# CITY OF COCHRAN, GEORGIA

# FINANCIAL STATEMENTS

# FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**CITY OF COCHRAN, GEORGIA**
Financial Statements
For the Fiscal Year Ended June 30, 2014

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# Financial Section

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# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cochran, Georgia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Cochran, Georgia's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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



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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cochran, Georgia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Matter of Emphasis**

As discussed in Note 15 to the financial statements, in 2014, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedule of pension funding progress on pages 35 and 36 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cochran, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the schedule of projects constructed with special sales tax proceeds, and other grant schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, the schedule of projects constructed with special sales tax proceeds, and other grant schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, the schedule of projects constructed with special sales tax proceeds, and other grant schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, 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* in considering the City of Cochran, Georgia's internal control over financial reporting and compliance.

Macon, Georgia
January 27, 2015

# Basic Financial Statements

**CITY OF COCHRAN, GEORGIA**
Statement of Net Position
June 30, 2014

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **ASSETS:** | | | |
| Cash | $ 702,838 | $ 851,303 | $ 1,554,141 |
| Restricted investments, current | - | 74,420 | 74,420 |
| Receivables, net: | | | |
| Taxes | 48,111 | - | 48,111 |
| Fines and forfeitures | 26,867 | - | 26,867 |
| Customers | - | 309,879 | 309,879 |
| Intergovernmental | 154,298 | - | 154,298 |
| Others | 9,281 | - | 9,281 |
| Prepaid Items | 52,172 | 22,062 | 74,234 |
| Inventory, at cost | 1,559 | 4,859 | 6,418 |
| Investment in joint venture | - | 724,540 | 724,540 |
| Restricted investments, noncurrent | - | 208,743 | 208,743 |
| Capital assets not being depreciated | 1,282,275 | 158,718 | 1,440,993 |
| Capital assets being depreciated, net | 7,382,848 | 6,585,417 | 13,968,265 |
| **TOTAL ASSETS** | 9,660,249 | 8,939,941 | 18,600,190 |
| **LIABILITIES:** | | | |
| Accounts payable | 117,453 | 221,122 | 338,575 |
| Deposits payable | - | 35,751 | 35,751 |
| Salaries and benefits payable | 69,166 | 16,829 | 85,995 |
| Accrued interest | - | 14,318 | 14,318 |
| Compensated absences, payable within one year | 61,008 | 16,046 | 77,054 |
| Compensated absences, payable after one year | 32,244 | 7,903 | 40,147 |
| Capital leases, payable within one year | 29,034 | - | 29,034 |
| Tax anticipation note, payable within one year | 100,000 | - | 100,000 |
| Bonds payable due within one year - (payable from restricted assets) | - | 73,420 | 73,420 |
| Bonds and leases payable due after one year | 26,609 | 3,191,639 | 3,218,248 |
| **TOTAL LIABILITIES** | 435,514 | 3,577,028 | 4,012,542 |
| **NET POSITION:** | | | |
| Net investment in capital assets | 8,609,480 | 3,479,076 | 12,088,556 |
| Restricted for capital improvements | 464,946 | - | 464,946 |
| Restricted for transportation projects | 70,007 | - | 70,007 |
| Restricted for confiscated assets - police | 2,712 | - | 2,712 |
| Restricted for debt service | - | 283,163 | 283,163 |
| Unrestricted | 77,590 | 1,600,674 | 1,678,264 |
| **TOTAL NET POSITION** | $ 9,224,735 | $ 5,362,913 | $ 14,587,648 |

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, 2014

| 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 Position: Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Business-type Activities | Net (Expense) Revenue and Changes in Net Position: Total |
|---|---|---|---|---|---|---|---|
| **Governmental activities:** | | | | | | | |
| General government | $ 673,457 | $ 322,057 | $ - | $ - | $ (351,400) | $ - | $ (351,400) |
| Public safety | 1,701,822 | - | 60,232 | 257,431 | (1,384,159) | - | (1,384,159) |
| Public works | 589,183 | - | - | 344,474 | (244,709) | - | (244,709) |
| Airport | 148,382 | - | - | - | (148,382) | - | (148,382) |
| Community development | 14,971 | - | - | - | (14,971) | - | (14,971) |
| Interest on long-term debt | 3,611 | - | - | - | (3,611) | - | (3,611) |
| Total governmental activities | 3,131,426 | 322,057 | 60,232 | 601,905 | (2,147,232) | - | (2,147,232) |
| **Business-type activities:** | | | | | | | |
| Water and sewer | 1,263,778 | 1,200,657 | - | - | - | (63,121) | (63,121) |
| Natural gas | 1,482,872 | 1,726,016 | - | - | - | 243,144 | 243,144 |
| Solid waste | 672,201 | 709,349 | - | - | - | 37,148 | 37,148 |
| Total business-type activities | 3,418,851 | 3,636,022 | - | - | - | 217,171 | 217,171 |
| Total | $ 6,550,277 | $ 3,958,079 | $ 60,232 | $ 601,905 | (2,147,232) | 217,171 | (1,930,061) |
| **General revenues:** | | | | | | | |
| Property taxes | | | | | 895,734 | - | 895,734 |
| General sales tax | | | | | 442,012 | - | 442,012 |
| Hotel/Motel tax | | | | | 14,971 | - | 14,971 |
| Other taxes | | | | | 584,129 | - | 584,129 |
| Interest earnings | | | | | 717 | 538 | 1,255 |
| Miscellaneous | | | | | 5,124 | 28,934 | 34,058 |
| Gain on sale of capital assets | | | | | 7,500 | - | 7,500 |
| **Capital asset reassignment** | | | | | (11,318) | 11,318 | - |
| **Capital contribution-private source** | | | | | - | 170,000 | 170,000 |
| **Transfers** | | | | | 521,403 | (521,403) | - |
| Total general revenues and transfers | | | | | 2,460,272 | (310,613) | 2,149,659 |
| Changes in net position | | | | | 313,040 | (93,442) | 219,598 |
| Net position – beginning, as restated | | | | | 8,911,695 | 5,456,355 | 14,368,050 |
| Net position – ending | | | | | $ 9,224,735 | $ 5,362,913 | $ 14,587,648 |

