
Due to other funds	-	-	-
Advance from other funds	-	-	-
Notes payable	-	-	-
Total liabilities	284,888	25,622	310,510
Deferred Inflows of Resources			
Unavailable revenue	-	-	-
Fund Balances			
Nonspendable:			
Inventories	20,156	-	20,156
Restricted for:			
Specific projects	-	2,954,378	2,954,378
Public services	-	95,764	95,764
Committed for:			
Public safety	3,175,995	-	3,175,995
Unassigned, reported in:			
General fund	827,018	-	827,018
Total fund balances	4,023,169	3,050,142	7,073,311
Total liabilities , deferred inflows of resources and fund balances	$ 4,308,057	$ 3,075,764	$ 7,383,821

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, 2017

Total governmental fund balances	$	7,073,311
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.		11,048,697
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		(70,757)
Notes payable		(277,229)
Net pension liability		(1,930,334)
Deferred outflows of resources - pensions		75,553
Deferred inflows of resources - pensions		(236,033)
Compensated absences		(187,488)
Net position of governmental activities	$	15,495,720

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, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	$ 1,604,490	$ -	$ 1,604,490
Local option sales taxes	878,401	-	878,401
Other taxes	1,026,459	50,355	1,076,814
Licenses and permits	85,635	-	85,635
Fines and forfeitures	166,578	-	166,578
Charges for services	28,966	-	28,966
Investment income	2,879	19,275	22,154
Intergovernmental	-	1,567,893	1,567,893
Other revenues	242,444	-	242,444
Total revenues	4,035,852	1,637,523	5,673,375
Expenditures			
Current:			
General government	1,048,428	-	1,048,428
Public safety	4,103,910	74,054	4,177,964
Public works	1,222,937	-	1,222,937
Parks and recreation	801,741	-	801,741
Community development	-	46,520	46,520
Capital outlays	-	1,413,448	1,413,448
Debt service:			
Principal	87,538	-	87,538
Interest	16,328	-	16,328
Total expenditures	7,280,882	1,534,022	8,814,904
Excess (deficiency) of revenues over expenditures	(3,245,030)	103,501	(3,141,529)
Other Financing Sources (Uses)			
Transfers	1,005,731	79,572	1,085,303
Sale of capital assets	-	-	-
Long term debt issued	-	-	-
Other	-	-	-
Total other financing sources (uses)	1,005,731	79,572	1,085,303
Net change in fund balances	(2,239,299)	183,073	(2,056,226)
Fund balances (deficit), beginning of year	6,262,468	2,867,069	9,129,537
Fund balances (deficit), end of year	$ 4,023,169	$ 3,050,142	$ 7,073,311

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, 2017

Net change in fund balances - total governmental funds	$ (2,056,226)
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	1,932,305
Depreciation expense	(949,619)
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	87,538
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.	
Decrease in net pension asset	217,226
Decrease in pension deferred outflows	(159,697)
Decrease in pension deferred inflows	(94,311)
Increase in compensated absences	(20,000)
Change in net position of governmental activities	$ (1,042,784)

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, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Property taxes	$ 1,572,000	$ 1,572,000	$ 1,604,490	$ 32,490
Local option sales taxes	875,000	875,000	878,401	3,401
Other taxes	979,500	979,500	1,026,459	46,959
Licenses and permits	80,000	80,000	85,635	5,635
Fines and forfeitures	240,000	240,000	166,578	(73,422)
Charges for services	18,967	18,967	28,966	9,999
Investment income	1,500	1,500	2,879	1,379
Intergovernmental	-	-	-	-
Other revenues	196,688	196,688	242,444	45,756
Total revenues	3,963,655	3,963,655	4,035,852	72,197
Expenditures				
Current:				
General government				
City council	122,281	122,281	113,920	8,361
City manager	272,960	272,960	269,192	3,768
Finance	211,125	211,125	193,205	17,920
Legal	25,311	25,311	21,999	3,312
Municipal court	38,651	38,651	42,107	(3,456)
Human resources	189,749	189,749	193,209	(3,460)
Clerk of council	229,786	229,786	214,796	14,990
Total general government	1,089,863	1,089,863	1,048,428	41,435
Public Safety				
Police	2,716,527	2,716,527	2,341,076	375,451
Fire	1,446,635	1,446,635	1,530,246	(83,611)
Code enforcement	242,798	242,798	232,588	10,210
Total public safety	4,405,960	4,405,960	4,103,910	302,050

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, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Public works				
Office of the director	176,291	176,291	180,951	(4,660)
Streets and sidewalks	849,461	849,461	702,735	146,726
Maintenance and shop	379,302	379,302	339,251	40,051
Total public works	1,405,054	1,405,054	1,222,937	182,117
Parks and recreation				
Recreation	61,701	61,701	68,764	(7,063)
Parks and cemetery	572,598	572,598	495,117	77,481
Library	237,500	237,500	237,860	(360)
Total parks and recreation	871,799	871,799	801,741	70,058
Debt service:				
Principal	93,130	93,130	87,538	5,592
Interest	10,736	10,736	16,328	(5,592)
Total expenditures	7,876,542	7,876,542	7,280,882	595,660
Excess (deficiency) of revenues over expenditures	(3,912,887)	(3,912,887)	(3,245,030)	667,857
Other Financing Sources (Uses)				
Transfers	3,912,887	3,912,887	1,005,731	(2,907,156)
Sale of capital assets	-	-	-	-
Long term debt issued	-	-	-	-
Other	-	-	-	-
Total other financing sources (uses)	3,912,887	3,912,887	1,005,731	(2,907,156)
Net change in fund balances	-	-	(2,239,299)	(2,239,299)
Fund balances, beginning of year	6,262,468	6,262,468	6,262,468	-
Fund balances, end of year	$ 6,262,468	$ 6,262,468	$ 4,023,169	$ (2,239,299)

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

City of Cairo, Georgia
Statement of Net Position – Proprietary Funds
June 30, 2017

	Business Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Revenue Fund	Cable TV Fund
Assets			
Current assets			
Cash and cash equivalents	$ -	$ 931,452	$ 3,175,995
Investments	-	11,897,194	-
Restricted assets - investments	-	-	-
Accounts receivable, net	590,334	1,490,620	350,432
Due from other funds	-	-	-
Advance to other funds	-	-	-
Due from component unit	-	-	-
Inventories	731,344	1,029,465	-
Other current assets	-	-	-
Total current assets	1,321,678	15,348,731	3,526,427
Noncurrent assets			
Investment in SGGSA	-	-	566,872
Restricted assets - cash	62	-	-
Restricted assets - investments	-	-	-
Capital assets:			
Land	1,419,016	118,595	-
Construction in progress	36,160	97,925	-
Other capital assets, net of accumulated depreciation	22,201,489	2,212,931	-
Total noncurrent assets	23,656,727	2,429,451	566,872
Total assets	24,978,405	17,778,182	4,093,299
Deferred Outflows of Resources			
Deferred outflows from pensions	19,397	14,830	3,063
Total deferred outflows of resources	19,397	14,830	3,063

- Continued -

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

City of Cairo, Georgia
Statement of Net Position – Proprietary Funds
June 30, 2017

	Business Type Activities - Enterprise Funds		
	Landfill	Nonmajor Enterprise Funds	Total
Assets			
Current assets			
Cash and cash equivalents	$ 100	$ 2,934	$ 4,110,481
Investments	-	-	11,897,194
Restricted assets - investments	-	-	-
Accounts receivable, net	82,246	510,857	3,024,489
Due from other funds	297,000	-	297,000
Advance to other funds		-	-
Due from component unit	-	-	-
Inventories	-	474,382	2,235,191
Other current assets	-	1	1
Total current assets	379,346	988,174	21,564,356
Noncurrent assets			
Investment in SGGSA	-	-	566,872
Restricted assets - cash	3,075,208	-	3,075,270
Restricted assets - investments	-	-	-
Capital assets:			-
Land	206,305	234,434	1,978,350
Construction in progress	8,520	78,263	220,868
Other capital assets, net of accumulated depreciation	696,729	1,754,871	26,866,020
Total noncurrent assets	3,986,762	2,067,568	32,707,380
Total assets	4,366,108	3,055,742	54,271,736
Deferred Outflows of Resources			
Deferred outflows from pensions	2,899	12,624	52,813
Total deferred outflows of resources	2,899	12,624	52,813

- Continued -

City of Cairo, Georgia
Statement of Net Position – Proprietary Funds
June 30, 2017

	Business Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Revenue Fund	Cable TV Fund
Liabilities			
Current liabilities			
Accounts payable	$ 1,053,170	$ 1,496,687	$ 370,965
Accrued expenses	28,011	161,630	202,404
Lines of credit	-	-	-
Short - term notes payable	-	-	-
Current portion of long - term debt	1,139,728	36,390	-
Customer deposits	-	612,932	-
Due to other governments	-	-	-
Due to other funds	-	297,000	3,175,995
Liabilities payable from restricted assets:			
Current portion of long - term debt	-	-	-
Total current liabilities	2,220,909	2,604,639	3,749,364
Long - term debt, net of current portion	8,150,295	254,825	-
Compensated absences	38,839	49,087	-
Other liabilities	495,572	378,905	77,573
Total liabilities	10,905,615	3,287,456	3,826,937
Deferred Inflows of Resources			
Unavailable revenue	-	-	229
Deferred inflows from pensions	60,597	46,331	9,256
Total deferred inflows of resources	60,597	46,331	9,485
Net Position			
Net investment in capital assets	14,366,642	2,138,236	-
Restricted for debt service	-	-	-
Unrestricted (deficit)	(335,052)	12,320,989	259,940
Total net position	$ 14,031,590	$ 14,459,225	$ 259,940

