CITY OF COCHRAN, GEORGIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED

JUNE 30, 2012

CITY OF COCHRAN, GEORGIA
Financial Statements
For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report ..... 1 - 2

Basic Financial Statements:

Government-wide Financial Statements:
Statement of Net Assets 3
Statement of Activities 4

Fund Financial Statements:
Balance Sheet - Governmental Funds 5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets 6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 8
Statement of Net Assets - Proprietary Funds 9
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds 10
Statement of Cash Flows – Proprietary Funds ..... 11 - 12
Notes to Financial Statements ..... 13 - 32

Required Supplementary Information:
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP) Basis and Actual - General Fund 33
Schedule of Funding Progress – Defined Benefit Plan 34
Notes to Required Supplementary Information 35

TABLE OF CONTENTS - Continued

Supplementary Information:
Combining Balance Sheet – Nonmajor Governmental Funds 36
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances – Nonmajor Governmental Funds 37
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Special Revenue Fund - Nonmajor Governmental Fund - Hotel/Motel Tax - Budget (GAAP Basis) and Actual 38
Schedule of Special Purpose Local Option Sales Tax Expenditures 39
Community Development Block Grant Program - Source and Application of Funds Schedule 40
Community Development Block Grant Program - Project Cost Schedule 41

COMPLIANCE SECTION

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* 42-43

Schedule of Findings and Responses 44-48

Schedule of Prior Fiscal Year Findings 49

Financial Section

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Cochran Georgia** (the "City") as of and for the fiscal year ended June 30, 2012, which collectively comprise the City of Cochran, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cochran, Georgia as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof or the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, on our consideration of the City of Cochran, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The City has not presented the Management's Discussion and Analysis that accounting standards generally accepted in the United States of America require to supplement, although not be a part of, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cochran, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements, the schedule of special purpose local option sales tax expenditures and other grant schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
June 27, 2013

Basic Financial Statements

CITY OF COCHRAN, GEORGIA
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash	$ 513,915	$ 289,257	$ 803,172
Restricted investments, current	-	66,487	66,487
Receivables, net:			
Taxes	27,591	-	27,591
Fines and forfeitures	24,810	-	24,810
Customers	-	394,884	394,884
Intergovernmental	150,158	-	150,158
Others	4,852	-	4,852
Inventory, at cost	47,504	35,400	82,904
Prepaid items	13,589	28,685	42,274
Bond issue cost, net	-	30,458	30,458
Investment in joint venture		693,348	693,348
Restricted investments, noncurrent	-	241,059	241,059
Investments	-	421,441	421,441
Capital assets not being depreciated	1,151,443	10,215	1,161,658
Capital assets being depreciated, net	7,207,766	7,279,389	14,487,155
TOTAL ASSETS	9,141,628	9,490,623	18,632,251
LIABILITIES:			
Accounts payable	156,055	189,053	345,108
Deposits payable	-	33,424	33,424
Salaries and benefits payable	64,826	25,364	90,190
Accrued interest	-	15,399	15,399
Compensated absences, payable within one year	42,645	18,545	61,190
Compensated absences, payable after one year	64,161	27,900	92,061
Lease payable due within one year	51,134	41,524	92,658
Bonds payable due within one year - (payable from restricted assets)	-	66,487	66,487
Bonds and leases payable due after one year	66,415	3,356,270	3,422,685
TOTAL LIABILITIES	445,236	3,773,966	4,219,202
NET ASSETS:			
Invested in capital assets, net of related debt	8,241,660	3,825,323	12,066,983
Restricted for capital improvements	967,213	-	967,213
Restricted for debt service	-	487,928	487,928
Unrestricted	(512,481)	1,403,406	890,925
TOTAL NET ASSETS	$ 8,696,392	$ 5,716,657	$ 14,413,049

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

CITY OF COCHRAN, GEORGIA
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Total
Governmental activities:							
General government	$ 1,086,373	$ 340,171	$ -	$ -	$ (746,202)	$ -	$ (746,202)
Public safety	1,544,474	222,987	62,096	5,373	(1,254,018)	-	(1,254,018)
Public works	702,195	-	-	623,942	(78,253)	-	(78,253)
Airport	155,978	-	-	-	(155,978)	-	(155,978)
Community development	21,975	-	-	-	(21,975)	-	(21,975)
Interest on long-term debt	5,081	-	-	-	(5,081)	-	(5,081)
Total governmental activities	3,516,076	563,158	62,096	629,315	(2,261,507)	-	(2,261,507)
Business-type activities:							
Water and sewer	1,189,129	1,250,710	-	-	-	61,581	61,581
Natural gas	1,500,111	1,537,855	-	-	-	37,744	37,744
Solid waste	465,610	672,611	-	-	-	207,001	207,001
Total business-type activities	3,154,850	3,461,176	-	-	-	306,326	306,326
Total	$ 6,670,926	$ 4,024,334	$ 62,096	$ 629,315	(2,261,507)	306,326	(1,955,181)
General revenues:							
Property taxes					882,332	-	882,332
General sales tax					545,004	-	545,004
Hotel/Motel tax					19,398	-	19,398
Other taxes					395,657	-	395,657
Interest earnings					416	9,688	10,104
Miscellaneous					3,051	22,487	25,538
Gain on sale of capital assets					3,110	1,839	4,949
Capital asset reassignment					(474,634)	474,634	-
Transfers					545,526	(545,526)	-
Total general revenues and transfers					1,919,860	(36,878)	1,882,982
Changes in net assets					(341,647)	269,448	(72,199)
Net assets – beginning					9,117,750	5,361,909	14,479,659
Prior period adjustment					(79,711)	85,300	5,589
Net assets – beginning, as restated					9,038,039	5,447,209	14,485,248
Net assets - ending					$ 8,696,392	$ 5,716,657	$ 14,413,049

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

CITY OF COCHRAN, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Capital Projects-Special Sales Tax – 2007	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash	$ 39,119	$ 418,253	$ 56,543	$ 513,915
Receivables, net				
Taxes	27,591	-	-	27,591
Fines and forfeitures	24,810	-	-	24,810
Intergovernmental	51,143	61,358	37,657	150,158
Others	4,852	-	-	4,852
Due from other funds	12,483	-	-	12,483
Advance to other funds	-	409,203	47,856	457,059
Prepaid items	47,504	-	-	47,504
Inventory	13,589	-	-	13,589
TOTAL ASSETS	$ 221,091	$ 888,814	$ 142,056	$ 1,251,961
LIABILITES:				
Accounts payable	$ 89,548	$ 23,000	$ 43,507	$ 156,055
Salaries and benefits payable	64,826	-	-	64,826
Due to other funds..	-	-	12,483	12,483
Advance from other funds	457,059	-	-	457,059
Deferred revenue	12,091	-	-	12,091
TOTAL LIABILTIES	623,524	23,000	55,990	702,514
FUND BALANCES (DEFICITS):				
Nonspendable:				
Prepaid items	47,504	-	-	47,504
Inventory	13,589	-	-	13,589
Advance to other funds	-	409,203	47,856	457,059
Restricted-				
Capital projects	-	456,611	53,543	510,154
Unassigned:				
General fund	(463,526)	-	-	(463,526)
Capital projects funds	-	-	(15,333)	(15,333)
TOTAL FUND BALANCES	(402,433)	865,814	86,066	549,447
TOTAL LIABILITIES AND FUND BALANCES	$ 221,091	$ 888,814	$ 142,056	$ 1,251,961