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

# CITY OF COCHRAN, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2014

| | General Fund | Capital Projects-Special Sales Tax – 2007 | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS:** | | | | |
| Cash | $ 221,251 | $ 109,337 | $ 372,250 | $ 702,838 |
| Receivables, net | | | | |
| Taxes | 46,234 | - | 1,877 | 48,111 |
| Fines and forfeitures | 26,867 | - | - | 26,867 |
| Intergovernmental | 70,968 | - | 83,330 | 154,298 |
| Others | 9,281 | | - | 9,281 |
| Due from other funds | 27,252 | 10,548 | - | 37,800 |
| Advance to other funds | - | 448,234 | - | 448,234 |
| Prepaid items | 52,172 | - | - | 52,172 |
| Inventory | 1,559 | - | - | 1,559 |
| **TOTAL ASSETS** | $ 455,584 | $ 568,119 | $ 457,457 | $ 1,481,160 |
| **LIABILITES:** | | | | |
| Accounts payable | $ 115,576 | $ - | $ 1,877 | $ 117,453 |
| Salaries and benefits payable | 69,166 | - | - | 69,166 |
| Tax anticipation note payable | 100,000 | - | - | 100,000 |
| Due to other funds .. | - | - | 37,800 | 37,800 |
| Advance from other funds | 448,234 | - | - | 448,234 |
| **TOTAL LIABILTIES** | 732,976 | - | 39,677 | 772,653 |
| **DEFERRED INFLOWS OF RESOURCES-** | | | | |
| Unavailable revenue-property taxes. | 26,451 | - | - | 26,451 |
| **FUND BALANCES (DEFICITS):** | | | | |
| Nonspendable: | | | | |
| Prepaid items | 52,172 | - | - | 52,172 |
| Inventory | 1,559 | - | - | 1,559 |
| Advance to other funds | - | 448,234 | - | 448,234 |
| Restricted: | | | | |
| Capital projects | - | 119,885 | 345,061 | 464,946 |
| Transportation projects | - | - | 70,007 | 70,007 |
| Confiscated assets-police | - | - | 2,712 | 2,712 |
| Unassigned- | | | | |
| General fund | (357,574) | - | - | (357,574) |
| **TOTAL FUND BALANCES** | (303,843) | 568,119 | 417,780 | 682,056 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 455,584 | $ 568,119 | $ 457,457 | $ 1,481,160 |

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

**CITY OF COCHRAN, GEORGIA**
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014

| | | |
|---|---|---|
| Differences in amounts reported for governmental activities in the statement of net position: | | |
| Fund balances - total governmental funds | $ | 682,056 |
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds | | 8,665,123 |
| Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds - Liability for compensated absences | | (93,252) |
| Long-term bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds | | (55,643) |
| Some governmental revenues will not be collected for several months after the year end and are deferred in the governmental funds | | 26,451 |
| Net Position of governmental activities | $ | 9,224,735 |

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, 2014

| | General Fund | Capital Projects - Special Sales Tax – 2007 | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Taxes | $ 1,893,680 | $ - | $ 60,150 | $ 1,953,830 |
| Licenses and permits | 86,054 | - | - | 86,054 |
| Intergovernmental | 330,473 | - | 299,264 | 629,737 |
| Charges for services | 16,707 | - | - | 16,707 |
| Fines and forfeitures | 218,859 | - | - | 218,859 |
| Miscellaneous | 3,129 | 123 | 3,058 | 6,310 |
| Total Revenues | 2,548,902 | 123 | 362,472 | 2,911,497 |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| General government | 638,185 | - | - | 638,185 |
| Public safety | 1,427,782 | - | - | 1,427,782 |
| Public works | 732,547 | - | - | 732,547 |
| Airport | 222,000 | - | - | 222,000 |
| Community development | - | - | 14,971 | 14,971 |
| Capital outlay | - | 230,723 | 52,623 | 283,346 |
| Debt service: | | | | |
| Principal | 25,159 | 4,147 | 48,758 | 78,064 |
| Interest | 2,013 | - | 1,598 | 3,611 |
| Total Expenditures | 3,047,686 | 234,870 | 117,950 | 3,400,506 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | (498,784) | (234,747) | 244,522 | (489,009) |
| **OTHER FINANCING SOURCES:** | | | | |
| Transfers in | 521,402 | - | - | 521,402 |
| Sale of capital assets | 7,500 | - | - | 7,500 |
| Total Other Financing Sources | 528,902 | - | - | 528,902 |
| **NET CHANGE IN FUND BALANCES** | 30,118 | (234,747) | 244,522 | 39,893 |
| **FUND BALANCE (DEFICIT), BEGINNING** | (333,961) | 802,866 | 173,258 | 642,163 |
| **FUND BALANCE (DEFICIT), ENDING** | $ (303,843) | $ 568,119 | $ 417,780 | $ 682,056 |

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, 2014

| | | |
|---|---|---|
| Differences in amounts reported for governmental activities in the statement of activities: | | |
| Net change in fund balances - total governmental funds | $ | 39,893 |
| Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net position | | 513,911 |
| Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities | | (331,766) |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the statement of net position | | 78,064 |
| 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 | | (93,252) |
| Liability balance at prior fiscal year end | | 90,805 |
| Some governmental revenues will not be collected for several months after the year end and are deferred in the governmental funds: | | |
| Unavailable revenue balance at current fiscal year end | | 26,451 |
| Unavailable revenue balance at prior fiscal year end | | (11,066) |
| Change in net position of governmental activities | $ | 313,040 |

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

# CITY OF COCHRAN, GEORGIA
Statement of Net Position
Proprietary Funds
June 30, 2014

| | Water and Sewer | Natural Gas | Solid Waste | Total |
|---|---|---|---|---|
| **ASSETS:** | | | | |
| **Current Assets:** | | | | |
| Cash | $ 740,557 | $ 73,494 | $ 37,252 | $ 851,303 |
| Restricted investments | 74,420 | - | - | 74,420 |
| Receivables, net | 166,170 | 77,291 | 66,418 | 309,879 |
| Prepaid items | 13,918 | 600 | 7,544 | 22,062 |
| Inventory, at cost | 4,859 | - | - | 4,859 |
| Total Current Assets | 999,924 | 151,385 | 111,214 | 1,262,523 |
| **Noncurrent Assets:** | | | | |
| Investment in joint venture | - | 724,540 | - | 724,540 |
| Restricted investments | 208,743 | - | - | 208,743 |
| Capital assets: | | | | |
| Land | 9,700 | 515 | - | 10,215 |
| Construction in progress | 148,503 | - | - | 148,503 |
| Buildings, net | 13,276 | - | - | 13,276 |
| Machinery and equipment, net | 50,185 | 5,113 | 1,039 | 56,337 |
| Water and sewer system, net | 6,280,585 | - | - | 6,280,585 |
| Gas system, net | - | 124,222 | - | 124,222 |
| Transmission line, net | - | 110,997 | - | 110,997 |
| Total Noncurrent Assets | 6,710,992 | 965,387 | 1,039 | 7,677,418 |
| **TOTAL ASSETS** | 7,710,916 | 1,116,772 | 112,253 | 8,939,941 |
| **LIABILITIES:** | | | | |
| **Current Liabilities:** | | | | |
| Accounts payable | 29,050 | 76,634 | 115,438 | 221,122 |
| Deposits payable | 18,093 | 17,658 | - | 35,751 |
| Salaries and benefits payable | 10,671 | - | 6,158 | 16,829 |
| Accrued interest | 14,318 | - | - | 14,318 |
| Compensated absences | 12,926 | - | 3,120 | 16,046 |
| Total | 85,058 | 94,292 | 124,716 | 304,066 |
| **Current Liabilities (payable from restricted assets) -** | | | | |
| Bonds payable | 73,420 | - | - | 73,420 |
| Total Current Liabilities (Payable from Restricted Assets) | 73,420 | - | - | 73,420 |
| Total Current Liabilities | 158,478 | 94,292 | 124,716 | 377,486 |
| **Noncurrent Liabilities :** | | | | |
| Bonds and leases payable | 3,191,639 | - | - | 3,191,639 |
| Compensated absences | 6,366 | - | 1,537 | 7,903 |
| Total Noncurrent Liabilities | 3,198,005 | - | 1,537 | 3,199,542 |
| **TOTAL LIABILITIES** | 3,356,483 | 94,292 | 126,253 | 3,577,028 |
| **NET POSITION:** | | | | |
| Net investment in capital assets | 3,237,190 | 240,847 | 1,039 | 3,479,076 |
| Restricted for debt service | 283,163 | - | - | 283,163 |
| Unrestricted | 834,080 | 781,633 | (15,039) | 1,600,674 |
| **TOTAL NET POSITION** | $ 4,354,433 | $ 1,022,480 | $ (14,000) | $ 5,362,913 |