- Continued -

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

City of Cairo, Georgia
Statement of Net Position – Proprietary Funds
June 30, 2017

	Business Type Activities - Enterprise Funds		
	Landfill	Nonmajor Enterprise Funds	Total
Liabilities			
Current liabilities			
Accounts payable	$ 25,566	$ 632,990	$ 3,579,378
Accrued expenses	4,477	127,992	524,514
Lines of credit	-	-	-
Short - term notes payable	-	-	-
Current portion of long - term debt	54,546	-	1,230,664
Customer deposits	-	-	612,932
Due to other governments	-	-	-
Due to other funds	-	-	3,472,995
Liabilities payable from			-
restricted assets:			-
Current portion of long - term debt	-	-	-
Total current liabilities	84,589	760,982	9,420,483
Long - term debt, net of current portion	192,098	-	8,597,218
Compensated absences	4,668	20,612	113,206
Other liabilities	4,515,518	322,578	5,790,146
Total liabilities	4,796,873	1,104,172	23,921,053
Deferred Inflows of Resources			
Unavailable revenue	-	-	229
Deferred inflows from pensions	9,056	39,443	164,683
Total deferred inflows of resources	9,056	39,443	164,912
Net Position			
Net investment in capital assets	664,910	2,067,568	19,237,356
Restricted for debt service	-	-	-
Unrestricted (deficit)	(1,101,832)	(142,817)	11,001,228
Total net position	$ (436,922)	$ 1,924,751	$ 30,238,584

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, 2017

	Business Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Revenue Fund	Cable TV Fund
Operating Revenues			
Utility revenues	$ -	$ 19,305,452	$ -
Charges for services	3,147,812	-	2,701,907
Other revenues	-	-	-
Intergovernmental	-	-	-
Total operating revenues	3,147,812	19,305,452	2,701,907
Operating Expenses			
Salaries and wages	897,860	727,745	169,076
Operating, administrative and maintenance	1,435,580	13,189,069	2,191,740
Depreciation	689,760	317,687	395,955
Total operating expenses	3,023,200	14,234,501	2,756,771
Operating income (loss)	124,612	5,070,951	(54,864)
Non-Operating Income (Expenses)			
Interest income	177	80,950	307
Interest expense	(92,185)	(3,458)	(22,793)
Income (loss) from joint venture	-	-	(120,429)
Gain (loss) on sale of capital assets	-	-	(387,298)
Income (loss) before contributions and transfers	32,604	5,148,443	(585,077)
Transfers	2,634,689	(9,336,819)	4,927,171
Capital contributions	-	-	-
Change in net position	2,667,293	(4,188,376)	4,342,094
Net position (deficit), beginning of year	11,364,297	18,647,601	(4,082,154)
Net position (deficit), end of year	$ 14,031,590	$ 14,459,225	$ 259,940

- 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, 2017

	Business Type Activities - Enterprise Funds		
	Landfill	Nonmajor Enterprise Funds	Total
Operating Revenues			
Utility revenues	$ -	$ -	$ 19,305,452
Charges for services	810,153	3,071,280	9,731,152
Other revenues	-	71,259	71,259
Intergovernmental	-	-	-
Total operating revenues	810,153	3,142,539	29,107,863
Operating Expenses			
Salaries and wages	193,306	776,906	2,764,893
Operating, administrative and maintenance	367,849	1,544,801	18,729,039
Depreciation	248,114	234,554	1,886,070
Total operating expenses	809,269	2,556,261	23,380,002
Operating income (loss)	884	586,278	5,727,861
Non-Operating Income (Expenses)			
Interest income	6,495	18	87,947
Interest expense	(6,032)	(4,527)	(128,995)
Issuance costs	-	-	(120,429)
Gain (loss) on sale of capital assets	-	(222,498)	(609,796)
Income (loss) before contributions and transfers	1,347	359,271	4,956,588
Transfers	(274,910)	964,566	(1,085,303)
Capital contributions	-	-	-
Change in net position	(273,563)	1,323,837	3,871,285
Net position (deficit), beginning of year	(163,359)	600,914	26,367,299
Net position (deficit), end of year	$ (436,922)	$ 1,924,751	$ 30,238,584

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, 2017

	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	$ 2,602,437	$ 19,280,673	$ 2,422,608
Other operating receipts	-	-	-
Cash payments to employees	(1,030,597)	(832,164)	(196,850)
Cash payments to suppliers	(749,884)	(13,064,516)	(1,516,842)
Net cash provided (used) by operating activities	821,956	5,383,993	708,916
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	3,674,253	809,289	4,927,171
Transfers to other funds	(1,358,520)	(10,146,108)	(4,997,269)
Net change in due from other funds	-	-	-
Net change in due from component unit	-	-	
Net change in due to other funds	-	3,268,076	-
Net cash provided (used) by noncapital financing activities	2,315,733	(6,068,743)	(70,098)
Cash Flows from Capital and Related Financing Activities			
Transfers from other funds	318,956	-	-
Proceeds from issuance of long - term debt	-	-	-
Proceeds from sale of assets	-	-	3,252,858
Proceeds from capital contributions	-	-	-
Acquisition and construction of capital assets	(5,000,437)	(252,704)	-
Principal payments on debt	1,612,619	(36,389)	(1,506,014)
Interest paid	(92,185)	(3,458)	(23,100)
Net cash provided (used) by capital and related financing activities	(3,161,047)	(292,551)	1,723,744
Cash Flows from Investing Activities			
Sale of investment securities	-	1,189,040	-
Purchase of investments	-	-	-
Loan disbursements	-	-	
Interest received	177	80,950	307
Net cash provided (used) by investing activities	177	1,269,990	307
Net increase (decrease) in cash and cash equivalents	(23,181)	292,689	2,362,869
Cash and cash equivalents, beginning of year	23,243	638,763	813,126
Cash and cash equivalents, end of year	$ 62	$ 931,452	$ 3,175,995

- 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, 2017

	Business Type Activities - Enterprise Funds		
	Landfill	Nonmajor Enterprise Funds	Total
Cash Flows from Operating Activities			
Cash received from customers and users	$ 326,674	$ 2,975,888	$ 27,608,280
Other operating receipts	-	-	-
Cash payments to employees	(14,196)	(1,018,729)	(3,092,536)
Cash payments to suppliers	106,847	(1,431,368)	(16,655,763)
Net cash provided (used) by operating activities	419,325	525,791	7,859,981
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	444,691	2,692,490	12,547,894
Transfers to other funds	(719,601)	(1,727,924)	(18,949,422)
Net change in due from other funds	-	-	-
Net change in due from component unit	-	-	-
Net change in due to other funds	581,015	(1,187,131)	2,661,960
Net cash provided (used) by noncapital financing activities	306,105	(222,565)	(3,739,568)
Cash Flows from Capital and Related Financing Activities			
Transfers from other funds	-	-	318,956
Proceeds from issuance of long - term debt	-	-	-
Proceeds from sale of assets	-	-	3,252,858
Proceeds from capital contributions	-	-	-
Acquisition and construction of capital assets	(31,878)	(198,215)	(5,483,234)
Principal payments on debt	(106,506)	(113,985)	(150,275)
Interest paid	(6,032)	(4,526)	(129,301)
Net cash provided (used) by capital and related financing activities	(144,416)	(316,726)	(2,190,996)
Cash Flows from Investing Activities			
Sale of investment securities	-	-	1,189,040
Purchase of investments	-	-	-
Loan disbursements	-	-	-
Interest received	6,495	18	87,947
Net cash provided (used) by investing activities	6,495	18	1,276,987
Net increase (decrease) in cash and cash equivalents	587,509	(13,482)	3,206,404
Cash and cash equivalents, beginning of year	2,487,799	16,416	3,979,347
Cash and cash equivalents, end of year	$ 3,075,308	$ 2,934	$ 7,185,751

- 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, 2017

	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)	$ 124,612	$ 5,070,951	$ (54,864)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	689,760	317,687	395,955
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(287,590)	160,003	(27,198)
Other current assets	-	-	-
Inventories	(594,938)	(369,860)	463,261
Deferred outflows of resources	69,853	54,807	10,791
Increase (decrease) in:			
Accounts payable	1,017,704	288,237	189,133
MEAG rebate program	-	-	-
Accrued expenses	5,145	21,943	22,504
Customer deposits	-	(549)	
Compensated absences	-	-	
Net pension liability	(210,649)	(165,625)	(38,794)
Other liabilities	-		(252,101)
Deferred inflows of resources	8,059	6,399	229
Net cash provided (used) by operating activities	$ 821,956	$ 5,383,993	$ 708,916
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 -

City of Cairo, Georgia
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2017

	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)	$ 884	$ 586,278	$ 5,727,861
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	248,114	234,554	1,886,070
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(3,264)	(152,810)	(310,859.0)
Other current assets	-	(1)	(1)
Inventories	-	(414,914)	(916,451)
Deferred outflows of resources	8,105	48,533	192,089
Increase (decrease) in:			
Accounts payable	(6,654)	368,914	1,857,334
MEAG rebate program	-	-	-
Accrued expenses	1,135	(29,962)	20,765
Customer deposits	-	-	(549)
Compensated absences	-	-	-
Net pension liability	(7,477)	(124,294)	(546,839)
Other liabilities	175,000	-	(77,101)
Deferred inflows of resources	3,482	9,493	27,662
Net cash provided (used) by operating activities	$ 419,325	$ 525,791	$ 7,859,981
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, 2017, 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, 2017, 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.