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

CITY OF COCHRAN, GEORGIA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

Differences in amounts reported for governmental activities in the statement of net assets:		
Fund balances - total governmental funds	$	549,447
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds		8,359,209
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds - Liability for compensated absences		(106,806)
Long-term notes payable are not due and payable in the current period and therefore are not reported in the governmental funds		(117,549)
Some governmental revenues will not be collected for several months after the year end and are deferred in the governmental funds		12,091
Net assets of governmental activities	$	8,696,392

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

CITY OF COCHRAN, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Capital Projects - Special Sales Tax – 2007	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	$ 1,811,877	$ -	$ 19,398	$ 1,831,275
Licenses and permits	318,883	-	-	318,883
Intergovernmental	79,833	400,387	223,555	703,775
Charges for services	21,036	-	-	21,036
Fines and forfeitures	222,987	-	-	222,987
Miscellaneous	3,467	166	86	3,719
Total Revenues	2,458,083	400,553	243,039	3,101,675
EXPENDITURES:				
Current:				
General government	1,042,973	-	-	1,042, 973
Public safety	1,391,056	-	-	1,391,056
Public works	700,851	-	-	700,851
Airport	23,142	-	-	23,142
Community development	-	-	19,398	19,398
Capital outlay	-	32,040	377,934	409,974
Debt service:				
Principal	-	49,422	-	49,422
Interest	-	5,081	-	5,081
Total Expenditures	3,158,022	86,543	397,332	3,641,897
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(699,939)	314,010	(154,293)	(540,222)
OTHER FINANCING SOURCES (USES):				
Transfers in	545,526	-	-	545,526
Sale of capital assets	6,485	-	-	6,485
Total Other Financing Sources (Uses)	552,011	-	-	552,011
NET CHANGE IN FUND BALANCES	(147,928)	314,010	(154,293)	11,789
FUND BALANCE (DEFICIT), BEGINNING	(208,565)	585,575	240,359	617,369
PRIOR PERIOD ADJUSTMENT	(45,940)	(33,771)	-	(79,711)
FUND BALANCE (DEFICIT), BEGINNING, AS RESTATED	(254,505)	551,804	240,359	537,658
FUND BALANCE (DEFICIT), ENDING	$ (402,433)	$ 865,814	$ 86,066	$ 549,447

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

CITY OF COCHRAN, GEORGIA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012

Differences in amounts reported for governmental activities in the statement of activities:		
Net change in fund balances - total governmental funds	$	11,789
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net assets		410,415
Difference between net loss on sale of assets and gross proceeds received from sale		(3,375)
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities		(329,744)
Transfers and reassignments of capital assets from the governmental activities statements are not reported in the fund statements because capital asset acquisitions are recorded as expenditures in the fund level statements		(474,634)
Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the statement of net assets		49,422
Expenses for compensated absences are reported for governmental activities but do not require the use of current financial resources and therefore are not reported as expenditures for governmental funds:		
Liability balance at current fiscal year end		(106,806)
Liability balance at prior fiscal year end		102,534
Some governmental revenues will not be collected for several months after the year end and are deferred in the governmental funds:		
Deferred revenue balance at current fiscal year end		12,091
Deferred revenue balance at prior fiscal year end		(13,339)
Change in net assets of governmental activities	$	(341,647)

CITY OF COCHRAN, GEORGIA
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Water and Sewer	Natural Gas	Solid Waste	Total
ASSETS:				
Current Assets:				
Cash	$ 26,067	$ 132,645	$ 130,545	$ 289,257
Restricted investments	66,487	-	-	66,487
Receivables, net	201,997	120,196	72,691	394,884
Prepaid items	18,348	8,526	8,526	35,400
Inventory, at cost	9,031	5,705	13,949	28,685
Bond issue cost, net	30,458	-	-	30,458
Total Current Assets	352,388	267,072	225,711	845,171
Noncurrent Assets:				
Investment in joint venture	-	693,348	-	693,348
Investments	-	241,059	-	241,059
Restricted investments	421,441	-	-	421,441
Capital assets:				
Land	9,700	515	-	10,215
Buildings, net	14,530	-	-	14,530
Machinery and equipment, net	71,532	16,010	265,920	353,462
Water and sewer system, net	6,659,924	-	-	6,659,924
Gas system, net	-	133,174	-	133,174
Transmission line, net	-	118,299	-	118,299
Total Noncurrent Assets	7,177,127	1,202,405	265,920	8,645,452
TOTAL ASSETS	7,529,515	1,469,477	491,631	9,490,623
LIABILITIES:				
Current Liabilities:				
Accounts payable	75,996	95,417	17,640	189,053
Deposits payable	17,954	15,470	-	33,424
Salaries and benefits payable	11,634	6,941	6,789	25,364
Accrued interest	15,399	-	-	15,399
Leases payable	-	-	41,524	41,524
Compensated absences	9,487	5,681	3,377	18,545
Total	130,470	123,509	69,330	323,309
Current Liabilities (payable from restricted assets) -				
Bonds payable	66,487	-	-	66,487
Total Current Liabilities (Payable from Restricted Assets)	66,487	-	-	66,487
Total Current Liabilities	196,957	123,509	69,330	389,796
Noncurrent Liabilities -				
Bonds and leases payable	3,334,957	-	21,313	3,356,270
Compensated absences	14,274	8,546	5,080	27,900
Total Noncurrent Liabilities	3,349,231	8,546	26,393	3,384,170
TOTAL LIABILITIES	3,546,188	132,055	95,723	3,773,966
NET ASSETS:				
Invested in capital assets, net of related debt	3,354,242	267,998	203,083	3,825,323
Restricted for debt service	487,928	-	-	487,928
Unrestricted	141,157	1,069,424	192,825	1,403,406
TOTAL NET ASSETS	$ 3,983,327	$ 1,337,422	$ 395,908	$ 5,716,657

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

CITY OF COCHRAN, GEORGIA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Water and Sewer	Natural Gas	Solid Waste	Total
OPERATING REVENUES:				
Water and sewer charges pledged as security for revenue bonds	$ 1,250,710	$ -	$ -	$ 1,250,710
Charges for services	-	1,537,855	672,611	2,210,466
Total Operating Revenues	1,250,710	1,537,855	672,611	3,461,176
OPERATING EXPENSES:				
Salaries and benefits	323,189	178,256	219,161	720,606
Services and fees	110,128	1,249,238	124,340	1,483,706
Supplies	90,301	9,368	15,475	115,144
Repairs and maintenance	68,724	3,813	18,469	91,006
Utilities	176,016	22,107	19,868	217,991
Insurance premiums	46,823	22,597	21,104	90,524
Depreciation	215,118	13,981	44,104	273,203
Amortization	1,010	-	-	1,010
Miscellaneous	1,067	751	-	1,818
Total Operating Expenses	1,032,376	1,500,111	462,521	2,995,008
OPERATING INCOME (LOSS)	218,334	37,744	210,090	466,168
NON-OPERATING REVENUES (EXPENSES):				
Interest income	5,315	4,373	-	9,688
Income from joint venture	-	22,487	-	22,487
Gain on sale of capital assets	200	1,639	-	1,839
Interest expense	(156,753)	-	(3,089)	(159,842)
Total Non-Operating Revenues (Expenses)	(151,238)	28,499	(3,089)	(125,828)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	67,096	66,243	207,001	340,340
Capital contributed	474,634	-	-	474,634
Transfers out	(167,685)	(232,737)	(145,104)	(545,526)
CHANGES IN NET ASSETS	374,045	(166,494)	61,897	269,448
NET ASSETS, BEGINNING	3,545,682	1,482,216	334,011	5,361,909
PRIOR PERIOD ADJUSTMENT	63,600	21,700	-	85,300
NET ASSETS, BEGINNING, AS RESTATED	3,609,282	1,503,916	334,011	5,447,209
NET ASSETS, ENDING	$ 3,983,327	$ 1,337,422	$ 395,908	$ 5,716,657