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

# CITY OF COCHRAN, GEORGIA
## Statement of Revenues, Expenses, and Changes in Fund Net Position
## Proprietary Funds
## For the Fiscal Year Ended June 30, 2014

| | Water and Sewer | Natural Gas | Solid Waste | Total |
|---|---|---|---|---|
| **OPERATING REVENUES:** | | | | |
| Water and sewer charges pledged as security for revenue bonds | $ 1,200,657 | $ - | $ - | $ 1,200,657 |
| Charges for services | - | 1,726,016 | 709,349 | 2,435,365 |
| Total Operating Revenues | 1,200,657 | 1,726,016 | 709,349 | 3,636,022 |
| **OPERATING EXPENSES:** | | | | |
| Salaries and benefits | 480,159 | 64,931 | 120,361 | 665,451 |
| Services and fees | 89,935 | 1,400,192 | 520,746 | 2,010,873 |
| Supplies | 50,406 | 849 | 6,471 | 57,726 |
| Repairs and maintenance | 64,531 | 731 | 10,022 | 75,284 |
| Utilities | 172,480 | 5,471 | 2,440 | 180,391 |
| Insurance premiums | 28,215 | - | 11,935 | 40,150 |
| Depreciation | 227,166 | 10,512 | 226 | 237,904 |
| Miscellaneous | 203 | 186 | - | 389 |
| Total Operating Expenses | 1,113,095 | 1,482,872 | 672,201 | 3,268,168 |
| **OPERATING INCOME** | 87,562 | 243,144 | 37,148 | 367,854 |
| **NON-OPERATING REVENUES (EXPENSES):** | | | | |
| Interest income | 536 | 2 | - | 538 |
| Income from joint venture | - | 28,934 | - | 28,934 |
| Interest expense | (150,683) | - | - | (150,683) |
| Total Non-Operating Revenues (Expenses) | (150,147) | 28,936 | - | (121,211) |
| **INCOME BEFORE CONTRIBUTIONS AND TRANSFERS** | (62,585) | 272,080 | 37,148 | 246,643 |
| Capital contributed | 181,318 | - | - | 181,318 |
| Transfers out | - | (432,075) | (89,328) | (521,403) |
| **CHANGES IN NET POSITION** | 118,733 | (159,995) | (52,180) | (93,442) |
| **NET POSITION, BEGINNING** | 4,265,147 | 1,182,475 | 38,180 | 5,485,802 |
| **PRIOR PERIOD ADJUSTMENT** | (29,447) | - | - | (29,447) |
| **NET POSITION, BEGINNING** | 4,235,700 | 1,182,475 | 38,180 | 5,456,355 |
| **NET POSITION, (DEFICIT) ENDING** | $ 4,354,433 | $ 1,022,480 | $ (14,000) | $ 5,362,913 |

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, 2014

| | Water and Sewer | Natural Gas | Solid Waste | Total |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Cash received from customers and users | $ 1,192,693 | $ 1,730,036 | $ 714,826 | $ 3,637,555 |
| Cash paid to suppliers | (373,630) | (1,384,113) | (474,152) | (2,231,895) |
| Cash paid to employees | (507,598) | (64,931) | (114,094) | (686,623) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 311,465 | 280,992 | 126,580 | 719,037 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES-** | | | | |
| Transfer (to) from other funds | - | (432,075) | (89,328) | (521,403) |
| **FINANCING ACTIVITIES** | - | (432,075) | (89,328) | (521,403) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | | | |
| Acquisition of capital assets | (145,770) | - | - | (145,770) |
| Capital contributed | 181,318 | - | - | 181,318 |
| Principal payments on bonds | (69,899) | - | - | (69,899) |
| Interest paid on bonds and notes | (151,002) | - | - | (151,002) |
| **NET CASH IDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES** | (185,353) | - | - | (185,353) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | |
| Interest earned | 536 | 2 | - | 538 |
| Decrease (increase) in restricted assets | (29,981) | - | - | (29,981) |
| **NET CASH PROVIDED BY INVESTING ACTIVITIES** | (29,445) | 2 | - | (29,443) |
| **NET INCREASE (DECREASE) IN CASH** | 96,667 | (151,081) | 37,252 | (17,162) |
| **CASH, BEGINNING** | 643,890 | 224,575 | - | 868,465 |
| **CASH, ENDING** | $ 740,557 | $ 73,494 | $ 37,252 | $ 851,303 |
| **CASH ENDING -** | | | | |
| Unrestricted | $ 740,557 | $ 73,494 | $ 37,252 | $ 851,303 |
| Total | $ 740,557 | $ 73,494 | $ 37,252 | $ 851,303 |

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, 2014

| | Water and Sewer | Natural Gas | Solid Waste | Total |
|---|---|---|---|---|
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:** | | | | |
| **Operating Income** | $ 87,562 | $ 243,144 | $ 37,148 | $ 367,854 |
| **Adjustments to reconcile operating income to net cash provided by operating activities:** | | | | |
| Depreciation | 227,166 | 10,512 | 226 | 237,904 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in: | | | | |
| Accounts receivable | 8,946 | 3,731 | 5,476 | 18,153 |
| Prepaid items, etc. | 5,540 | 8,526 | 1,581 | 15,647 |
| Inventory, at cost | (2,690) | - | - | (2,690) |
| Increase (decrease) in: | | | | |
| Accounts payable | 13,152 | 14,809 | 75,881 | 103,842 |
| Deposits payable | (16,910) | 270 | - | (16,640) |
| Salaries and benefits payable | (11,301) | - | 6,268 | (5,033) |
| Total adjustments | 223,903 | 37,848 | 89,432 | 351,183 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | $ 311,465 | $ 280,992 | $ 126,580 | $ 719,037 |
| **NON-CASH TRANSACTIONS AFFECTING FINANCIAL POSITION:** | | | | |
| Net income from joint venture | $ - | $ 28,934 | $ - | $ 28,934 |
| **NET-EFFECT-NON-CASH TRANSACTIONS** | $ - | $ 28,934 | $ - | $ 28,934 |

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

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# NOTES TO THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

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

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

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

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

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

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

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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 2007 additional one-percent local option sales tax.

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.

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 non-operating 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 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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. Deferred Outflows and Inflows of Resources**

The City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statements establish accounting and financial reporting standards for deferred outflows and inflows of resources and the concept of net position as the residual of all other elements presented in the statement of net position.

*Deferred outflows of resources* represents a consumption of net position that applies to future periods and, as such, will be recognized as an outflow of resources (expenditure or expense, as applicable) in the future. The City does not have any items that qualify for reporting in this category.