Impact of Recently Issued Accounting Pronouncements

New Accounting Standards Adopted

Effective June 1, 2017, the City adopted three new statements issued by GASB as follows:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*
- GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74"), replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB (Other Postemployment Benefits) Measurement by Agent Employers and Agent Multiple-Employer Plans*. This Statement revises the requirements for defined contribution OPEB plans as previously required in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. GASB 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. There was no impact on the City's financial statements as a result of the implementation of GASB 74.

GASB Statement No. 77, *Tax Abatement Disclosures* ("GASB 77"), requires governments that enter into tax abatement agreements to disclose: (1) Brief descriptive information concerning the agreement; (2) The gross dollar amount of taxes abated during the period; and 3) Commitments made by the government, other than to abate taxes, that are part of the tax abatement agreement. The City has included any disclosures required by GASB 77 in the 2017 financial statements.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* ("GASB 78"), amends the scope and applicability of Statement 68. It excludes pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

state or local governmental employers and to employees of employers that are not state or local government employers, and (3) has no predominate state or local government employer. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosure; and required supplementary information for pensions that have the characteristics described above. There was no impact on the City's financial statements as a result of the implementation of GASB 78.

GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14* ("GASB 80"), amends the blending requirements for the financial statement presentation of component units of all state and local governments. There was no impact on the City's financial statements as a result of the implementation of GASB 80.

GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73* ("GASB 82"), addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (Plan member) contribution requirements. GASB 82 will be effective for fiscal years beginning after June 15, 2016. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement. The City has included the disclosures required by GASB 82 in the 2017 financial statements.

Accounting Standards Issued But Not Yet Effective

Other recently issued standards the City is reviewing for applicability and potential impact on the financial statements include:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended,* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. GASB No. 75 will be effective for fiscal years beginning after June 15, 2017. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. The City has not completed the process of evaluating the impact of GASB 75 on its financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* ("GASB 81"), requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 will be effective for the fiscal years beginning after December 15, 2016. The City has not completed the process of evaluating the impact of GASB 81 on its financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations* ("GASB 83"), addresses accounting and financial reporting for certain asset retirement obligations. GASB 83 will be effective for the fiscal years beginning after June 15, 2018. The City has not completed the process of evaluating the impact of GASB 83 on its financial statements.

GASB Statement No. 84, *Fiduciary Activities* ("GASB 84"), establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 will be effective for the fiscal years beginning after December 15, 2018. The City has not completed the process of evaluating the impact of GASB 84 on its financial statements.

GASB Statement No. 85, *Omnibus 2017* ("GASB 85"), addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). GASB 85 will be effective for the fiscal years beginning after June 15, 2017. The City has not completed the process of evaluating the impact of GASB 85 on its financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* ("GASB 86"), establishes criteria to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB 86 will be effective for the fiscal years beginning after June 15, 2017. The City has not completed the process of evaluating the impact of GASB 86 on its financial statements.

GASB Statement No. 87, *Leases* ("GASB 87"), establishes criteria to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the fiscal years beginning after December 15, 2019. The City has not completed the process of evaluating the impact of GASB 87 on its financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events
The City has performed an evaluation of subsequent events, as defined under Accounting Standards Codification (ASC) 855-10, through March 28, 2018, 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, 2017, were adopted by the City Council on June 23, 2016.

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, 2017:

Fund	Deficit
Landfill Fund	436,922

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, 2017:

Department/Fund		Excess of Expenditures Over Budgeted Amounts
Hotel/Motel Fund	$	3,098
EIP CDBG Revolving Loan Fund		62,300

NOTE 3 - DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2017, are summarized as follows:

		Deposits with Financial Institutions
Deposits with financial institutions	$	10,542,636
Investments		11,897,194
	$	22,439,830

	June 30, 2017
Primary government:	
Amounts as presented on the entity-wide Statement of Net Position	
Governmental Activities:	
Cash and cash equivalents	$ 763,610
Investments	-
Restricted cash and cash equivalents	2,486,892
Restricted investments	-
Business-Type Activities:	
Cash and cash equivalents	4,110,481
Investments	11,897,194
Restricted cash and cash equivalents	3,075,270
Total primary government	22,333,447
Component units:	
Cash and cash equivalents	-
Restricted cash and cash equivalents	106,383
Total component units	106,383
Total	$ 22,439,830

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 $11,897,194 at June 30, 2017. 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, 2017, The City's investments in the MEAG Municipal Competitive Trust investment pool totaling $11,897,194 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, 2017, the City's investments were classified as follows:

	Category			
	1	2	3	Fair Value
U.S. Government Securities	-	11,897,194	-	11,897,194
	$ -	$ 11,897,194	$ -	$ 11,897,194

As of June 30, 2017, the City's interest rate risk related to its investments was as follows:

	Fair Value	Maturities	Credit Quality
U.S. Government Securities	11,897,194	July 1, 2017 to December 14, 2018	Unavailable
	$ 11,897,194		

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 8.325 mills (mill equals $1 per thousand dollars of assessed value).

The City maintains no allowance for uncollectible property taxes at June 30, 2017.

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, 2017 are as follows:

	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Electric Revenue Fund
Receivables				
Accounts	76,629	218,021	664,754	1,982,574
Property tax	-	-	-	-
Sales tax	143,847	-	-	-
Program	-	498,671	-	-
Due from other governments	-	-	-	-
Gross receivables	220,476	716,692	664,754	1,982,574
Less allowance for uncollectibles	-	-	74,420	491,954
Total net receivables	$ 220,476	$ 716,692	$ 590,334	$ 1,490,620

	Cable TV Fund	Landfill Fund	Nonmajor Enterprise Funds	Total
Receivables				
Accounts	479,725	82,246	563,799	$ 4,067,748
Property tax				-
Sales tax				143,847
Program				498,671
Due from other governments				-
Gross receivables	479,725	82,246	563,799	4,710,266
Less allowance for uncollectibles	129,293	-	52,942	748,609
Total net receivables	$ 350,432	$ 82,246	$ 510,857	$ 3,961,657

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, 2017, were as follows:

Minimum future rentals	$ 622,202
Less unearned interest income	(48,870)
Net investment in sales-type lease	$ 573,332

At June 30, 2017, the minimum future lease payments to be received under the sales-type lease are as follows:

Year Ending June 30,	Total
2018	$ 223,769
2019	223,769
2020	174,664
2021	-
2022	-
Thereafter	-
	$ 622,202

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, 2017 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	$ 3,175,995	$ -	$ -	$ 3,175,995
Nonmajor Governmental Funds	-	-	-	-
Water and Sewer Fund	-	-	-	-
Electric Revenue Fund	-	-	-	-
Cable TV Fund	-	-	-	-
Landfill Fund	-	-	-	297,000
Nonmajor Enterprise Funds	-	-	-	-
Total	$ 3,175,995	$ -	$ -	$ 3,472,995

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, 2017, consisted of the following:

	Transfer To			
Transfer From	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Electric Revenue Fund
General Fund	$ -	$ 287,367	$ 2,386,436	$ -
Nonmajor Governmental Funds	3,419	-	318,956	-
Water and Sewer Fund	1,288,378	114,580	-	16,496
Electric Revenue Fund	4,757,662	-	1,277,043	-
Cable TV Fund	3,831,620	-	-	-
Landfill Fund	375,045	-	81,669	-
Nonmajor Enterprise Funds	739,077	-	-	806,815
Total	$ 10,995,201	$ 401,947	$ 4,064,104	$ 823,311

	Transfer To			
Transfer From	Cable TV Fund	Landfill Fund	Nonmajor Enterprise Funds	Total
General Fund	$ 6,347,234	$ -	$ 968,433	$ 9,989,470
Nonmajor Governmental Funds	-	-	-	322,375
Water and Sewer Fund	-	9,691	270	1,429,415
Electric Revenue Fund	3,691,675	444,691	(10,941)	10,160,130
Cable TV Fund	-	-	1,462,149	5,293,769
Landfill Fund	-	-	272,578	729,292
Nonmajor Enterprise Funds	182,031	-	-	1,727,923
Total	$ 10,220,940	$ 454,382	$ 2,692,489	$ 29,652,374

NOTE 6 – CAPITAL ASSETS

The following is a summary of capital asset activity as of June 30, 2017:

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	7,269,923	-	-	-	7,269,923
Machinery & equipment	4,234,320	839,881	-	-	5,074,201
Infrastructure	6,877,682	1,092,424	-	-	7,970,106
Total other capital assets at cost	18,381,925	1,932,305	-	-	20,314,230
Less accumulated depreciation for depreciation for:					
Buildings and improvements	(2,109,047)	(63,544)	-	-	(2,172,591)
Machinery & equipment	(3,468,193)	(251,457)	-	-	(3,719,650)
Infrastructure	(3,246,693)	(634,618)	-	-	(3,881,311)
Total accumulated depreciation	(8,823,933)	(949,619)	-	-	(9,773,552)
Other capital assets, net	9,557,992	982,686	-	-	10,540,678
Governmental activities capital assets, net	$ 10,066,011	$ 982,686	$ -	$ -	$ 11,048,697

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	2,957,064	211,688	-	(2,947,884)	220,868
Total nondepreciable capital assets	4,935,414	211,688	-	(2,947,884)	2,199,218
Other capital assets					
Buildings	52,202,459	5,752,406	(11,525,688)	2,947,884	49,377,061
Machinery & equipment	7,812,556	478,554	(199,188)	-	8,091,922
Total other capital assets at cost	60,015,015	6,230,960	(11,724,876)	2,947,884	57,468,983
Less accumulated depreciation for:					
Buildings	(27,971,785)	(1,318,085)	6,681,297	-	(22,608,573)
Machinery & equipment	(7,625,593)	(567,985)	199,188	-	(7,994,390)
Total accumulated depreciation	(35,597,378)	(1,886,070)	6,880,485	-	(30,602,963)
Other capital assets, net	24,417,637	4,344,890	(4,844,391)	2,947,884	26,866,020
Business-type activities capital assets, net	$ 29,353,051	$ 4,556,578	$ (4,844,391)	$ -	$ 29,065,238

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	$	130,988
Public safety		250,750
Public works		504,301
Parks and recreation		63,580
Total governmental activities depreciation expense	$	949,619
Business-type activities:		
Water & Sewer		689,760
Electric		317,687
Cable TV		395,955
Garbage and trash		52,956
Airport		65,551
Telecomm		52,108
Landfill		248,114
Gas		63,939
Total business-type activities depreciation expense	$	1,886,070

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, 2017 is as follows:

Governmental Activities:

The Authority had no governmental capital asset activity for the year ended June 30, 2017.

Business-type activities:

The Authority had no business-type capital asset activity for the year ended June 30, 2017.

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, 2017, 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	$ 5,805,000
Cable TV Fund and Telecommunications Fund				
South Georgia Governmental Services Authority, Series 2004	9,725,000	2.00-5.00%	2016	--
			Unamortized bond premium	53,002
			Less current portion	(775,000)
				$5,083,002

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, 2017, is as follows:

Year Ending June 30	Principal	Interest	Total
2018	$ 775,000	$ 127,710	$ 902,710
2019	790,000	110,660	900,660
2020	810,000	93,280	903,280
2021	830,000	75,460	905,460
2022	850,000	38,006	888,006
2023-2024	1,750,000	77,164	1,827,164
	$ 5,805,000	$ 522,280	$ 6,327,280

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 was 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 were 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.

As discussed in Note 10, as a result of the City's sale of all capital assets related to the broadband cable television and internet services, the City's existing lease agreements with South Georgia Governmental Services Authority (SGGSA) and the City's obligations related to the SGGSA's Series 2004 bonds were terminated.

NOTE 7 – LONG TERM DEBT (CONTINUED)

Component Unit

The City of Cairo Development Authority's revenue bonds outstanding at June 30, 2017, 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	$ 590,000
				590,000
			Less current portion	(185,000)
				$ 405,000

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, 2017, is as follows:

Year Ending June 30	Principal	Interest	Total
2018	$ 185,000	$ 39,825	$ 224,825
2019	195,000	27,338	222,338
2020	210,000	14,175	224,175
2021	-	-	-
2022	-	-	-
	$ 590,000	$ 81,338	$ 671,338

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 $4,441,454 reported as landfill closure and post-closure care liability, as of June 30, 2017, 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 $508,063 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 2017. The total landfill capacity used, as of June 30, 2017, is 89.20%. The City estimates the remaining useful life of the landfill at less than two 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, 2017. 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, 2017:

Year Ending June 30	Governmental Activities	Business-type Activities
2018	$ 46,853	$ 80,748
2019	29,296	80,748
2020	-	81,898
2021	-	47,271
2022	-	99,871
2023 - 2026	-	28,043
Total minimum lease payments	76,149	418,579
Less amount representing interest	(5,392)	(25,270)
	$ 70,757	$ 393,309

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, 2017, is as follows:

Year Ending June 30	Principal	Interest	Total
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	64,296	665	64,961
2023	2,621	21	2,642
	$ 277,229	$ 18,422	$ 295,651

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, 2017, is as follows:

Year Ending June 30	Principal	Interest	Total
2018	$ 383,333	$ 22,447	$ 405,780
2019	385,870	19,910	405,780
2020	388,425	17,355	405,780
2021	390,996	14,784	405,780
2022	393,584	12,195	405,779
2023 - 2026	1,634,363	22,571	1,656,934
	$ 3,576,571	$ 109,262	$ 3,685,833

NOTE 7 – LONG TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	$ 111,740	$ -	$ (40,983)	$ 70,757	$ 45,173
Notes payable	323,784	-	(46,555)	277,229	50,470
Net pension obligation	2,147,560	-	(217,226)	1,930,334	-
Compensated absences	167,488	20,000	-	187,488	-
Governmental activities long-term liabilities	2,750,572	20,000	(304,764)	2,465,808	95,643
Business-type activities:					
Bonds payable	8,185,000	-	(2,380,000)	5,805,000	775,000
Plus unamortized bond premium	58,469	-	(5,467)	53,002	-
Total bonds payable	8,243,469	-	(2,385,467)	5,858,002	775,000
Capital leases	353,148	161,185	(121,024)	393,309	72,331
Notes payable	1,381,539	2,269,771	(74,739)	3,576,571	383,333
Net pension obligation	1,895,532		(546,840)	1,348,692	-
Compensated absences	113,206	113,206	(113,206)	113,206	-
Closure and post-closure care liability	4,266,454	175,000	-	4,441,454	-
Business-type activities long-term liabilities	$ 16,253,348	$ 2,719,162	$ (3,241,276)	$ 15,731,234	$ 1,230,664

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, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 765,000	$ -	$ 175,000	$ 590,000	$ 185,000
Business-type activities long-term liabilities	$ 765,000	$ -	$ 175,000	$ 590,000	$ 185,000

NOTE 8 – RESTRICTIONS OF FUND BALANCES

In the governmental fund financial statements, fund balances consist of restricted committed 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. Committed fund balances represent amounts constrained to a specific purpose by formal action of the City Council. 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, 2017 include:

Capital Projects Funds	
Restricted for specific projects to reflect resources restricted for capital projects	$ 992,987
Special Revenue Funds	
Restricted to reflect resources legally restricted for economic development and tourism	2,045,690
Permanent Fund	
Restricted for purposes to reflect resources legally restricted for care of cemetery	11,465
Total restricted net position	$ 3,050,142

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, 2017 employee membership data related to the plan were as follows:

Number of retirees and beneficiaries current receiving benefits	72
Number of terminated employees entitled to benefits but not yet receiving them	19
Number of active plan participants	151

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, 2017, determined that for the period beginning January 1, 2017, employer contributions of 10.08% 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 $5,432,291.

NOTE 9 – PENSION PLAN (CONTINUED)

Actuarial Assumptions

The net pension liability was measured as of January 1, 2017 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, 2017 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
Domestic equity	45%	6.75%
International equity	20%	7.45%
Real estate	10%	4.55%
Global fixed income	5%	3.30%
Domestic fixed income	20%	1.75%
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, 2017 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	$ 13,504,344	$ 9,461,253	$ 4,043,091
Changes for the year:			
Service cost	$ 174,922	$ -	$ 174,922
Interest	1,023,837	-	1,023,837
Differences between expected and actual experience	(226,192)	-	(226,192)
Demographic experience	-	-	-
Contributions - employer	-	695,554	(695,554)
Net investment income	-	1,059,026	(1,059,026)
Benefit payments and refunds	(587,096)	(587,096)	-
Administrative expense	-	(17,949)	17,949
Other	-	-	-
Net changes	385,471	1,149,535	(764,064)
Balances at June 30, 2016	$ 13,889,815	$ 10,610,788	$ 3,279,027

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	$ 5,160,431	$ 3,279,027	$ 1,710,887

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

For the year ended June 30, 2017, the City recognized pension expense of $405,276, consisting of the following:

Service cost	$ 174,922
Interest on TPL	1,023,837
Administrative expenses	17,949
Expected return on assets	(736,754)
Expensed portion of current year period differences between expected and actual experience in TPL	(37,697)
Expensed portion of current year period differences between projected and actual investment earnings	(64,456)
Current year recognition of deferred inflows and outflows established in prior years	27,475
Total expense	$ 405,276

At June 30, 2017, 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	$ 128,366	$ (278,867)
Changes of assumptions		$ (118,857)
Net difference between projected and actual earnings on pension plan investments	-	(2,992)
Total	$ 128,366	$ (400,716)

NOTE 9: PENSION PLAN (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2017 will be recognized in pension expense as follows:

Fiscal Year Ending,	Total
2017	$ (74,678)
2018	(74,678)
2019	(15,483)
2020	(70,068)
2021	(37,443)

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 collective total pension liability was determined by an actuarial valuation as of June 30, 2015, with updated procedures used to roll forward the total pension liability to June 30, 2016. The roll forward calculation adds the normal cost (also called service costs), subtracts the actual benefit payments and refunds for the plan year, and then applies the discount rate for the year. This actuarial valuation used the following actuarial assumptions, applied to all periods in included in the measurement:

Inflation	3.00%
Salary increases	n/a
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
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, 2017, 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 $31,453 as of June 30, 2017.