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

CITY OF COCHRAN, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Water and Sewer	Natural Gas	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	$ 1,254,232	$ 1,547,101	$ 673,249	$ 3,474,582
Cash paid to suppliers	(415,405)	(1,285,829)	(212,744)	(1,913,978)
Cash paid to employees	(336,118)	(177,910)	(221,110)	(735,138)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	502,709	83,362	239,395	825,466
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES-				
Transfer to (from) other funds	(167,685)	(232,737)	(145,104)	(545,526)
NET CASH FLOWS PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(167,685)	(232,737)	(145,104)	(545,526)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(165,965)	-	-	(165,965)
Proceeds from sale of capital assets	1,200	1,639	-	2,839
Principal payments on notes	-	-	(40,098)	(40,098)
Principal payments on bonds	(64,182)	-	-	(64,182)
Interest paid on bonds and notes	(157,503)	-	(3,089)	(160,592)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(386,450)	1,639	(43,187)	(427,998)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earned	5,315	4,373	-	9,688
Increase in investments	-	(21)	-	(21)
Decrease in restricted assets	72,178	-	-	72,178
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	77,493	4,352	-	81,845
NET INCREASE (DECREASE) IN CASH	26,067	(143,384)	51,104	(66,213)
CASH, BEGINNING	-	276,029	79,441	355,470
CASH, ENDING	$ 26,067	$ 132,645	$ 130,545	$ 289,257
CASH ENDING -				
Unrestricted	$ 26,067	$ 132,645	$ 130,545	$ 289,257
Total	$ 26,067	$ 132,645	$ 130,545	$ 289,257

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

CITY OF COCHRAN, GEORGIA
Statement of Cash Flows
Proprietary Funds - Continued
For the Fiscal Year Ended June 30, 2012

	Water and Sewer	Natural Gas	Solid Waste	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Income (Loss)	$ 218,334	$ 37,744	$ 210,090	$ 466,168
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	215,118	13,981	44,104	273,203
Amortization	1,010	-	-	1,010
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	7,651	2,759	639	11,049
Prepaid items, etc	(2,684)	1,131	(362)	(1,915)
Inventory, at cost	1,238	(2,376)	(10,533)	(11,671)
Increase (decrease) in:				
Accounts payable	57,996	23,290	(2,594)	78,692
Deposits payable	(4,129)	6,487	-	2,358
Salaries and benefits payable	8,175	346	(1,949)	6,572
Total adjustments	284,375	45,618	29,305	359,298
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 502,709	$ 83,362	$ 239,395	$ 825,466
NON-CASH TRANSACTIONS AFFECTING FINANCIAL POSITION:				
Acquisition of capital assets	$ (474,634)	$ -	$ -	$ (474,634)
Capital contribution	474,634	-	-	474,634
Net income from joint venture	-	22,487	-	22,487
Decrease (increase) in investment in joint venture	-	(22,487)	-	(22,487)
NET-EFFECT-NON-CASH TRANSACTIONS	$ -	$ -	$ -	$ -

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and certain compensated absences and claims and judgments are recorded when due.

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

The government-wide and business-type activities financial statements of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. Governments also have the options of following subsequent private-sector guidance for their business type activities and enterprise funds, unless those pronouncements conflict with or contradicts GASB pronouncements. The City has elected not to follow subsequent private sector guidance.

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

- Committed
- Assigned
- Unassigned

D. Budgetary Control

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

E. Budgets and Budgetary Accounting

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

1. Prior to May 15, the Mayor submits to the City Council a proposed operating budget for the fiscal

year commencing the following July 1. The operating budget includes proposed expenditures and the means by which they are to be financed.

2. The City Council holds a public hearing on the budget, giving notice thereof at least 10 days in advance by publication in the official organ of the City of Cochran.

3. The budget is then revised and adopted or amended by the City Council at the first regular meeting prior to July 1 of the year to which it applies.

4. The budget so adopted may be revised during the year only by formal action of the City Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.

5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

6. Budgeted amounts are as originally adopted, or as amended by the Council. Amendments were made to the current year's budget. Appropriated annual budgets have been legally adopted for the General Fund, Special Revenue Fund, Debt Service Fund, and Enterprise Funds. A project length budget is adopted for the capital projects funds.

F. Encumbrances

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

G. Deposits and Investments

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

H. Inventories

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

I. Prepaid Items

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

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

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

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

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Fund Equity

1. Government-wide Statements

Equity is classified as net assets and displayed in three components:

a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets - All other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "Restricted".

2. Fund Statements

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

- ***Nonspendable*** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- ***Restricted*** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- ***Committed*** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the approval of a motion. Only the City Council may modify or rescind the commitment.

- ***Assigned*** - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council can authorize the City Clerk or designee to assign fund balances.

- ***Unassigned*** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

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

N. Bond Issuance Costs

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

debt refunded is deferred and amortized over the life of the new bond issue or the old debt, whichever is shorter.

O. Interfund Transactions

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

P. Allowance for Uncollectible Accounts

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

Q. Post-employment health care benefits

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

R. Concentrations of Credit Risk

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

S. Use of Estimates

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

T. Advertising Costs

Advertising costs are recorded as expenditures or expenses, as appropriate, in the period incurred. No advertising costs are capitalized.

2. DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Government may not be able to recover its deposits or recover collateral securities in the possession of an outside party. At year end, the City had deposits of $1,792,952 the carrying amount for these deposits was $1,531,399. The City's deposits were insured or collateralized with securities held by the City, an agent in the name of the City, or securities pledged by the financial institution in the name of the City.

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

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

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

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

Cash	$ 802,412
Restricted Investments, Current	66,487
Restricted Investments, Noncurrent	421,441
Investments	241,059
Carrying Amount	1,531,399
Cash on hand	760
Totals	$ 1,532,159

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

3. PROPERTY TAXES

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

Property taxes for the fiscal year ended June 30, 2012, were assessed at the net rate of 9.650 mills on the dollar on a total assessed valuation of $88,074,811.