*Deferred inflows of resources* represents an acquisition of net position that applies to future periods and, as such, will be recognized as an inflow of resources (revenue) in the future. *Unavailable revenue* is the only item currently reportable by the City under this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheets.

**N. Fund Equity**

## N. Fund Equity

1. Government-wide Statements

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

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

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

c. Unrestricted net position - All other net position items that do not meet the definition of "Net investment in capital assets" or "Restricted".

2. Fund Statements

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

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

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

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

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

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

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

## O. Advertising Costs

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

### P. 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.

### Q. Allowance for Uncollectible Accounts

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

### R. 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.

### S. 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.

### T. Use of Estimates

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

## 2. DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Government may not be able to recover its deposits or recover collateral securities in the possession of an outside party. At year end, the City had deposits of $1,837,304 the carrying amount for these deposits was $1,858,850. 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 position:

| | |
|---|---|
| Cash | $ 1,452,097 |
| Restricted Investments, Current | 74,420 |
| Restricted Investments, Noncurrent | 208,743 |
| Carrying Amount | 1,735,260 |
| Cash on hand | 102,044 |
| Totals | $ 1,837,304 |

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, 2014, were assessed at the net rate of 9.610 mills on the dollar on a total assessed valuation of $72,583,889.

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

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

## 4. ACCOUNTS RECEIVABLE

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

| | General | Capital Projects SPLOST 2007 | Nonmajor Governmental Funds | Water and Sewer Fund | Natural Gas Fund | Solid Waste Fund | Total |
|---|---|---|---|---|---|---|---|
| Taxes | $ 61,200 | $ - | $ 1,877 | $ - | $ - | $ - | $ 63,077 |
| Less allowance for uncollectibles | ( 14,966) | - | - | - | - | - | ( 14,966) |
| Net Taxes | 46,234 | - | 1,877 | - | - | - | 48,111 |
| Fines | 517,484 | - | - | - | - | - | 517,484 |
| Less allowance for uncollectibles | (490,617) | - | - | - | - | - | (490,617) |
| Net Fines | 26,867 | - | - | - | - | - | 26,867 |
| Customers | - | - | - | 481,406 | 312,263 | 245,506 | 1,039,175 |
| Less allowance for uncollectibles | - | - | - | (315,236) | (234,972) | (179,088) | (729,296) |
| Net accounts | - | - | - | 166,170 | 77,291 | 66,418 | 309,879 |
| Intergovernmental | 70,968 | | 83,330 | - | - | - | 154,298 |
| Others | 9,281 | - | - | - | - | - | 9,281 |
| Total receivables | $ 153,350 | $ | $ 85,207 | $ 166,170 | $ 77,291 | $ 66,418 | $ 548,436 |

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

| Description | Balance Beginning | Additions | Transfers/ Retirements | Balance Ending |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 876,374 | $ - | $ - | $ 876,374 |
| Construction in progress | 441,401 | 323,019 | 358,519 | 405,901 |
| Total capital assets, not being depreciated | 1,317,775 | 323,019 | 358,519 | 1,282,275 |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 5,691,942 | - | (358,519) | 6,050,461 |
| Buildings and improvements | 1,648,596 | - | - | 1,648,596 |
| Improvements other than buildings | 106,667 | - | - | 106,667 |
| Machinery and equipment | 2,278,474 | 190,892 | - | 2,469,366 |
| Total capital assets, being depreciated | 9,725,679 | 190,892 | (358,519) | 10,275,090 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 484,304 | 151,348 | - | 635,652 |
| Buildings and improvements | 605,364 | 35,141 | - | 640,505 |
| Improvements other than buildings | 15,303 | 2,377 | - | 17,680 |
| Machinery and equipment | 1,455,505 | 142,900 | - | 1,598,405 |
| Total accumulated depreciation | 2,560,476 | 331,766 | - | 2,892,242 |
| Governmental activities capital assets, net of accumulated depreciation: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | 876,374 | - | - | 876,374 |
| Construction in progress | 441,401 | 323,019 | 358,519 | 405,901 |
| Total capital assets, not being depreciated | 1,317,775 | 323,019 | 358,519 | 1,282,275 |
| Capital assets being depreciated, net of accumulated depreciation: | | | | |
| Infrastructure | 5,207,638 | (151,348) | (358,519) | 5,414,809 |
| Buildings and improvements | 1,043,232 | (35,141) | - | 1,008,091 |
| Improvements other than buildings | 91,364 | (2,377) | - | 88,987 |
| Machinery and equipment | 822,969 | 47,992 | - | 870,961 |
| Total capital assets being depreciated, net of accumulated depreciation | 7,165,203 | (140,874) | (358,519) | 7,382,848 |
| Total governmental activities capital assets, net of accumulated depreciation | $ 8,482,978 | $ 182,145 | $ - | $ 8,665,123 |

| Description | Balance Beginning | Additions | Transfers/ Retirements | Balance Ending |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| Capital assets, not being depreciated - | | | | |
| Land | $ 10,215 | $ - | $ - | $ 10,215 |
| Construction in progress | 21,800 | 126,703 | - | 148,503 |
| Total capital assets, not being depreciated | 32,015 | 126,703 | - | 158,718 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 35,512 | - | - | 35,512 |
| Machinery and equipment | 665,849 | 7,750 | - | 673,599 |
| Water and sewer system | 10,420,711 | 11,317 | - | 10,432,028 |
| Gas system | 585,395 | - | - | 585,395 |
| Transmission line | 667,584 | - | - | 667,584 |
| Total capital assets, being depreciated | 12,375,051 | 19,067 | - | 12,394,118 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 21,609 | 627 | - | 22,236 |
| Machinery and equipment | 600,912 | 16,350 | - | 617,262 |
| Water and sewer system | 3,938,578 | 212,865 | - | 4,151,443 |
| Gas system | 456,739 | 4,434 | - | 461,173 |
| Transmission line | 552,959 | 3,628 | - | 556,587 |
| Total accumulated depreciation | 5,570,797 | 237,904 | - | 5,808,701 |
| Business-type activities capital assets, net of accumulated depreciation: | | | | |
| Capital assets, not being depreciated - | | | | |
| Land | 10,215 | - | - | 10,215 |
| Construction in progress | 21,800 | 126,703 | - | 148,503 |
| Total capital assets, not being depreciated | 32,015 | 126,703 | - | 158,718 |
| Capital assets, being depreciated, net of accumulated deprecation: | | | | |
| Buildings and improvements | 13,903 | (627) | - | 13,276 |
| Machinery and equipment | 64,937 | (8,600) | - | 56,337 |
| Water and sewer system | 6,482,133 | (201,548) | - | 6,280,585 |
| Gas system | 128,656 | (4,434) | - | 124,222 |
| Transmission line | 114,625 | (3,628) | - | 110,997 |
| Total capital assets, being depreciated, net of accumulated depreciation | 6,804,254 | (218,837) | - | 6,585,417 |
| Business-type activities capital assets, net | $ 6,836,269 | $ (92,134) | $ - | $ 6,744,135 |

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

| | |
|---|---|
| Governmental activities: | |
| General government | $ 36,579 |
| Public safety | 95,687 |
| Public works | 66,845 |
| Airport | 132,655 |
| Total depreciation expense - governmental activities | $ 331,766 |
| Business-type activities: | |
| Water and sewer system | $ 227,166 |
| Gas system | 10,512 |
| Solid waste system | 226 |
| Total depreciation expense - business-type activities | $ 237,904 |

## 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, 2013 and 2012 allocated to the City of Cochran are reported in the Natural Gas Enterprise Fund as of and for the years ended June 30, 2014 and 2013.