Pension Expense:

For the year ended June 30, 2017, the City recognized pension expense related to the POABFG of $9,186 and revenue of $9,186 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, 2016. 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, 2017, 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 $444,377 as of June 30, 2017.

Pension Expense:

For the year ended June 30, 2017, the City recognized pension expense related to the GFPF of $99,598 and revenue of $99,598 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, 2017, the City paid $10,727 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 $5,390 in such dues for the year ended June 30, 2017. The 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 $566,872 at June 30, 2017, and a loss from the joint venture of $(120,429) during the year. The SGGSA board is made up of eight members, two appointed by each participating city for one-year terms.

On May 1, 2017, the City completed the sale of all capital assets related to the broadband cable television and internet services related to CNS. Pursuant to the sale agreement, the City's existing lease agreements with SGGSA and the City's obligations related to the SGGSA's Series 2004 bonds were terminated. As a result of the sale, the City recognized a loss of $387,298 on the Cable TV Fund and a loss of $222,498 on the Telecomm Fund.

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, 2017, funds held in the landfill restricted account were $3,075,208 and the total projected costs for the closure and post-closure maintenance and monitoring of the landfill were $4,949,517. The City of Cairo has recognized a liability for the landfill closure and post-closure costs of $4,441,454 as of June 30, 2017. The landfill has an estimated remaining useful life of less than two 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, 2017, $50,355 of hotel/motel tax was collected and $46,520 was remitted to the Chamber of Commerce. Management represents that 100% of the lodging tax received during the year ended June 30, 2017 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, 2017.

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,	
	2016	2017
Unpaid claims, beginning of year	$ 101,715	101,715
Incurred claims (including IBNRs)	1,296,028	1,075,173
Claim Payments	(1,215,022)	(1,174,886)
Unpaid claims, end of year	$ 182,721	2,002

During the year ended June 30, 2017, 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 $12,069,851 in 2017.

At June 30, 2017, the outstanding debt of MEAG was approximately $6.39 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $14.96 million at June 30, 2017.

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, 2017, 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, 2017. The balance in the flexible trust account, as of June 30, 2017, was $10,644,399 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, 2017, a balance of $736,843. 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, 2017, was $1,252,795 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.

NOTE 16 – ADJUSTMENT TO PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Subsequent to year end, the City determined that its investment in the South Georgia Governmental Services Authority (SGGSA) had been understated by $566,872 in its previously issued financial statements for the year ended June 30, 2017. To correct the error, the loss on sale of capital assets in the Cable TV Fund of $(954,170) as presented in the City's financial statements for the year ended June 30, 2017, with an audit report date of December 28, 2017, has been adjusted to present a loss of $(387,298) and increase the change in net position in the Cable TV Fund for the year ended June 30, 2017 by $566,872.

Certain other reclassifications were made to the City's previously issued financial statements for the year ended June 30, 2017 with no impact on net position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

City of Cairo, Georgia

Schedule of Changes in Net Pension Liability and Related Ratios

June 30,	2017	2016	2015
Total pension liability			
Service cost	$ 174,922	$ 177,591	$ 198,883
Interest on pension liability	1,023,837	965,009	951,060
Differences between expected and actual results	(226,192)	192,509	(180,743)
Benefit payments	(587,096)	(564,988)	(537,999)
Other	-	-	(237,714)
Net change in pension liability	385,471	770,121	193,487
Total pension liability - beginning	13,504,344	12,734,223	12,540,736
Total pension liability - ending (a)	13,889,815	13,504,344	12,734,223
Plan fiduciary net position			
Employer contributions	695,554	801,187	670,804
Net investment income	1,059,026	95,823	928,602
Benefit payments	(587,096)	(564,988)	(537,999)
Administrative expenses	(17,949)	(20,550)	(16,360)
Net change in fiduciary net position	1,149,535	311,472	1,045,047
Plan fiduciary net position - beginning	9,461,253	9,149,781	8,104,734
Plan fiduciary net position - ending (b)	10,610,788	9,461,253	9,149,781
Net pension liability (a) - (b)	$ 3,279,027	$ 4,043,091	$ 3,584,442
Plan fiduciary net position as a percentage of the total pension liability	76.4%	70.1%	71.9%
Covered-employee payroll	$ 5,432,291	$ 5,511,469	$ 5,239,696
Net pension liability as a percentage of covered-employee payroll	60.4%	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,	**2017**	**2016**	**2015**
Actuarially determined contribution	- - **	$ 648,236	$ 756,161
Contributions in relation to the actuarially determined contribution	- - **	657,230	803,655
Contribution deficiency (excess)	- - **	(8,994)	(47,494)
Covered-employee payroll	- - **	$ 5,511,469	$ 5,239,696
Contributions as a percentage of covered-employee payroll	- - **	11.92%	15.34%

Notes to the Schedule

(1) 2017 information will be determined after fiscal year end and will be included in the 2018 valuation report

(2) 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

(3) 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,	2017	2016	2015
City's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%
State of Georgia's proportionate share of the net pension liability (asset) associated with the City	$ 31,453	$ 6,615	$ (15,636)
City's covered-employee payroll	n/a	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	n/a
Plan fiduciary net position as a percentage of the total pension liability (asset)	92.18%	98.28%	103.75%

Georgia Firefighters Pension Fund

For the year ended June 30,	2017	2016	2015
City's proportion of the net pension liability	0.00%	0.00%	0.00%
State of Georgia's proportionate share of the net pension liability associated with the City	$ 444,377	$ 339,941	$ 191,704
City's covered-employee payroll	n/a	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	n/a
Plan fiduciary net position as a percentage of the total pension liability	79.03%	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, 2017

	Capital Projects Funds		
	SPLOST 2014	SPLOST 2007	Grant Projects
Assets			
Cash and cash equivalents	$ -	$ -	$ 13,008
Accounts receivable, net	218,021	-	-
Other current assets	-	-	-
Due from other funds	-	-	-
Restricted assets:			-
Cash and cash equivalents	784,161	-	-
Program receivables	-	-	-
Total assets	$ 1,002,182	$ -	$ 13,008
Liabilities			
Accounts payable	-	-	22,203
Accrued expenses	-	-	-
Due to other funds	-	-	-
Due to component units	-	-	-
Total liabilities	-	-	22,203
Fund Balances			
Nonspendable:			
Prepaid expenses	-	-	-
Restricted for:			
Specific projects	1,002,182	-	(9,195)
Public services	-	-	-
Unassigned	-	-	-
Total fund balances	1,002,182	-	(9,195)
Total liabilities and fund balances	$ 1,002,182	$ -	$ 13,008

City of Cairo, Georgia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds		Permanent Fund	Total Nonmajor Governmental Funds
	EIP CDBG	Hotel/ Motel Tax	Cemetery Perpetual Care	
Assets				
Cash and cash equivalents	$ -	$ 87,592	$ -	$ 100,600
Accounts receivable, net	-	126	-	218,147
Other current assets	-	-	-	-
Due from other funds	-	-	-	-
Restricted assets:				
Cash and cash equivalents	1,462,846	-	11,465	2,258,472
Program receivables	498,545	-	-	498,545
Total assets	$ 1,961,391	$ 87,718	$ 11,465	$ 3,075,764
Liabilities				
Accounts payable	-	3,419	-	25,622
Accrued expenses	-	-	-	-
Due to other funds	-	-	-	-
Due to component units	-	-	-	-
Total liabilities	-	3,419	-	25,622
Fund Balances				
Nonspendable:				
Prepaid expenses	-	-	-	-
Restricted for:				-
Specific projects	1,961,391	-	-	2,954,378
Public services	-	84,299	11,465	95,764
Unassigned	-	-	-	-
Total fund balances	1,961,391	84,299	11,465	3,050,142
Total liabilities and fund balances	$ 1,961,391	$ 87,718	$ 11,465	$ 3,075,764

City of Cairo, Georgia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Capital Projects Funds		
	SPLOST 2014	SPLOST 2007	Grant Projects
Revenues			
Taxes	$ -	$ -	$ -
Fines, forfeitures and fees	-	-	-
Charges for services	-	-	-
Intergovernmental	1,098,582	-	469,311
Investment income	789	-	8
Other revenues	-	-	-
Total revenues	1,099,371	-	469,319
Expenditures			
Current:			
Community development	-	-	-
Public safety	74,054	-	-
Capital Outlay	479,530	-	871,618
Total expenditures	553,584	-	871,618
Excess (deficiency) of revenues over (under) expenditures	545,787	-	(402,299)
Other Financing Sources (Uses)			
Transfers	(318,956)	-	393,104
Total other financing sources (uses)	(318,956)	-	393,104
Net change in fund balances	226,831	-	(9,195)
Fund balances (deficits), beginning of year	775,351	-	-
Fund balances (deficits), end of year	$ 1,002,182	$ -	$ (9,195)