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

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

4. ACCOUNTS RECEIVABLE

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

	General	Capital Projects SPLOST 2007	Nonmajor Governmental Funds	Water and Sewer Fund	Natural Gas Fund	Solid Waste Fund	Total
Taxes	$ 36,777	$ -	$ -	$ -	$ -	$ -	$ 36,777
Less allowance for uncollectibles	(9,186)	-	-	-	-	-	(9,186)
Net Taxes	27,591	-	-	-	-	-	27,591
Fines	418,321	-	-	-	-	-	418,321
Less allowance for uncollectibles	(393,511)	-	-	-	-	-	(393,511)
Net Fines	24,810	-	-	-	-	-	24,810
Customers	-	-	-	484,719	353,433	234,687	1,072,839
Less allowance for uncollectibles	-	-	-	(282,722)	(233,237)	(161,996)	(677,955)
Net accounts	-	-	-	201,997	120,196	72,691	394,884
Intergovernmental	51,143	61,358	37,657	-	-	-	150,158
Others	4,852	-	-	-	-	-	4,852
Total receivables	$ 108,396	$ 61,358	$ 37,657	$ 201,997	$ 120,196	$ 72,691	$ 602,295

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

Description	Balance Beginning	Additions	Retirements	Balance Ending
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 876,374	$ -	$ -	$ 876,374
Construction in progress	554,607	312,962	592,500	275,069
Total capital assets, not being depreciated	1,430,981	312,962	592,500	1,151,443
Capital assets, being depreciated:				
Infrastructure	5,545,312	146,630	-	5,691,942
Buildings and improvements	1,646,484	2,112	-	1,648,596
Improvements other than buildings	106,667	-	-	106,667
Machinery and equipment	2,120,760	66,577	28,999	2,158,338
Total capital assets, being depreciated	9,419,223	215,319	28,999	9,605,543
Less accumulated depreciation for:				
Infrastructure	191,664	148,014	-	339,678
Buildings and improvements	529,995	40,161	-	570,156
Improvements other than buildings	10,551	2,376	-	12,927
Machinery and equipment	1,361,447	139,193	25,624	1,475,016
Total accumulated depreciation	2,093,657	329,744	25,624	2,397,777
Governmental activities capital assets, net of accumulated depreciation:				
Capital assets, not being depreciated:				
Land	876,374	-	-	876,374
Construction in progress	554,607	312,962	592,500	275,069
Total capital assets, not being depreciated	1,430,981	312,962	592,500	1,151,443

Description	Balance Beginning	Additions	Retirements	Balance Ending
Capital assets being depreciated, net of accumulated depreciation:				
Infrastructure	5,353,648	(1,384)	-	5,352,264
Buildings and improvements	1,116,489	(38,049)	-	1,078,440
Improvements other than buildings	96,116	(2,376)	-	93,740
Machinery and equipment	759,313	(72,616)	(3,375)	683,322
Total capital assets being depreciated, net of accumulated depreciation	7,325,566	(114,425)	(3,375)	7,207,766
Total governmental activities capital assets, net of accumulated depreciation	$ 8,756,547	$ 198,537	$ 589,215	$ 8,359,209
Business-type activities:				
Capital assets, not being depreciated -				
Land	$ 10,215	$ -	$ -	$ 10,215
Capital assets, being depreciated:				
Buildings and improvements	35,512	-	-	35,512
Machinery and equipment	1,360,449	3,806	24,987	1,339,268
Water and sewer system	9,741,367	636,793	-	10,378,160
Gas system	585,395	-	-	585,395
Transmission line	667,584	-	-	667,584
Total capital assets, being depreciated	12,390,307	640,599	24,987	13,005,919
Less accumulated depreciation for:				
Buildings and improvements	20,355	627	-	20,982
Machinery and equipment	941,603	68,190	23,987	985,806
Water and sewer system	3,522,042	196,194	-	3,718,236
Gas system	447,703	4,518	-	452,221
Transmission line	545,611	3,674	-	549,285
Total accumulated depreciation	5,477,314	273,203	23,987	5,726,530
Business-type activities capital assets, net of accumulated depreciation:				
Capital assets, not being depreciated -				
Land	10,215	-	-	10,215
Capital assets, being depreciated, net of accumulated deprecation:				
Buildings and improvements	15,157	(627)	-	14,530
Machinery and equipment	418,846	(64,384)	(1,000)	353,462
Water and sewer system	6,219,325	440,599	-	6,659,924
Gas system	137,692	(4,518)	-	133,174
Transmission line	121,973	(3,674)	-	118,299
Total capital assets, being depreciated, net of accumulated depreciation	6,912,993	367,396	(1,000)	7,279,389
Business-type activities capital assets, net	$ 6,923,208	$ 367,396	$ (1,000)	$ 7,289,604

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

Governmental activities:	
General government	$ 44,940
Public safety	103,215
Public works	48,753
Airport	132,836
Total depreciation expense - governmental activities	$ 329,744

Business-type activities:	
Water and sewer system	$ 215,118
Gas system	13,981
Solid waste system	44,104
Total depreciation expense - business-type activities	$ 273,203

6. JOINT VENTURES

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

A. Jointly Owned Natural Gas Transmission Line

The Jointly Owned Natural Gas Transmission Line was established in 1953 by the cities of Warner Robins, Perry, Hawkinsville, and Cochran, Georgia. The venture was established to provide maintenance and related services for the natural gas transmission line serving the member cities. The joint venture is governed by a four-member board composed of one member from each participating city. Under the terms of the joint venture contract, each city pays for and owns its own separate section of the transmission line. The income generated from the venture is allocated to each city based on various percentages as specified in the joint venture contract. Each city's share in the income and retained earnings of the joint venture is reported in the audited financial statements of the Jointly Owned Natural Gas Transmission Line. The Jointly Owned Natural Gas Transmission Line net income (loss) and retained earnings as of and for the years ended September 30, 2011 and 2010 allocated to the City of Cochran are reported in the Natural Gas Enterprise Fund as of and for the years ended June 30, 2012 and 2011.

The amounts allocated to the City of Cochran in the audited financial statements of the Jointly Owned Natural Gas Transmission Line as of and for the years ended September 30, 2011 and 2010 are as follows:

	2011	2010
Retained earnings, beginning	$670,861	$646,202
Net income (loss) for the year	22,487	24,659
Retained earnings, ending	$693,348	$ 670,861

The above amounts are reported in the Natural Gas Enterprise Fund of the City of Cochran as of and for the years ended June 30, 2012 and 2011, are as follows:

	2012	2011
Investment in joint venture	$693,348	$ 670,861
Net income (loss) from joint venture	$ 22,487	$ 24,659

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

B. Cochran-Bleckley Emergency Management Office

The Cochran-Bleckley Emergency Management Office is a joint venture between the City of Cochran, Georgia and Bleckley County, Georgia. The net monthly cost of operations of this joint venture is paid equally by the City and the County. The total expenditures paid by the General Fund of the City of Cochran for the year ended June 30, 2012, were $37,237. However, the operations, capital assets and long-term debt were transferred to the books and records of Bleckley County, Georgia, under agreement with the City of Cochran and Bleckley County, Georgia, for 2004 and future years.

C. Regional Commission

Under Georgia law, the City, in conjunction with municipalities and counties in the eleven (11) county Heart of Georgia area are members of the Heart of Georgia Regional Commission (HGRC). Membership in the HGRC is required for each municipality and county in the Heart of Georgia region. The Official Code of Georgia Section 50-8-34 provides for the organizational structure. The HGRC Board membership includes the elected official of each county and the chief elected official of each municipality. The City board members and municipal board members from the same county elect one Member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as a nonpublic member and a minority member who must be an elected official to serve as board members from a County. O.C.G.A. 50-8-39.1 provides that the member governments are liable for any debts or obligations of the HGRC. Separate financial statements for the HGRC are available from: Heart of Georgia Regional Commission, 5405 Oak Street, Eastman, GA 31023.