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, 2013 and 2012 are as follows:

| | 2013 | 2012 |
|---|---|---|
| Retained earnings, beginning | $ 695,606 | $693,348 |
| Net income (loss) for the year | 28,934 | 2,258 |
| Retained earnings, ending | $ 724,540 | $ 695,606 |

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, 2014 and 2013, are as follows:

| | 2014 | 2013 |
|---|---|---|
| Investment in joint venture | $ 724,540 | $ 695,606 |
| Net income (loss) from joint venture | $ 28,934 | $ 2,258 |

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, 2014, were $37,144. 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 | $ 14,971 |
| Total Hotel/Motel tax receipts | $ 14,971 |
| Percentage of expenditures to tax receipts | 100 % |

**Deficit Fund Balances:**
The following funds had deficit fund balances at year end:

| | |
|---|---|
| General Fund | $ 303,843 |
| Solid Waste Fund | $ 14,000 |

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

**Excess of Expenditures Over Appropriations in Individual Departments and Budget Compliance-**
the City's Airport department had an excess of expenditures over appropriations during the current year in the amount of $42,000. The City did not adopt an annual balanced budget for the Confiscated Assets Special Revenue Fund and the TIA Sales Tax Special Revenue Fund as required by OCGA 36-81-3(b).

**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 $458,782 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, 2014:

| | Balance Beginning | Increases | Decreases | Balance Ending | Amounts Due Within One Year | Long-term Portion |
|---|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | | |
| Compensated Absences | $ 90,805 | $ 2,447 | $ - | $ 93,252 | $ 61,008 | $ 32,244 |
| Capital Leases Payable: | | | | | | |
| Capital leases | 133,707 | - | 78,064 | 55,643 | 29,034 | 26,609 |
| Total Governmental Activities | $ 224,512 | $ 2,447 | $ 78,064 | $ 148,895 | $ 90,042 | $ 58,853 |

| | Balance Beginning | Increases | Decreases | Balance Ending | Amounts Due Within One Year | Long-term Portion |
|---|---|---|---|---|---|---|
| **Business-Type Activities:** | | | | | | |
| Compensated Absences | $ 32,391 | $ - | $ 8,442 | $ 23,949 | $ 16,046 | $ 7,903 |
| Revenue Bonds Payable: | | | | | | |
| Series 1989 | 107,000 | - | 15,000 | 92,000 | 16,000 | 76,000 |
| Series 2002 | 3,227,957 | - | 54,898 | 3,173,059 | 57,420 | 3,115,639 |
| Total Revenue Bonds | 3,334,957 | - | 69,898 | 3,265,059 | 73,420 | 3,191,639 |
| Bonds and Leases Payable - | | | | | | |
| Total Business-Type Activities | $ 3,367,348 | $ - | $ 78,340 | $ 3,289,008 | $ 89,466 | $ 3,199,542 |

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 | $ 66,415 | $ - | $ 52,905 | $ 13,510 |
| 2.81% Capital lease payable, with quarterly payments of $5,434, including interest, original principal of $81,970, made on September 21, 2012, incurred to purchase police department vehicles | 67,292 | - | 25,159 | 42,133 |
| Total Capital Leases Payable-Governmental Activities | $ 133,707 | $ - | $ 78,064 | $ 55,643 |
| **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 | $ 107,000 | $ - | $ 15,000 | $ 92,000 |
| 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 | 3,227,957 | - | 54,898 | 3,173,059 |
| Total Revenue Bonds Payable – Business-Type Activities | $ 3,334,957 | $ - | $ 69,898 | $ 3,265,059 |

The total assets recorded in the governmental activities statement of net position under capital leases outstanding at June 30, 2014, is $333,364 with accumulated amortization of $106,916. Accumulated amortization on assets recorded under capital leases is included in accumulated depreciation. This year, $33,206 was included in depreciation expense.

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 |
| 2015 | $ - | $ - | $ - | $ 29,034 | $ 895 | $ 29,929 | $ 29,034 | $ 895 | $ 29,929 |
| 2016 | - | - | - | 21,212 | 525 | 21,737 | 21,212 | 525 | 21,737 |
| 2017 | - | - | - | 5,397 | 38 | 5,435 | 5,397 | 38 | 5,435 |
| 2018 | - | - | - | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - | - | - | - |
| 2020-2024 | - | - | - | - | - | - | - | - | - |
| 2025-2029 | - | - | - | - | - | - | - | - | - |
| 2030-2034 | - | - | - | - | - | - | - | - | - |
| 2035-2039 | - | - | - | - | - | - | - | - | - |
| 2040-2042 | - | - | - | - | - | - | - | - | - |
| Totals | $ - | $ - | $ - | $ 55,643 | $ 1,458 | $ 57,101 | $ 55,643 | $ 1,458 | $ 57,101 |

| | Business-Type Activities | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Year ending | Revenue Bonds | | | Capital Leases | | | Totals | | |
| June 30 | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | $ 73,420 | $ 147,525 | $ 220,945 | $ - | $ - | $ - | $ 73,420 | $ 147,525 | $ 220,945 |
| 2016 | 77,058 | 143,867 | 220,925 | - | - | - | 77,058 | 143,867 | 220,925 |
| 2017 | 80,817 | 140,024 | 220,841 | - | - | - | 80,817 | 140,024 | 220,841 |
| 2018 | 85,703 | 135,991 | 221,694 | - | - | - | 85,703 | 135,991 | 221,694 |
| 2019 | 89,722 | 131,697 | 221,419 | - | - | - | 89,722 | 131,697 | 221,419 |
| 2020-2024 | 393,967 | 601,433 | 995,400 | - | - | - | 393,967 | 601,433 | 995,400 |
| 2025-2029 | 493,166 | 502,234 | 995,400 | - | - | - | 493,166 | 502,234 | 995,400 |
| 2030-2034 | 617,343 | 378,057 | 995,400 | - | - | - | 617,343 | 378,057 | 995,400 |
| 2035-2039 | 772,787 | 222,613 | 995,400 | - | - | - | 772,787 | 222,613 | 995,400 |
| 2040-2042 | 581,076 | 43,203 | 624,279 | - | - | - | 581,076 | 43,203 | 624,279 |
| Totals | $ 3,265,059 | $2,446,644 | $5,711,703 | $ | $ | $ | $ 3,265,059 | $ 2,226,644 | $ 5,711,703 |

Total interest paid on long-term debt was $154,294 during the year ended June 30, 2014.

| Governmental Activities | | | Business Type Activities | | |
|---|---|---|---|---|---|
| Total Interest | Less Direct Interest | Net Interest | Total Interest | Less Capitalized Interest | Net Interest |
| $ 3,611 | $ - | $ 3,611 | $ 150,683 | $ - | $ 150,683 |

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 $13,164.