City of Cairo, Georgia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds		Permanent Fund	Total Nonmajor
	EIP CDBG	Hotel/ Motel Tax	Cemetery Perpetual Care	Governmental Funds
Revenues				
Taxes	$ -	$ 50,355	$ -	$ 50,355
Fines, forfeitures and fees	-	-	-	-
Charges for services	-	-	-	-
Intergovernmental	-	-	-	1,567,893
Investment income	18,365	90	23	19,275
Other revenues	-	-	-	-
Total revenues	18,365	50,445	23	1,637,523
Expenditures				
Current:				
Community development	-	46,520	-	46,520
Public safety	-	-	-	74,054
Capital Outlay	62,300	-	-	1,413,448
Total expenditures	62,300	46,520	-	1,534,022
Excess (deficiency) of revenues over (under) expenditures	(43,935)	3,925	23	103,501
Other Financing Sources (Uses)				
Transfers	-	5,424	-	79,572
Total other financing sources (uses)	-	5,424	-	79,572
Net change in fund balances	(43,935)	9,349	23	183,073
Fund balances (deficits), beginning of year	2,005,326	74,950	11,442	2,867,069
Fund balances (deficits), end of year	$ 1,961,391	$ 84,299	$ 11,465	$ 3,050,142

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, 2017

	Budget			Variance With Final Budget
	Original	Final Amended	Actual	
Revenues				
Taxes	$ -	$ -	$ -	$ -
Fines, forfeitures and fees	-	-	-	-
Charges for services	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	25,400	25,400	18,365	(7,035)
Other revenues	-	-	-	-
Total revenues	25,400	25,400	18,365	(7,035)
Expenditures				
Current:				
Community development	-	-	-	-
Public safety	-	-	-	-
Capital outlays	-	-	62,300	(62,300)
Total expenditures	-	-	62,300	(62,300)
Excess (deficiency) of revenues over expenditures	25,400	25,400	(43,935)	55,265
Other Financing Sources (Uses)				
Other	(25,400)	(25,400)	-	25,400
Transfers	-	-	-	-
Total other financing sources (uses)	(25,400)	(25,400)	-	25,400
Net change in fund balance	-	-	(43,935)	80,665
Fund balance, beginning of year	2,005,326	2,005,326	2,005,326	-
Fund balance, end of year	$ 2,005,326	$ 2,005,326	$ 1,961,391	$ 80,665

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, 2017

	Budget			Variance With Final Budget
	Original	Final Amended	Actual	
Revenues				
Taxes	$ 43,530	$ 43,530	$ 50,355	$ 6,825
Fines, forfeitures and fees	-	-	-	-
Charges for services	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	-	-	90	90
Other revenues	-	-	-	-
Total revenues	43,530	43,530	50,445	6,915
Expenditures				
Current:				
Community development	43,530	43,530	46,520	(2,990)
Public safety	-	-	-	
Capital outlays	-	-	-	-
Total expenditures	43,530	43,530	46,520	(2,990)
Excess (deficiency) of revenues over expenditures	-	-	3,925	3,925
Other Financing Sources (Uses)				
Transfers	-	-	5,424	5,424
Total other financing sources (uses)	-	-	5,424	5,424
Net change in fund balance	-	-	9,349	9,349
Fund balance, beginning of year	74,950	74,950	74,950	-
Fund balance, end of year	$ 74,950	$ 74,950	$ 84,299	$ 9,349

City of Cairo, Georgia
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017

	Business Type Activities Enterprise Funds		
	Garbage & Trash Fund	Airport Fund	Tele-Comm Fund
Assets			
Current assets:			
Cash and cash equivalents	$ -	$ 2,934	$ -
Investments	-	-	-
Accounts receivable, net	172,399	375	276,006
Due from other funds	-	-	-
Due from component unit	-	-	-
Inventories	1,181	-	-
Other current assets	-	1	-
Total current assets	173,580	3,310	276,006
Noncurrent assets:			
Investment in SGGSA	-	-	-
Restricted assets - cash	-	-	-
Restricted assets - investments	-	-	-
Capital assets	-	-	-
Land	6,400	227,534	-
Construction in progress	-	69,543	-
Other capital assets, net of accumulated depreciation	235,939	879,152	-
Total noncurrent assets	242,339	1,176,229	-
Total assets	415,919	1,179,539	276,006
Deferred Outflows of Resources			
Deferred outflows from pensions	7,036	-	-
Total deferred inflows of resources	7,036	-	-

- Continued -

City of Cairo, Georgia
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017

	Business Type Activities Enterprise Funds	
	Gas Fund	Total
Assets		
Current assets:		
Cash and cash equivalents	$ -	$ 2,934
Investments	-	-
Accounts receivable, net	62,077	510,857
Due from other funds	-	-
Due from component unit	-	-
Inventories	473,201	474,382
Other current assets	-	1
Total current assets	535,278	988,174
Noncurrent assets:		
Investment in SGGSA	-	-
Restricted assets - cash	-	-
Restricted assets - investments	-	-
Capital assets	-	-
Land	500	234,434
Construction in progress	8,720	78,263
Other capital assets, net of accumulated depreciation	639,780	1,754,871
Total noncurrent assets	649,000	2,067,568
Total assets	1,184,278	3,055,742
Deferred Outflows of Resources		
Deferred outflows from pensions	5,588	12,624
Total deferred inflows of resources	5,588	12,624

- Continued -

City of Cairo, Georgia
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017

	Business Type Activities Enterprise Funds		
	Garbage & Trash Fund	Airport Fund	Tele-Comm Fund
Liabilities			
Current liabilities payable from current assets:			
Accounts payable	$ 18,517	$ 92	$ 84,961
Accrued expenses	14,145	-	2,460
MGAG rebates program	-	-	-
Customer deposits	-	-	-
Due to other governments	-	-	-
Due to other funds	-	-	-
Long term debt - current	-	-	-
Total current liabilities payable from current assets	32,662	92	87,421
Long-term liabilities:			
Long term debt	-	-	-
Compensated absences	12,768	-	-
Other liabilities	179,769	-	-
Total long-term liabilities	192,537	-	-
Total liabilities	225,199	92	87,421
Deferred Inflows of Resources			
Unavailable revenue	-	-	-
Deferred inflows from pensions	21,981	-	-
Total deferred inflows of resources	21,981	-	-
Net Position			
Net investment in capital assets	242,339	1,176,229	-
Restricted for debt service	-	-	-
Unrestricted	(66,564)	3,218	188,585
Total net position	$ 175,775	$ 1,179,447	$ 188,585

- Continued -

City of Cairo, Georgia
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017

	Business Type Activities Enterprise Funds	
	Gas Fund	Total
Liabilities		
Current liabilities payable from current assets:		
Accounts payable	$ 529,420	$ 632,990
Accrued expenses	111,387	127,992
Lines of credit	-	-
Customer deposits	-	-
Due to other governments	-	-
Due to other funds	-	-
Long term debt - current	-	-
Total current liabilities payable from current assets	640,807	760,982
Long-term liabilities:		
Long term debt	-	-
Compensated absences	7,844	20,612
Other liabilities	142,809	322,578
Total long-term liabilities	150,653	343,190
Total liabilities	791,460	1,104,172
Deferred Inflows of Resources		
Unavailable revenue	-	-
Deferred inflows from pensions	17,462	39,443
Total deferred inflows of resources	17,462	39,443
Net Position		
Net investment in capital assets	649,000	2,067,568
Restricted for debt service	-	-
Unrestricted	(268,056)	(142,817)
Total net position	$ 380,944	$ 1,924,751

City of Cairo, Georgia
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Business Type Activities Enterprise Funds		
	Garbage & Trash Fund	Airport Fund	Tele-Comm Fund
Operating Revenues			
Utility revenues	$ -	$ -	$ -
Charges for services	1,320,236	82,934	553,909
Other revenues	-	-	-
Intergovernmental	-	-	-
Total operating revenues	1,320,236	82,934	553,909
Operating Expenses			
Salaries and wages	436,741	-	-
Operating, administrative, and maintenance	514,609	83,484	248,732
Depreciation	52,956	65,551	52,108
Total operating expenses	1,004,306	149,035	300,840
Operating income (loss)	315,930	(66,101)	253,069
Nonoperating Revenues (Expenses)			
Interest income	-	18	-
Interest expense	(3,161)	-	(1,366)
Gain (loss) on sale of capital assets	-	-	(222,498)
Total nonoperating revenues (expenses)	(3,161)	18	(223,864)
Income (loss) before transfers and capital contributions	312,769	(66,083)	29,205
Transfers	2,215	56,231	1,018,120
Capital Contributions	-	-	-
Change in net position	314,984	(9,852)	1,047,325
Net position, beginning of year	(139,209)	1,189,299	(858,740)
Net position, end of year	$ 175,775	$ 1,179,447	$ 188,585