7. COMPLIANCE

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

Total Hotel/Motel tax funds expended	$ 19,398
Total Hotel/Motel tax receipts	$ 19,398
Percentage of expenditures to tax receipts	100 %

Deficit Fund Balance-
The following funds had a deficit fund balance at year end:

General Fund	$ 402,433
Capital projects – CDBG	$ 15,333

The City plans to reduce expenditures in future periods to eliminate these deficits.

Excess of Expenditures Over Appropriations in Individual Departments and Budget Compliance-
No individual funds or departments had an excess of expenditures over appropriations during the current year.

SPLOST Funds-
SPLOST Funds were maintained in separate bank accounts as required by O. C. G. A. 48-8-121(a)(1) during the current year. Funds had been advanced to and are due from other funds in the amount of $47,856 for the 2001 SPLOST and $409,203 for the 2007 SPLOST.

8. LONG-TERM LIABILITIES

The following is a summary of debt transactions of the City of Cochran for the year ended June 30, 2012:

	Balance Beginning	Increases	Decreases	Balance Ending	Amounts Due Within One Year	Long-term Portion
Governmental Activities:						
Compensated Absences	$ 102,534	$ 4,272	$ -	$ 106,806	$ 42,645	$ 64,161
Capital Leases Payable:						
Capital leases	166,971	-	49,422	117,549	51,134	66,415
Total Governmental Activities	$ 269,505	$ 4,272	$ 49,422	$ 224,355	$ 93,779	$ 130,576

	Balance Beginning	Increases	Decreases	Balance Ending	Amounts Due Within One Year	Long-term Portion
Business-Type Activities:						
Compensated Absences	$ 41,216	$ 5,229	$ -	$ 46,445	$ 18,545	$ 27,900
Bonds and Leases Payable						
Revenue Bonds:						
Series 1989	135,000	-	14,000	121,000	14,000	107,000
Series 2003	3,330,626	-	50,182	3,280,444	52,487	3,227,957
Total Revenue Bonds	3,465,626	-	64,182	3,401,444	66,487	3,334,957
Bonds and Leases Payable -						
Capital leases	102,935	-	40,098	62,837	41,524	21,313
Total Bonds and leases	3,568,561	-	104,280	3,464,281	108,011	3,356,270
Total Business-Type Activities	$ 3,609,777	$ 5,229	$ 104,280	$ 3,510,726	$ 126,556	$ 3,384,170

Details of capital leases and notes payable are as follows:

	Balance Beginning	Additions	Retirements	Balance Ending
Governmental Activities:				
Capital Leases-				
3.42% Capital lease payable, with quarterly payments of $13,626, including interest, original principal of $251,000, made on October 15, 2009, incurred to purchase fire department equipment	$ 166,971	$ -	$ 49,422	$ 117,549
Business-Type Activities:				
Revenue Bonds Payable:				
6.375% Revenue bond payable (Series 1989), with payments due annually in increasing amounts due October 1 of of each year, original principal amount of $300,000, made on January 1, 1989, with final payment due on October 1, 2018, incurred to extend and improve water and sewer system	$ 135,000	$ -	$ 14,000	$ 121,000
4.50% Revenue bond payable (Series 2002), with payments due monthly in amounts of $16,590 beginning October 5, 2002, original principal amount of $3,685,650, made on September 5, 2002, with final payment due on August 5, 2042, incurred to extend and improve water and sewer system	3,330,626	-	50,182	3,280,444
Total Revenue Bonds Payable - Business-Type Activities	3,465,626	-	64,182	3,401,444
Capital Leases-				
3.51% Capital lease payable, with quarterly payments of $10,797, including interest, original principal of $197,336, made on November 21, 2008, incurred to purchase solid waste equipment	102,935	-	40,098	62,837
Total Revenue Bonds and Capital Leases- Business-Type Activities	$ 3,568,561	$ -	$ 104,280	$ 3,464,281

The total assets recorded in the governmental activities statement of net assets under capital leases outstanding at June 30, 2012, is $251,000 with accumulated depreciation of $44,622. The total assets recorded in the business-type activities statement of net assets under capital leases outstanding at June 30, 2012, is $197,336 with accumulated depreciation of $65,779..

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

	Governmental Activities								
Year ending	Notes Payable			Capital Leases Payable			Totals		
June 30	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	$ -	$ -	$ -	$ 51,134	$ 3,369	$ 54,503	$ 51,134	$ 3,369	$ 54,503
2014	-	-	-	52,905	1,598	54,503	52,905	1,598	54,503
2015	-	-	-	13,510	116	13,626	13,510	116	13,626
2016	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018-2022	-	-	-	-	-	-	-	-	-
2023-2027	-	-	-	-	-	-	-	-	-
2078-2032	-	-	-	-	-	-	-	-	-
2033-2037	-	-	-	-	-	-	-	-	-
2038-2042	-	-	-	-	-	-	-	-	-
2043-2047	-	-	-	-	-	-	-	-	-
Totals	$ -	$ -	$ -	$ 117,549	$ 5,083	$ 122,632	$ 117,549	$ 5,083	$ 122,632

	Business-Type Activities								
Year ending	Revenue Bonds			Capital Leases			Totals		
June 30	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	$ 66,487	$ 154,307	$ 220,794	$ 41,524	$ 1,663	$ 43,187	$ 108,011	$ 155,970	$ 263,981
2014	69,898	151,003	220,901	21,313	281	21,594	91,211	151,284	242,495
2015	73,420	147,525	220,945	-	-	-	73,420	147,525	220,945
2016	77,058	143,867	220,925	-	-	-	77,058	143,867	220,925
2017	80,817	140,024	220,841	-	-	-	80,817	140,024	220,841
2018-2022	401,120	639,233	1,040,353	-	-	-	401,120	639,233	1,040,353
2023-2027	450,794	544,606	995,400	-	-	-	450,794	544,606	995,400
2028-2032	564,304	431,096	995,400	-	-	-	564,304	431,096	995,400
2033-2037	706,393	289,007	995,400	-	-	-	706,393	289,007	995,400
2038-2042	884,261	111,139	995,400	-	-	-	884,261	111,139	995,400
2043-2047	26,892	1,143	28,035	-	-	-	26,892	1,143	28,035
Totals	$ 3,401,444	$2,752,950	$6,154,394	$ 62,837	$ 1,944	$ 64,781	$ 3,464,281	$ 2,754,894	$ 6,219,175

Total interest paid on long-term debt was $164,923 during the year ended June 30, 2012.

Governmental Activities			Business Type Activities		
	Less			Less	
Total	Direct	Net	Total	Capitalized	Net
Interest	Interest	Interest	Interest	Interest	Interest
$ 5,081	$ -	$ 5,081	$ 159,842	$ -	$ 159,842

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

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

The City has several annually renewable leases on office equipment with no contingent payments included therein. Total equipment rental during the current year was $20,100.

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

9. RESTRICTED ASSETS - PROPRIETARY FUNDS

The revenue bonds payable require the restriction of certain fund assets for the purpose designated by the revenue bond agreement. The assets so designated have been identified as "restricted investments" on the balance sheet and include cash and certificates of deposit. The significant requirements of the bond covenants were met on a timely basis through June 30, 2012.

10. INTERFUND BALANCES AND TRANSFERS

Interfund balances as of the end of the current year were for routine operating functions in payroll and debt service administration in prior years. The interfund balances are expected to be repaid within one year from June 30, 2012.