The City's General Fund executed a short-term tax anticipation note in the amount of $100,000 on May 7, 2014. The note was paid in full in October of 2014.

## 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 includes cash in banks. The significant requirements of the bond covenants were met on a timely basis through June 30, 2014.

## 10. INTERFUND BALANCES AND TRANSFERS

Interfund balances and transfers as of and for the year ended June 30, 2014, were for routine operating functions in payroll and debt service administration. In addition, the interfund balances as of June 30, 2014, include similar amounts which were not repaid during the current year, including Special Purpose Local Option Sales Tax as described more fully in Note 7 above. The interfund balances are expected to be repaid within one year from June 30, 2014.

Interfund balances of amounts due to/from other funds and transfers by fund as of and for the year ended June 30, 2014, are as follows:

| Fund | Receivables | Payables |
|---|---|---|
| Major Governmental Funds: | | |
| Capital Projects Fund- Special Sales Tax 2007- | | |
| Advance to General Fund | $ 448,234 | $ - |
| Due from Special Sales Tax-2013 | 10,548 | - |
| General Fund advance from- | | |
| Capital Projects Fund - Special Sales Tax - 2007 | - | 448,234 |
| Total Major Governmental Funds-interfund advances | 458,782 | 448,234 |
| General Fund-due from Special Sales Tax-2013 | 27,252 | - |
| Total Major Governmental Funds | 486,034 | 448,234 |
| Nonmajor Governmental Funds: | | |
| Capital Projects Fund-Special Sales Tax 2013 Fund- | | |
| Due to General Fund | - | 27,252 |
| Capital Projects Fund-Special Sales Tax 2013 Fund- | | |
| Due to Capital Projects Special Sales Tax 2007 | - | 10,548 |
| Totals | $ 486,034 | $ 486,034 |

| Transfer Out: | Transfer In- General Fund |
|---|---|
| Natural Gas Fund | $ 432,075 |
| Solid Waste Fund | 89,328 |
| Total Governmental Funds | $ 521,403 |

## 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 $93,415 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 $1,426,198. The total current year payroll for all employees is $1,838,604. 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 $124,554. 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 recommended 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 |
|---|---|---|---|---|
| 06/30/14 | $ 174,788 | $ 174,788 | 100.0% | $ - |
| 06/30/13 | $ 273,737 | $ 237,737 | 100.0% | $ - |
| 06/30/12 | $ 306,438 | $ 306,438 | 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 |
|---|---|---|---|---|---|---|
| 2014 | $ 3,070,105 | $ 3,492,406 | 87.91% | $ 422,301 | $ 1,426,198 | 29.61% |

3. Actuarial Assumptions and Methods

| | |
|---|---|
| Economic Assumptions: | |
| Interest Rate: | |
| On-going plan basis | 7.75 % |
| Plan termination basis | 3.76 % |
| 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.<br>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. |
| Actuarial Methods: | |
| Actuarial Cost Method | Projected Unit Credit Cost Method. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by service. |

| | |
|---|---|
| Actuarial Value of Assets | 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 20% of market value. |
| 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 member may continue to receive early or normal retirement benefit if they return to elective office with the City. This early retirement provision requires participants to be retired for a minimum of six months prior to taking office. |
| | No changes in plan features since last valuation. |

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, 2014 and 2013, respectively, are $7,161 and $7,915. Contributions are based upon fines collected and not upon salaries. Employees do not contribute to the plan.

## 15. RESTATEMENT FOR NEW ACCOUNTING STANDARD

During the year ended June 30, 2014, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 requires that bond issuance costs be written off as of July 1, 2013. The effect of this adjustment is as follows:

| | Business -Type Activities | Water and Sewer Fund |
|---|---|---|
| Net Position, June 30, 2013, as previously reported | $ 5,485,802 | $ 4,265,147 |
| Implementation of GASB 65 for bond issuance costs | (29,447) | (29,447) |
| Net Position, June 30, 2013, as restated | $ 5,456,355 | $ 4,235,700 |

## 16. RESTRICTED NET POSITION

Details of the restricted net position reported on the government-wide Statement of Net Position are as follows:

| | Restricted by Enabling Legislation | External or Constitutional Restrictions | Total |
|---|---|---|---|
| Restricted for: | | | |
| Capital projects | $ 464,946 | $ - | $ 464,946 |
| Transportation projects | 70,007 | - | 70,007 |
| Confiscated assets-police | 2,712 | - | 2,712 |
| Balance, end of year | $ 537,665 | $ - | $ 537,665 |

## 17. SUBSEQUENT EVENTS

On October 30, 2014, the City issued Water and Sewer Improvement and Refunding Revenue Bonds, Series 2014 in the face amount of $4,025,000. The Bonds are being issued for the purposes of providing funds, together with other available funds of the City, (1) to pay expenses related to additions, extensions, replacements, and betterments to the water and sewer system of the City (2) to refund and redeem the outstanding Water and Sewerage Revenue Bond, Series 1989, City Water and Sewerage Revenue Bond Series 2002 and City Bond Anticipation Note, Series 2014. Interest on the Bonds is payable semiannually on April 1 and October 1 of each year, commencing on April 1, 2015. Principal payments commence on April 1, 2015 with a final maturity in 2044.

# 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, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Taxes | $ 1,946,000 | $ 1,891,000 | $ 1,893,680 | $ 2,680 |
| Licenses and permits | 77,000 | 85,500 | 86,054 | 554 |
| Intergovernmental | 375,500 | 328,500 | 330,473 | 1,973 |
| Charges for services | 10,850 | 16,500 | 16,707 | 207 |
| Fines and forfeitures | 250,000 | 218,500 | 218,859 | 359 |
| Miscellaneous. | 115,400 | 3,000 | 3,129 | 129 |
| Total Revenues | 2,774,750 | 2,543,000 | 2,548,902 | 5,902 |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| General government | 1,159,250 | 665,000 | 638,185 | 26,815 |
| Public safety | 1,395,750 | 1,440,000 | 1,427,782 | 12,218 |
| Public works | 768,900 | 750,000 | 732,547 | 17,453 |
| Airport | 242,000 | 180,000 | 222,000 | (42,000) |
| Debt Service: | | | | |
| Principal | - | 25,500 | 25,159 | 341 |
| Interest | - | 2,500 | 2,013 | 487 |
| **TOTAL EXPENDITURES** | 3,565,900 | 3,063,000 | 3,047,686 | 15,314 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | (791,150) | (520,000) | (498,784) | 21,216 |
| **OTHER FINANCING SOURCES:** | | | | |
| Transfers in | 791,150 | 520,000 | 521,402 | 1,402 |
| Sale of capital assets | - | - | 7,500 | 7,500 |
| Total Other Financing Sources | 791,150 | 520,000 | 528,902 | 8,902 |
| **NET CHANGE IN FUND BALANCES** | - | - | 30,118 | 30,118 |
| **FUND BALANCE (DEFICIT), BEGINNING** | (333,961) | (333,961) | (333,961) | - |
| **FUND BALANCE (DEFICIT), ENDING** | $ (333,961) | $ (333,961) | $ (303,843) | $ 30,118 |