- 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, 2017

	Business Type Activities Enterprise Funds	
	Gas Fund	Total
Operating Revenues		
Utility revenues	$ -	$ -
Charges for services	1,114,201	3,071,280
Other revenues	71,259	71,259
Intergovernmental	-	-
Total operating revenues	1,185,460	3,142,539
Operating Expenses		
Salaries and wages	340,165	776,906
Operating, administrative, and maintenance	697,976	1,544,801
Depreciation	63,939	234,554
Total operating expenses	1,102,080	2,556,261
Operating income (loss)	83,380	586,278
Nonoperating Revenues (Expenses)		
Interest income	-	18
Interest expense	-	(4,527)
Gain (loss) on sale of capital assets	-	(222,498)
Total nonoperating revenues (expenses)	-	(227,007)
Income (loss) before transfers and capital contributions	83,380	359,271
Transfers	(112,000)	964,566
Capital Contributions	-	-
Change in net position	(28,620)	1,323,837
Net position, beginning of year	409,564	600,914
Net position, end of year	$ 380,944	$ 1,924,751

City of Cairo, Georgia
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Business Type Activities - Enterprise Funds		
	Garbage & Trash Fund	Airport Fund	Tele-Comm Fund
Cash Flows from Operating Activities			
Cash received from customers and users	1,238,761	$ 83,308	$ 501,074
Other operating receipts	-	-	-
Cash payments to employees	(648,620)	-	-
Cash payments to suppliers	(470,321)	(83,496)	(216,713)
Net cash provided (used) by operating activities	119,820	(188)	284,361
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	495,210	56,327	1,541,533
Transfers to other funds	(492,995)	(96)	(523,413)
Net change in due from other funds	-	-	-
Net change in due from component unit	-	-	-
Net change in due to other funds	-	-	(1,187,131)
Net cash provided (used) by noncapital financing activities	2,215	56,231	(169,011)
Cash Flows from Capital and Related Financing Activities			
Transfers from other funds	-	-	-
Proceeds from issuance of long - term debt	-	-	-
Proceeds from sale of assets	-	-	-
Proceeds from capital contributions	-	-	-
Acquisition and construction of capital assets	(118,874)	(69,543)	-
Principal payments on debt	-	-	(113,985)
Interest paid	(3,161)	-	(1,365)
Net cash provided (used) by capital and related financing activities	(122,035)	(69,543)	(115,350)
Cash Flows from Investing Activities			
Sale of investment securities	-	-	-
Purchase of investments	-	-	-
Loan disbursements	-	-	-
Interest received	-	18	-
Net cash provided (used) by investing activities	-	18	-
Net increase (decrease) in cash and cash equivalents	-	(13,482)	-
Cash and cash equivalents, beginning of year	-	16,416	-
Cash and cash equivalents, end of year	$ -	$ 2,934	$ -

- Continued -

City of Cairo, Georgia
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Business Type Activities - Enterprise Funds	
	Gas Fund	Total
Cash Flows from Operating Activities		
Cash received from customers and users	$ 1,152,745	$ 2,975,888
Other operating receipts	-	-
Cash payments to employees	(370,109)	(1,018,729)
Refunded customer utility deposits	(660,838)	(1,431,368)
Net cash provided (used) by operating activities	121,798	525,791
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	599,420	2,692,490
Transfers to other funds	(711,420)	(1,727,924)
Net change in due from other funds	-	-
Net change in due from component unit	-	-
Net change in due to other funds	-	(1,187,131)
Net cash provided (used) by noncapital financing activities	(112,000)	(222,565)
Cash Flows from Capital and Related Financing Activities		
Transfers from other funds	-	-
Proceeds from issuance of long - term debt	-	-
Proceeds from sale of assets	-	-
Proceeds from capital contributions	-	-
Acquisition and construction of capital assets	(9,798)	(198,215)
Principal payments on debt	-	(113,985)
Interest paid	-	(4,526)
Net cash provided (used) by capital and related financing activities	(9,798)	(316,726)
Cash Flows from Investing Activities		
Sale of investment securities	-	-
Purchase of investments	-	-
Loan disbursements	-	-
Interest received	-	18
Net cash provided (used) by investing activities	-	18
Net increase (decrease) in cash and cash equivalents	-	(13,482)
Cash and cash equivalents, beginning of year	-	16,416
Cash and cash equivalents, end of year	$ -	$ 2,934

- Continued -

City of Cairo, Georgia
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	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)	$ 315,930	$ (66,101)	$ 253,069
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	52,956	65,551	52,108
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(81,475)	375	(52,835)
Other current assets	-	(1)	-
Inventories	153	-	-
Deferred outflows of resources	28,023	-	-
Increase (decrease) in:			
Accounts payable	(134,164)	(12)	68,715
MEAG rebate program			
Accrued expenses	2,744	-	(36,696)
Customer deposits	-	-	-
Compensated absences	-	-	-
Net pension liability	(70,176)	-	-
Other liabilities	-	-	
Deferred inflows of resources	5,829	-	-
Net cash provided (used) by operating activities	$ 119,820	$ (188)	$ 284,361
Noncash Capital and Related Financing Activities			
Capital assets purchased with debt	$ -	$ -	$ -
Transfer of capital assets from governmental funds	-	-	-
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, 2017

	Business Type Activities - Enterprise Funds	
	Gas Fund	Total
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities		
Operating income (loss)	$ 83,380	$ 586,278
Adjustments to reconcile operating income		-
(loss) to net cash provided (used) by		-
operating activities:		-
Depreciation	63,939	234,554
Changes in assets and liabilities:		-
(Increase) decrease in:		-
Accounts receivable	(18,875)	(152,810)
Other current assets	-	(1)
Inventories	(415,067)	(414,914)
Deferred outflows of resources	20,510	48,533
Increase (decrease) in:		
Accounts payable	434,375	368,914
MEAG rebate program	-	-
Accrued expenses	3,990	(29,962)
Customer deposits	-	-
Compensated absences	-	-
Net pension liability	(54,118)	(124,294)
Other liabilities	-	-
Deferred inflows of resources	3,664	9,493
Net cash provided (used) by operating activities	$ 121,798	$ 525,791
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, 2017, 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 March 28, 2018.

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.

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

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: [2017-001, 2017-002, 2017-003, 2017-004].

Compliance and Other Matters

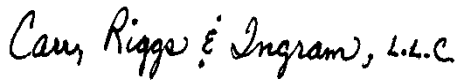
As part of obtaining reasonable assurance about whether City of Cairo, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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
March 28, 2018

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

2017-001

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.

2017-002

Criteria:

Fund balances should be reconciled and rolled forward from the prior year balance.

Condition:

Reconciliations and roll forwards of fund balances were not properly performed.

Cause of Condition:

Additional year end closing entries were required for reporting in accordance with generally accepted accounting principles.

Effect of Condition:

Audit adjustments were required for reporting in accordance with generally accepted accounting principles.

Response of Management:

Management concurs with this finding and is developing additional policies and procedures and monitoring activities over the fund balances.

2017-003

Criteria:

Proceeds from debt should be recorded as long-term liabilities on the Enterprise Funds.

Condition:

The proceeds from the loans payable to GEFA were recorded as revenues on the Water and Sewer fund instead of as long-term liabilities.

Cause of Condition:

Proceeds from the loans were recorded as revenues rather than as an increase in long-term liabilities.

Effect of Condition:

The revenues of the Water and Sewer Fund were overstated and the long-term liabilities were understated

Response of Management:

Management concurs with this finding. The adjustments proposed in the finding have been made to the June 30, 2017 financial statements. We will continue to improve our process for recording proceeds from loans payable as appropriate.

2017-004

Criteria:

The City should recognize a portion of the closure and post closure costs of the landfill based on the remaining capacity report prepared for the fiscal period.

Condition:

The recognizable portion of closure and post closure costs was not recorded during the current year.

Cause of Condition:

Inconsistent implementation of the policy and procedures for recording year-end adjustments.

Effect of Condition:

Expenses and long-term liabilities on the Landfill Fund were understated.

Response of Management:

Management concurs with this finding. The adjustments proposed in the finding have been made to the June 30, 2017 financial statements. We will continue to improve our process for recording the amount of recognized closure and post closure expense related to the landfill.

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.*

2016-001

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.

City of Cairo, Georgia
Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Year Ended June 30, 2017

Special Purpose Local Option Sales Tax -2007	Estimated Cost		Expenditures				
	Original	Current	Prior Years	Reclassification	Adjusted Prior Years	Current Year	Total
Debt reduction	$ 500,000	$ -	$ 109,842	$ (109,842)	$ -	$ -	$ -
Debt reduction and streets, sidewalks, curbs, gutters and drainage	3,772,450	4,272,450	4,600,312	109,842	4,710,154	-	4,710,154
Total	$ 4,272,450	$ 4,272,450	$ 4,710,154	$ -	$ 4,710,154	$ -	$ 4,710,154
		(1)		(1)			

Special Purpose Local Option Sales Tax -2012	Estimated Cost	Expenditures		
	Original	Prior Years	Current Year	Total
Debt reduction	$ 1,000,000	$ -	$ -	$ -
Drinking water capital improvements	1,000,000	-	-	-
Waste water treatment capital improvements	750,000	88,554	318,956	407,510
Equipment purchases	1,750,000	126,538	522,856	649,394
Streets, sidewalks, curbs, gutters and drainage	2,412,000	1,095,441	30,728	1,126,169
Total	$ 6,912,000	$ 1,310,533	$ 872,540	$ 2,183,073

Notes to Schedule:

(1) The referendum for the 2007 SPLOST provided $4,272,450 for debt reduction, street, sidewalks, curbs, gutters, and drainage with no further allocation. Amounts have been reclassified to conform with the presentation in the referendum.