Interfund balances of amounts due to/from other funds and transfers by fund as of and for the year ended June 30, 2012, are as follows:

Fund	Receivables	Payables
Major Governmental Funds:		
Capital Projects Fund- Special Sales Tax - 2007-Advance to General Fund. ..	$ 409,203	$ -
General Fund advance from:		
Capital Projects Fund - Special Sales Tax - 2001	-	47,856
Capital Projects Fund - Special Sales Tax - 2007	-	409,203
Total Major Governmental Funds-advances to other funds	409,203	457,059
General Fund-due from Capital Projects-CDBG Fund	12,483	-
Total Major Governmental Funds	421,686	457,059
Nonmajor Governmental Funds-advances to other funds	47,856	-
Nonmajor Governmental Funds-due to other funds	-	12,483
Totals	$ 469,542	$ 469,542

Fund	Transfers In	Transfers Out	Net Transfers In (Out)
Major Governmental Funds:			
General fund	$ 545,526	$ -	$ 545,526
Total Major Governmental Funds	545,526	-	545,526
Nonmajor Governmental Funds .	-	-	-
Total Governmental Funds	$ 545,526	$ -	$ 545,526
Major Proprietary Funds:			
Water and Sewer fund	$ -	$ 167,685	$ (167,685)
Natural Gas fund	-	232,737	(232,737)
Solid Waste fund	-	145,104	(145,104)
Total Proprietary Funds	$ -	$ 545,526	$ (545,526)

11. GRANTS

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

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal

years. There have been no significant reductions in insurance coverage in the current year. Commercial insurance premiums totaled $123,369 during the current year.

13. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

There are currently no lawsuits pending against the City.

14. PENSION PLANS

A. Plan Description

The City's defined benefit plan, City of Cochran Retirement Plan, is administered through the Board of Trustees of the Georgia Municipal Employees Benefit System Retirement Fund (GMEBS) an agent multiple employer pension fund. The plan was established by a City ordinance under authority of Georgia law. The authority to establish and amend the benefit provisions of the plan rests with the City. The amount of current year covered payroll is $1,900,656. The total current year payroll for all employees is $2,144,488. The GMEBS issues a publicly available financial report that includes financial statements and required supplemental information for GMEBS.

That report may be obtained at City Hall of Cochran, Georgia, or by contacting the Georgia Municipal Association Risk Management and Employee Benefit Services, 201 Pryor Street, S.W., Atlanta, Georgia 30303-3606.

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

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

Full-time employees:

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

Elected or appointed members:

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

Benefits are adjusted accordingly for early retirement and delayed retirement.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these funding standards is $195,413. If the City funds the recommended contribution each year, the Plan will meet applicable funding standards. Active plan members are not required or permitted to contribute to the Plan.

B. Effect of Plan Changes on the Actuarial Accrued Liability

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

C. Effect of Plan Changes on Recommended Contributions

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

D. Significant Actuarial Assumptions

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

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

E. Funding Policy and Annual Contribution

The funding policy for the plan is to contribute an amount equal to the annual pension cost listed in A. below in each year. The recommending contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets as described in 2 below. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

1. Trend Information for the Plan

Fiscal Year Ended	Annual Pension Cost	Actual City Contribution	Percentage of APC Contributed	Net Pension Obligation
06/30/12	$ 306,438	$ 306,438	100.0%	$ -
06/30/11	$ 329,229	$ 329,229	100.0%	$ -
06/30/10	$ 278,679	$ 278,679	100.0%	$ -

2. Funded Status

Actuarial Valuation Date (01/01)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded AAL as a Percentage of Payroll
2012	$ 2,389,877	$ 3,293,010	72.57%	$ 903,133	$ 1,900,656	47.52%

3. Actuarial Assumptions and Methods

Economic Assumptions:	
Interest Rate:	
On-going plan basis	7.75 %
Plan termination basis	3.65 %
Annual Rates of Increase in:	
Salaries	3.50%
Future Social Security Wage Bases	3.50%
Cost of living adjustment	N/A

Demographic Assumptions:

Mortality:

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

Termination

Age	Rate
20	25.80
25	19.80
30	15.60
35	12.15
40	9.45
45	7.80
50	5.85
55	3.30
60	-

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

Form of Payment: Life annuity

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

Actuarial Methods:

Normal Cost and Actuarial Accrued Liability: Projected Unit Credit Cost Method.

Actuarial Value of Assets: Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by service.

Asset Valuation Method: Sum of the actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10 percent of the amount that the value exceeds or is less than the market value at the end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value, for 2009, 44% of market value for 2010, 38% of market value for

	2011, 32% market value for 2012, 26% of market value for 2013, and 20% market value for 2014 and later years.
Other Features	First year of service not credited, applies to participants terminating before 5-1-96. (Effective 5-1-95)
	For participants who have completed ten (10) years of total credited service, unused sick leave counts at a rate of 20 days equals 1 month of additional credited service. No maximum. Partial months shall not be credited. Unused sick leave cannot count toward any age, service, participation or vesting requirement under the plan.
	In-service distribution effective 1-1-2000, retired participants who are elected to serve as council members may continue to receive early or normal retirement benefit if they return to elective office with the City. This early retirement provision requires participants to be retired for a minimum of six months prior to taking office.
	No changes in plan features since last valuation.

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

The City also participates in the Georgia Peace Officer's Annuity Benefit Program and does not present amounts under this defined contribution plan in its financial statements. Total employer payments under this plan for the years ended June 30, 2012 and 2011, respectively, are $8,582 and $7,957. Contributions are based upon fines collected and not upon salaries. Employees do not contribute to the plan.

15. AMORTIZATION

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

	Bond Issue Cost	Accumulated Amortization	Net
Balance, beginning of year	$ 40,311	$ 8,843	$ 31,468
Amortization expense	-	1,010	(1,010)
Balance, end of year	$ 40,311	$ 9,853	$ 30,458

16. PRIOR PERIOD RESTATEMENT

The City has determined that a restatement of beginning fund deficit of the General Fund is necessary to change the accrual for local option sales tax. This adjustment resulted in a change to the beginning fund deficit of the General Fund as follows:

Fund deficit, as previously reported	$ (208,565)
Reversal of sales tax accrual	(45,940)
Fund deficit, as restated	$ (254,505)

The City has determined that a restatement of beginning fund balance of the Special Sales Tax – 2007 Fund is necessary to change the accrual for special purpose local option sales tax. This adjustment resulted in a change to the beginning fund balance of the Special Sales Tax – 2007 as follows:

Fund balance, as previously reported	$ 585,575
Reversal of sales tax accrual	(33,771)
Fund balance, as restated	$ 551,804

The City has determined that a restatement of beginning net assets of the Water and Sewer Fund is necessary to change the accrual of accounts receivable for unbilled consumption. These adjustments resulted in a change to the beginning net assets of the Water and Sewer Fund as follows:

Net assets, as previously reported	$ 3,545,682
Adjustment for unbilled receivables	63, 600
Net assets, as restated	$ 3,609,282

The City has determined that a restatement of beginning net assets of the Natural Gas Fund is necessary to change the accrual of accounts receivable for unbilled consumption. These adjustments resulted in a change to the beginning net assets of the Natural Gas Fund as follows:

Net assets, as previously reported	$ 1,482,216
Adjustment for unbilled receivables	21,700
Net assets, as restated	$ 1,503,916

The City has determined that a restatement of beginning net assets of the governmental activities in the Statement of Activities is necessary to change adjustments made for the opening fund balance of the General Fund, Special Sales Tax-2007 as noted in the first and second tables of this note. These adjustments resulted in a change to the beginning net assets of Governmental Activities as follows:

Net assets, as previously reported	$ 9,117,750
Adjustment for:	
General Fund restatement	(45,940)
Special Sales Tax- 2007 Fund restatement	(33,771)
Net assets, as restated	$ 9,038,039

The City has determined that a restatement of beginning net assets of the Business-Type Activities in the Statement of Activities is necessary to change adjustments made for the opening net assets of the Water and Sewer and Natural Gas Funds noted in the third and fourth tables of this note. These adjustments resulted in a change to the beginning net assets of Business-Type Activities as follows:

Net assets, as previously reported	$ 5,361,909
Adjustment for:	
Water and Sewer Fund restatement	63,600
Natural Gas Fund restatement	21,700
Net assets, as restated	$ 5,447,209

Required Supplementary Information

CITY OF COCHRAN, GEORGIA
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget (GAAP Basis) and Actual - General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	$ 1,712,000	$ 1,968,500	$ 1,811,877	$ (156,623)
Licenses and permits	310,000	318,400	318,883	483
Intergovernmental	88,500	79,600	79,833	233
Charges for services	17,150	17,500	21,036	3,536
Fines and forfeitures	300,000	223,500	222,987	(513)
Miscellaneous	16,000	9,500	3,467	(6,033)
Total Revenues	2,443,650	2,617,000	2,458,083	(158,917)
EXPENDITURES:				
Current:				
General government	1,072,548	1,050,450	1,042,973	7,477
Public safety	1,422,075	1,395,450	1,391,056	4,394
Public works	697,018	702,900	700,851	2,049
Airport	18,500	23,200	23,142	58
TOTAL EXPENDITURES	3,210,141	3,172,000	3,158,022	13,978
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(766,491)	(555,000)	(699,939)	(144,939)
OTHER FINANCING SOURCES:				
Transfers in	766,491	555,000	545,526	(9,474)
Sale of capital assets	-	-	6,485	6,485
Total Other Financing Sources	766,491	555,000	552,011	(2,989)
NET CHANGE IN FUND BALANCES	-	-	(147,928)	(147,928)
FUND BALANCE (DEFICIT), BEGINNING	(208,565)	(208,565)	(208,565)	-
PRIOR PERIOD ADJUSTMENT	-	-	(45,940)	(45,940)
FUND BALANCE (DEFICIT), BEGINNING, AS RESTATED	(208,565)	(208,565)	(254,505)	(45,940)
FUND BALANCE (DEFICIT), ENDING	$ (208,565)	$ (208,565)	$ (402,433)	$ (193,868)

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

CITY OF COCHRAN, GEORGIA
Required Supplementary Information
Schedule of Funding Progress – Defined Benefit Plan
For the Fiscal Year Ended June 30, 2012

Actuarial Valuation Date (01/01)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded AAL as a Percentage of Payroll
2012	$ 2,389,877	$ 3,293,010	72.57%	$ 903,133	$ 1,900,656	47.52%
2011	$ 2,119,141	$ 3,339,917	63.45%	$ 1,220,776	$ 1,793,606	68.06 %
2010	$ 1,896,536	$ 3,261,958	58.14%	$ 1,365,422	$ 1,902,050	71.79 %

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

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

Budgetary Control

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

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budget:

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

2. The City Council holds a public hearing on the budget, giving notice thereof at least 10 days in advance by publication in the official organ of the City of Cochran.

3. The budget is then revised and adopted or amended by the City Council at the first regular meeting prior to July 1 of the year to which it applies.

4. The budget so adopted may be revised during the year only by formal action of the City Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.

5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

6. Budgeted amounts are as originally adopted, or as amended by the Council. Amendments were made to the current year's budget. Appropriated annual budgets have been legally adopted for the General Fund, Special Revenue Fund, Debt Service Fund, and Enterprise Funds. A project length budget is adopted for the Capital Projects Funds.

Encumbrances

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

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

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

Supplementary Information

CITY OF COCHRAN, GEORGIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Capital Projects-Special Sales Tax - 2001	Capital Projects-CDBG	Special Revenue Hotel/Motel Tax	Total Nonmajor Governmental Funds
ASSETS:				
Cash	$ 53,543	$ 3,000	$ -	$ 56,543
Receivables, net-				
Intergovernmental	-	37,657	-	37,657
Advance to other funds	47,856	-	-	47,856
TOTAL ASSETS	$ 101,399	$ 40,657	$ -	$ 142,056
LIABILITIES:				
Accounts payable	$ -	$ 43,507	$ -	$ 43,507
Due to other funds	-	12,483	-	12,483
TOTAL LIABILITIES	-	55,990	-	55,990
FUND BALANCE (DEFICIT):				
Nonspendable-				
Advance to other funds	47,856	-	-	47,856
Restricted-				
Capital Projects	53,543	-	-	53,543
Unassigned	-	(15,333)	-	(15,333)
TOTAL FUND BALANCE (DEFICIT)	101,399	(15,333)	-	86,066
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	$ 101,399	$ 40,657	$ -	$ 142,056

CITY OF COCHRAN, GEORGIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2012

	Capital Projects-Special Sales Tax – 2001	Capital Projects-CDBG	Special Revenue Hotel/Motel Tax	Total Nonmajor Governmental Funds
REVENUES:				
Taxes	$ -	$ -	$ 19,398	$ 19,398
Intergovernmental		223,555	-	223,555
Miscellaneous	86	-	-	86
TOTAL REVENUES	86	223,555	19,398	243,039
EXPENDITURES:				
Current -				
Community development	-	-	-	19,398
Capital outlay	150,384	227,550	19,398	377,934
TOTAL EXPENDITURES	150,384	227,550	19,398	397,332
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS	(150,298)	(3,995)	-	(154,293)
NET CHANGE IN FUND BALANCES	(150,298)	(3,995)	-	(154,293)
FUND BALANCE (DEFICIT), BEGINNING	251,697	(11,338)	-	240,359
FUND BALANCE (DEFICIT), ENDING	$ 101,399	$ (15,333)	$ -	$ 86,066

CITY OF COCHRAN, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Nonmajor Governmental Fund
Special Revenue - Hotel/Motel Tax
For the Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget
REVENUES -			
Taxes	$ 19,500	$ 19,398	$ (102)
Total Revenues	19,500	19,398	(102)
EXPENDITURES -			
Current -			
Community development	19,500	19,398	102
Total Expenditures	19,500	19,398	102
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-
FUND BALANCE, BEGINNING	-	-	-
FUND BALANCE, ENDING	$ -	$ -	$ -