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, 2014

| 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 |
|---|---|---|---|---|---|---|
| 2014 | $ 3,070,105 | $ 3,492,406 | 87.91% | $ 422,301 | $ 1,426,198 | 29.61 % |
| 2013 | $ 2,685,350 | $ 3,361,988 | 79.87% | $ 676,638 | $ 1,783,062 | 37.95% |
| 2012 | $ 2,389,877 | $ 3,293,010 | 72.57% | $ 903,133 | $ 1,900,656 | 47.52% |

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 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:**

The following department had an excess of expenditures over appropriations during the current year-

| | |
|---|---|
| Airport | $ 42,000 |

# SUPPLEMENTARY INFORMATION

**CITY OF COCHRAN, GEORGIA**
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

| | Capital Projects-Special Sales Tax-2013 | Capital Projects-Special Sales Tax-2001 | Special Revenue-Confiscated Assets | Special Revenue Hotel/Motel Tax | Special Revenue TIA Sales Tax | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|---|
| **ASSETS:** | | | | | | |
| Cash | $ 303,520 | $ - | $ 2,712 | $ - | $ 66,018 | $ 372,250 |
| Receivables, net- | | | | | | |
| Taxes | - | - | - | 1,877 | - | 1,877 |
| Intergovernmental | 79,341 | - | - | - | 3,989 | 83,330 |
| **TOTAL ASSETS** | $ 382,861 | $ - | $ 2,712 | $ 1,877 | $ 70,007 | $ 457,457 |
| **LIABILITES:** | | | | | | |
| Accounts payable | $ - | $ - | $ - | $ 1,877 | $ - | 1,877 |
| Due to other funds | 37,800 | - | - | - | - | 37,800 |
| **TOTAL LIABILTIES** | 37,800 | - | - | 1,877 | - | 39,677 |
| **FUND BALANCES (DEFICITS):** | | | | | | |
| Restricted: | | | | | | |
| Capital projects | 345,061 | - | - | - | - | 345,061 |
| Transportation projects | - | - | - | - | 70,007 | 70,007 |
| Confiscated assets-police | - | - | 2,712 | - | - | 2,712 |
| **TOTAL FUND BALANCES** | 345,061 | - | 2,712 | - | 70,007 | 417,780 |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ 382,861 | $ - | $ 2,712 | $ 1,877 | $ 70,007 | $ 457,457 |

# CITY OF COCHRAN, GEORGIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2014

| | Capital Projects-Special Sales Tax-2013 | Capital Projects-Special Sales Tax-2001 | Special Revenue-Confiscated Assets | Special Revenue Hotel/Motel Tax | Special Revenue TIA Sales Tax | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|---|
| **REVENUES:** | | | | | | |
| Taxes | $ - | $ - | $ - | $ 14,971 | $ 45,179 | $ 60,150 |
| Intergovernmental | 299,264 | - | - | - | - | 299,264 |
| Miscellaneous | 314 | 32 | 2,712 | - | - | 3,058 |
| Total Revenues | 299,578 | 32 | 2,712 | 14,971 | 45,179 | 362,472 |
| **EXPENDITURES:** | | | | | | |
| Current- | | | | | | |
| Community development | - | - | - | 14,971 | - | 14,971 |
| Capital outlay | 52,591 | 32 | - | - | - | 52,623 |
| Debt service: | | | | | | |
| Principal | 48,343 | - | - | - | - | 48,343 |
| Interest | 2,013 | - | - | - | - | 2,013 |
| Total Expenditures | 102,947 | 32 | - | 14,971 | - | 117,950 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | 196,631 | - | 2,712 | - | 45,179 | 244,522 |
| **OTHER FINANCING SOURCES:** | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Total other financing sources | - | - | - | - | - | - |
| **NET CHANGE IN FUND BALANCES** | 196,631 | - | 2,712 | - | 45,179 | 244,522 |
| **FUND BALANCE-BEGINNING** | 148,430 | - | - | - | 24,828 | 173,258 |
| **FUND BALANCE-ENDING** | $ 345,061 | $ - | $ 2,712 | $ - | $ 70,007 | $ 417,780 |

**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, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES -** | | | | |
| Taxes | $ 18,000 | $ 15,000 | $ 14,971 | $ (29) |
| Total Revenues | 18,000 | 15,000 | 14,971 | (29) |
| **EXPENDITURES -** | | | | |
| Current - | | | | |
| Community development | 18,000 | 15,000 | 14,971 | 29 |
| Total Expenditures | 18,000 | 15,000 | 14,971 | 29 |
| **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, 2014

| Project | Original Estimated Cost | Current Estimated Cost | Expenditures Prior Year | Expenditures Current Year | Total |
|---|---|---|---|---|---|
| **Beginning 2001:** | | | | | |
| Recreation Department | $ 300,000 | $ 300,000 | $ 288,656 | $ - | $ 288,656 |
| Emergency Management Office | 120,000 | 120,000 | 138,513 | - | 138,513 |
| Roads, streets, water and sewer, municipal building, capital outlay projects | 2,580,000 | 2,580,000 | - | - | - |
| Municipal Building | - | - | 166,979 | - | 166,979 |
| Streets | - | - | 1,409,866 | 32 | 1,409,898 |
| Water and Sewer | - | - | 500,940 | - | 500,940 |
| Total roads, streets, water and sewer, municipal building, capital outlay projects | 2,580,000 | 2,580,000 | 2,077,785 | 32 | 2,077,817 |
| Total | $ 3,000,000 | $3,000,000 | $ 2,504,954 | $ 32 | $ 2,504,986 |

Note: The 2001 SPLOST fund was closed in 2014.

| | | | | | |
|---|---|---|---|---|---|
| **Beginning 2007:** | | | | | |
| Roads and Streets | $ 700,000 | $ 700,000 | $ 76,086 | $ 204,637 | $ 280,723 |
| * Sewer System | 600,000 | 600,000 | 654,523 | (7,892) | 646,631 |
| Water System | 285,000 | 285,000 | 298,796 | 8,354 | 307,150 |
| Fire Department Equipment | 200,000 | 200,000 | 208,311 | 4,146 | 212,457 |
| Police Department Equipment | 100,000 | 100,000 | 100,580 | 7,192 | 107,772 |
| Utility Vehicles | 100,000 | 100,000 | 100,000 | - | 100,000 |
| Library | 15,000 | 15,000 | 3,840 | - | 3,840 |
| Recreation Department. | 180,000 | 180,000 | 121,921 | 815 | 122,736 |
| Emergency Management Office | 25,000 | 25,000 | 9,325 | 17,618 | 26,943 |
| Total 2007 SPLOST | $ 2,205,000 | $2,205,000 | $ 1,573,382 | $ 234,870 | $ 1,808,252 |

*Continued*

**CITY OF COCHRAN, GEORGIA**
Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Period Ended June 30, 2014

| Project | Original Estimated Cost | Current Estimated Cost | Expenditures Prior Year | Expenditures Current Year | Total |
|---|---|---|---|---|---|
| Beginning 2013: | | | | | |
| Roads and Streets | $ 530,600 | $ 530,600 | $ 129 | $ - | $ 129 |
| Fire Department | 100,000 | 100,000 | - | 61,568 | 61,568 |
| Sewer System | 625,000 | 625,000 | - | 2,423 | 2,423 |
| Water System | 330,000 | 330,000 | - | 8,433 | 8,433 |
| Police Department | 200,000 | 200,000 | - | 30,436 | 30,436 |
| Public Library | 15,000 | 15,000 | - | - | - |
| Recreation Department | 175,200 | 175,200 | - | - | - |
| Emergency Management Office | 24,000 | 24,000 | - | 87 | 87 |
| Total 2013 SPLOST | $ 1,999,800 | $1,999,800 | $ 129 | $ 102,947 | $ 103,076 |

*Note: The $7,892 credit in the Sewer System expenditure category resulted from a total of $8,433 in SPLOST 2013 expenditures for the Water System being erroneously paid from 2007 SPLOST Fund. The 2013 SPLOST Fund recorded a payable to the 2007 SPLOST fund as of June 30, 2014 and the payable was settled in October 2014.