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City of Cairo, Georgia

SINGLE AUDIT REPORT

For the Year Ended June 30, 2017



City of Cairo, Georgia
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SINGLE AUDIT REPORTS

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Independent Auditors' Report

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*

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Cairo, Georgia's compliance, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City of Cairo, Georgia's major federal programs for the year ended June 30, 2017. The City of Cairo, Georgia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Cairo, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Cairo, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Cairo, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Cairo, Georgia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City of Cairo, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Cairo, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Cairo, Georgia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cairo, Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Cairo, Georgia's basic financial statements. We issued our report thereon dated March 28, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Carr, Riggs & Ingram, LLC
Certified Public Accountants
March 28, 2018

City of Cairo, Georgia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Program or Cluster Title *Pass-through Grantor and Number*	*Federal CFDA Number*	*Beginning Balance of Loan Guarantees*	*Other Allowances*	*Expenditures*
Department of Transportation				
Passed through the Georgia Department of Transportation				
Airport Improvement Program				
Airport Improvement Program	20.106			$ 69,543
Total Airport Improvement Program				69,543
Highway Planning and Construction				
Highway Planning and Construction	20.205			423,872
Total Highway Planning and Construction				423,872
Total Department of Transportation				**493,415**
United States Environmental Protection Agency				
Passed through the Georgia Environmental Finance Authority				
Loan and Loan Guarantee Programs				
Capitalization Grants for Drinking Water State Revolving				
Capitalization Grants for Drinking Water State Revolving	66.468	$ 1,071,107	-	1,709,669
Capitalization Grants for Drinking Water State Revolving	66.468	-	-	64,600
Total Loan and Loan Guarantee Programs		1,071,107	-	1,774,269
Total United States Environmental Protection Agency		**1,071,107**	**-**	**1,774,269**
Department of Housing and Urban Development				
Passed through the Georgia Department of Community Affairs				
Community Development Block Grants				
Community Development Block Grants	14.228			10,977
Total Community Development Block Grants				10,977
Home Investment Partnerships Program				
Home Investment Partnerships Program	14.239			33,840
Total Home Investment Partnerships Program				33,840
Total Department of Housing and Urban Development				**44,817**
Total Expenditures of Federal Awards				**$ 2,312,501**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Measurement Focus

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

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding the larger of $750,000 or three percent of total federal expenditures. The threshold of $750,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk based approach was used in the selection of federal programs to be tested as major programs. The City did not qualify as a low-risk auditee for the year ended June 30, 2017.

NOTE 2: SUBRECIPIENTS

The City had no major programs that provided amounts to subrecipients.

NOTE 3: INDIRECT COST

The City did not elect to use the 10% de Minimis indirect cost rate.

NOTE 4: LOANS AND LOAN GUARANTEE PROGRAMS

At June 30, 2017, the City had $2,845,376 outstanding in loan guarantee programs relating to Capitalization Grants for Drinking Water State Revolving Funds through the United States Environmental Protection Agency passed through the Georgia Environmental Finance Authority.

City of Cairo, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		*Unmodified*
Internal control over financial reporting: Material weakness(es) identified?		X Yes ___ No
Significant deficiencies identified not considered to be material weaknesses?		___ Yes X None reported
Noncompliance material to financial statements noted?		___ Yes X No

Federal Awards

Internal Control over major programs: Material weakness(es) identified?		___ Yes X No
Significant deficiencies identified not considered to be material weaknesses?		___ Yes X None reported
Type of auditors' report issued on compliance for major programs:		*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		___ Yes X No
Identification of major programs:		
Name of Federal Program or Cluster Capitalization Grants for Drinking Water State Revolving Funds	CFDA Number 66.468	
Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?		___ Yes X No

SECTION II FINDINGS – FINANCIAL STATEMENT FINDINGS AND RESPONSES

In a separate report dated March 28, 2018, matters related to the financial statements were included in the following findings:

2017-001 Segregation of Duties

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 an 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.

Recommendation:

The City should implement policies and controls to mitigate the effects of the lack of segregation of duties.

Response of Management:

Management concurs with this finding and is continuously monitoring, reviewing and implementing policies to mitigate the risk of the lack of segregation of duties.

2017-002 Fund Balances

Criteria:
Fund balances should be reconciled and rolled forward from the prior year balance.

Condition:
Reconciliations and roll forwards of fund balances were not properly performed.

Cause of Condition:
Additional year end closing entries were required for reporting in accordance with generally accepted accounting principles.

Effect of Condition:
Audit adjustments were required for reporting in accordance with generally accepted accounting principles.

Response of Management:
Management concurs with this finding and is developing additional policies and procedures and monitoring activities over the fund balances.

2017-003 Debt Proceeds

Criteria:
Proceeds from debt should be recorded as long-term liabilities on the Enterprise Funds.

Condition:
The proceeds from the loans payable to GEFA were recorded as revenues on the Water and Sewer fund instead of as long-term liabilities.

Cause of Condition:
Proceeds from the loans were recorded as revenues rather than as an increase in long-term liabilities.

Effect of Condition:
The revenues of the Water and Sewer Fund were overstated and the long-term liabilities were understated

Response of Management:
Management concurs with this finding. The adjustments proposed in the finding have been made to the June 30, 2017 financial statements. We will continue to improve our process for recording proceeds from loans payable as appropriate.

2017-004 Closure and Post Closure Costs

Criteria:
The City should recognize a portion of the closure and post closure costs of the landfill based on the remaining capacity report prepared for the fiscal period.

Condition:
The recognizable portion of closure and post closure costs was not recorded during the current year.

Cause of Condition:
Inconsistent implementation of the policy and procedures for recording year-end adjustments.

Effect of Condition:
Expenses and long-term liabilities on the Landfill Fund were understated.

Response of Management:
Management concurs with this finding. The adjustments proposed in the finding have been made to the June 30, 2017 financial statements. We will continue to improve our process for recording the amount of recognized closure and post closure expense related to the landfill.

SECTION III FINDINGS – FINDINGS AND QUESTIONED COSTS – MAJOR AWARD PROGRAM AUDIT

None noted

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March 30, 2018

Re: Corrective Action Plan for City of Cairo, Georgia June 30, 2017

Please accept this letter as City of Cairo's response, pursuant to the Official Code of Georgia Annotated, Sections 36-81-7, 50-8-35, and 50-8-39 and pursuant to Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) to the findings and recommendations from our June 30, 2017 audit.

1) Finding 2017-001: Segregation of Duties:

   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.

   a) We concur with finding 2017-001 that the City of Cairo 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. Management is continually working to improve controls to mitigate the risks associated with this condition.

   b) Chris Addleton, City Manager and Miriam Faircloth, Finance Director, are responsible for the corrective action process. The City of Cairo is a small local government and as such only has a limited number of employees. Therefore, the City does not have an adequate number of employees to provide for a proper segregation of duties. This condition exists because of small staff and budget constraints. We will continually monitor this situation and change our policies and procedures when resources allow it to be accomplished.

2) Finding 2017-002: Fund Balances

   Fund balances should be reconciled and rolled forward from the prior year balance.

   a) We concur with finding 2017-002 that the City of Cairo's fund balances required additional year end closing entries for reporting in accordance with generally accepted accounting principles. We are developing additional policies and procedures and monitoring activities over the fund balances.

   b) Chris Addleton, City Manager and Miriam Faircloth, Finance Director, are responsible for the corrective action process. We will continually monitor this situation and are implementing policies to and monitoring activities over the fund balances.

3) Finding 2017-003: Debt Proceeds

   Proceeds from debt should be recorded as long-term liabilities in the Enterprise Funds.

   a) We concur with finding 2017-003 that the City of Cairo's debt proceeds should be recorded as long-term liabilities in the Enterprise Funds. We will continue to improve our process for recording proceeds from loans payable as appropriate.

   b) Chris Addleton, City Manager and Miriam Faircloth, Finance Director, are responsible for the corrective action process. We will continually monitor this situation and are implementing policies to improve our process for recording proceeds from loans payable as appropriate.

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4) Finding 2017-004: Closure and Post Closure Costs

The City should recognize a portion of the closure and post closure costs of the landfill based on the remaining capacity report prepared for the fiscal period.

a) We concur with finding 2017-004 that the City of Cairo's recognizable portion of the closure and post closure costs was not recorded during the current year. We will continue to improve our process for recording the amount of recognized closure and post closure expense related to the landfill.

b) Chris Addleton, City Manager and Miriam Faircloth, Finance Director, are responsible for the corrective action process. We will continually monitor this situation and are implementing policies to improve our process for recording the amount of recognized closure and post closure expense related to the landfill.

Sincerely,

Miriam D. Faircloth

Finance Director
City of Cairo, Georgia