CITY OF COCHRAN, GEORGIA

Schedule of Special Purpose Local Option Sales Tax Expenditures

For the Period Ended June 30, 2012

Project	Original Estimated Cost	Current Estimated Cost	Expenditures Prior Year	Expenditures Current Year	Total	Estimated Percentage of Completion
Beginning 2001:						
Recreation Department	$ 300,000	$ 300,000	$ 288,656	$ -	$ 288,656	96.22%
Emergency Management Office	120,000	120,000	138,513	-	138,513	115.43%
Roads, streets, water and sewer, municipal building, capital outlay projects	2,580,000	2,580,000	-	-	-	
Municipal Building	-	-	166,979	-	166,979	
Streets	-	-	1,158,002	150,384	1,308,386	
Water and Sewer	-	-	500,940	-	500,940	
Total roads, streets, water and sewer, municipal building, capital outlay projects	2,580,000	2,580,000	1,825,921	150,384	1,976,305	76.60%
Total	$ 3,000,000	$3,000,000	$ 2,253,090	$ 150,384	$ 2,403,474	
Beginning 2007:						
Roads and Streets	$ 700,000	$ 700,000	$ -	$ -	$ -	0.00%
Sewer System	600,000	600,000	588,411	13,203	601,614	100.27%
Water System	285,000	285,000	270,209	15,560	285,769	100.27%
Fire Department Equipment	200,000	200,000	99,305	54,503	153,808	76.90%
Police Department Equipment	100,000	100,000	82,300	-	82,300	82.30%
Utility Vehicles	100,000	100,000	100,000	-	100,000	100.00 %
Library	15,000	15,000	3,840	-	3,840	25.60%
Recreation Department.	180,000	180,000	74,776	2,577	77,353	42.97 %
Emergency Management Office	25,000	25,000	8,625	700	9,325	37.30%
Total 2007 SPLOST	$ 2,205,000	$2,205,000	$ 1,227,466	$ 86,543	$ 1,314,009	

CITY OF COCHRAN, GEORGIA
Community Development Block Grant Program
Source and Application of Funds Schedule
Grant # 09p-x-012-2-5165
For the Period September 25, 2009 through June 30, 2012

I. Total Fiscal Year 2009 CDBG Funds Awarded to Recipient	$ 465,998
II. Total Amount Drawn Down by Recipient from CDBG	$ 259,735
III. Less: CDBG Funds Expended by Recipient	275,068
IV. Amount of Fiscal Year 2009 CDBG Funds Held by Recipient	$ (15,333)

CITY OF COCHRAN, GEORGIA
Community Development Block Grant Program
Project Cost Schedule
Grant # 09p-x-012-2-5165
For the Period September 25, 2009 through June 30, 2012

Program Activity	Activity Code	Latest Approved Budget	Accumulative Expenditures To Date	Accumulative Expenditures to Date Other Funds	Grand Total of Expenditures To Date	Questioned Costs
Acquisition of Property	P-001-01	$ 13,000	$ -	$ -	$ -	$ -
Street Improvements	P-03K-01	195,100	64,680	-	64,680	-
Floods and drainage	P-03K-02	84,900	84,900	-	84,900	-
Contingency	C-022-00	35,755	-	-	-	-
Administration	A-21A-00	26,787	15,758	-	15,758	-
Engineering Water and Sewer	T-03J-00	9,010	8,284	-	8,284	-
Water Facilities	P-03J-01	77,550	77,550	-	77,550	-
Engineering for Streets	T-03K-00	23,896	23,896	-	23,896	-
Totals		$ 465,998	$ 275,068	$ -	$ 275,068	$ -

Note: Prior year expenditures included in Activity T-03K-00 totaling $9,096 were reclassified to Activity Codes P-03K-01 and A-12A-00 in the amounts of $6,338 and $2,758, respectively.

Compliance Section

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **the City of Cochran, Georgia** (the "City") as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated June 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2012-01 and 2012-02 to be material weaknesses.

A *significant* deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses as item 2012-03 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2012-04 and 2012-05.

We noted certain matters that we reported to management of the City in a separate letter dated June 27, 2013.

The City of Cochran, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor and City Council, and others within the entity, the State of Georgia, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
June 27, 2013

CITY OF COCHRAN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	X yes _____ no
Significant deficiencies identified	X yes _____ no
Noncompliance material to financial statements noted?	X yes _____ no

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2012-01. Unbilled Utility Accounts Receivable

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

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

Context: At both June 30, 2011 and June 30, 2012, there was an amount of utility consumption not yet billed by the City. The City did not properly record these amounts as outstanding at June 30, 2011 or June 30, 2012.

Effect: Adjustments to the Water and Sewer and Natural Gas funds, in the amounts of $63,600 and $21,700, respectively, were required to properly restate net assets as of June 30, 2011. Adjustments to the Water and Sewer and Natural Gas funds, in the amounts of $62,500 and $21,100 respectively, were required to properly state the balance of accounts receivable as of June 30, 2012.

COCHRAN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2012-01. Unbilled Utility Accounts Receivable (Continued)

Cause: Management did not consider the effects of utilities consumed, but not billed, as of June 30.

Recommendation: We recommend the City consider and calculate the amount of utilities consumed, but not billed as of each fiscal year-end in all utility funds.

Views of Responsible Officials and Planned Corrective Action: We concur. The City will consider unbilled utility consumption and the recording of the related accounts receivable in future periods.

2012-02. Sales Taxes Accounts Receivable

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

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

Context: At both June 30, 2011 and June 30, 2012, there was an amount of LOST and SPLOST revenues included in accounts receivable which did not relate to the respective fiscal year. Due to a change in the state's disbursement system, remittances of LOST and SPLOST are more timely than in previous fiscal years.

Effect: Adjustments to the General Fund and Special Sales Tax – 2007 Fund in the amounts of $45,940 and $33,771, respectively, were required to properly restate fund balance as of June 30, 2011. Adjustments to the General Fund and Special Sales Tax – 2007 Fund, in the amounts of $42,334 and $31,112, respectively, were required to properly state the balance of accounts receivable as of June 30, 2012.

Cause: Management did not consider the effects of the change in the state's disbursement system as it related to the timing of underlying sales related to sales tax.

CITY OF COCHRAN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2012-02. Sales Taxes Accounts Receivable (Continued)

Recommendation: We recommend the City review sales tax collections to ensure accounts receivable is properly stated as of each fiscal year end.

Views of Responsible Officials and Planned Corrective Action: We concur. The City will review accounts receivable to ensure amounts are properly stated in future periods.

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

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

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

Effect: Failure to fully segregate duties between recording, processing, and reconciliation of accounts can lead to misappropriation of funds that are not detected during the normal course of business.

Recommendation: We recommend the City implement compensating controls to reduce the risk presented by lack of segregation of duties and re-evaluate current processes and assignments to implement segregation of duties where possible.

Views of Responsible Officials and Planned Corrective Action: We concur. We realize with limited personnel, complete segregation of duties is not possible. We will re-evaluate assigned duties of all personnel to implement segregation of duties and compensating controls where possible.

CITY OF COCHRAN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2012.04. Violation of Georgia Law – SPLOST Funds

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

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

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

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

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

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

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

2012.05. Violation of Bond Covenants – Sinking Fund

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

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

CITY OF COCHRAN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

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

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

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

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

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

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

CITY OF COCHRAN, GEORGIA

SCHEDULE OF PRIOR FISCAL YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE, 2012

Finding 06-1 Segregation of Duties

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

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

Auditee Response/Status: Unresolved. See 2012-03

Finding 09-2 Violation of Georgia Law – Balanced Budget

Criteria: The OCGA Section 48-8-121(a)(1) states that each unit of local government shall adopt and operate under an annual balanced budget for the General Fund, each special revenue fund, and each debt service fund used in a local government.

Condition: The City did not adopt an original balanced budget for the General Fund, however, the amended budget was balanced.

Auditee Response/Status: Resolved.

Finding 09-2 Violation of Georgia Law – SPLOST Funds

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

Condition: The City has advanced some SPLOST funds to the General Fund.

Auditee Response/Status: Unresolved. See 2012-04