**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, 2014

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

Note: The City de-obligated the remaining funds in this grant on September 25, 2013.

**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, 2014

| 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 | 137,101 | - | 137,101 | - |
| Floods and drainage | P-03K-02 | 84,900 | 84,900 | - | 84,900 | - |
| Contingency | C-022-00 | 35,755 | - | - | - | - |
| Administration | A-21A-00 | 26,787 | 26,787 | - | 26,787 | - |
| Engineering Water and Sewer | T-03J-00 | 9,010 | 8,284 | - | 8,284 | - |
| Water Facilities | P-03J-01 | 77,550 | 77,550 | - | 77,550 | - |
| Engineering for Streets | T-03K-00 | 23,896 | 23,896 | - | 23,896 | - |
| Totals | | $ 465,998 | $ 358,518 | $ - | $ 358,518 | $ - |

Note: The City de-obligated the remaining funds in this grant on September 25, 2013.

# Compliance Section

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## 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, Georgia

We have audited 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, 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 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Cochran, Georgia's basic financial statements, and have issued our report thereon dated January 27, 2015.

**Internal Control Over Financial Reporting**

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

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

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



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important enough to merit attention by those charged with governance. We consider the deficiencies in the accompanying schedule of findings and responses to be material weaknesses. 2014-001, 2014-002 and 2014-003.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Cochran, Georgia'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 or 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 2014-004 and 2014-005.

**City of Cochran, Georgia's Response to Findings**

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

**Purpose of this Report**

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

Macon, Georgia
January 27, 2015

Clift, Seibel, Hart + Parker LLC

CITY OF COCHRAN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

Findings noted on the 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*:

**2014-001 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 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.

*CONTEXT*
We noted that the same individual is responsible for receiving funds, preparing deposits and posting to the general ledger.

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

*CAUSE*
The City is a small government where incompatible accounting functions are handled by a single individual.

*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 ACTIONS*
We concur with the finding. We realize that with limited personnel, strict segregation of duties is not possible. To mitigate this, we will re-evaluate assigned duties of all personnel to implement segregation of duties and compensating controls where possible.

**2014-002 Timely Deposits - TAN Proceeds**

*CRITERIA*
An adequate internal control system requires that revenues and proceeds of loans be deposited into the City's bank accounts in a timely manner.

*CONDITION*
Tax Anticipation Note (TAN) proceeds were received by the City and were not deposited into the General Fund bank account in a timely manner.

*CONTEXT*
The City borrowed $100,000 on May 7, 2014 from a local bank. The proceeds from the TAN were not deposited until July 7, 2014. In the General Fund, audit adjustments of $100,000 were required to record the TAN liability and cash.

*EFFECT*
Failure to make timely deposits could increase the likelihood of misappropriation of assets.

*CAUSE*
City personnel did not deposit these proceeds in a timely basis.

*RECOMMENDATION*
We recommend that the City make deposits on a daily basis.

*VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS*
We concur with the finding. Due to the change in personnel, the funds remained under lock and key for several weeks before they were deposited. With the re-assignment of personnel and responsibilities this should not occur in the future.

**2014-003 Accounts Payable / Expenditure or Expenses**

*CRITERIA*
In accordance with generally accepted accounting principles, expenditures or expenses are recognized as soon as a liability is incurred. Year-end procedures are necessary to ensure that expenses or expenditures and accounts payable are recorded in the appropriate period.

*CONDITION*
The City does not have adequate accounting procedures to insure that expenditures or expenses are recorded and properly classified when a liability is incurred.

*CONTEXT*
Audit procedures identified that adjustments were necessary to correct year end balances as follows:

- In the General Fund, audit adjustments of $35,539 and $18,139 were required to record additional accounts payable and retainage payable. The General Fund total expenditures increased by $53,678.
- In the Natural Gas Fund, an adjustment of $22,636 was required to increase Jointly Owned Natural Gas operating expenses for June 2014

*EFFECT*
Material audit adjustments were required to fairly state and classify expenditures or expenses for the year ended June 30, 2014.

*CAUSE*
The City missed a few invoices during the year end procedures to insure the recording and proper classification of incurred expenditures or expenses.

*RECOMMENDATION*
The City should establish procedures to insure the proper accrual and classification of all liabilities incurred during the fiscal period.

*VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS*
We concur with the finding. The City is taking steps to insure that all accounts payable are recorded timely and classified to the proper account.

## COMPLIANCE FINDINGS

### 2014-004 Violation of Georgia Law – SPLOST Funds

*CRITERIA*
The Official Code of Georgia (OCGA) Section 48-8-121(a)(1) requires that SPLOST proceeds cannot in any manner be commingled with other City funds prior to their expenditure. State law also prohibits the expenditure of SPLOST monies for any purposes that were not approved in the SPLOST referendum.

*CONDITION*
In prior years, the City advanced 2007 SPLOST funds to the General Fund. In addition, there was a due from other funds in the 2007 SPLOST Fund.

*CONTEXT*
At June 30, 2014, the General Fund owed $448,234 to the 2007 SPLOST Fund. At year end, the 2013 SPLOST Fund owed $10,548 to the 2007 SPLOST Fund.

*EFFECT*
The City is in violation of OCGA Section 48-8-121(a)(1).

*CAUSE*
The City was unaware of the requirements of the state law.

*RECOMMENDATION*
The City should implement procedures to ensure restricted funds are not accessed to finance daily operations of the City and efforts be made to eliminate current amounts already advanced to the General Fund and SPLOST 2013 Fund.

*VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS*
We concur with the finding. The City now has a separate SPLOST bank account and all SPLOST funds since that time have been deposited to that bank account. The City will make transfers from other funds to repay unexpended SPLOST proceeds in a future period.

**2014-005 Budgetary Controls – Expenditures Exceeding Appropriations – (OCGA 36-81-3)**

*CRITERIA*

In order to comply with applicable legal requirements regarding budgets, procedures must exist to properly monitor compliance with state law. Georgia code (36-81-3b) requires an annual balanced budget for the general fund, each special revenue fund, and each debt service fund. Any increase in appropriation at the legal level of control requires the approval of the governing authority.

*CONDITION*

The City did not approve a supplemental budget adjustment to cover the expenditures that exceeded appropriations in the General Fund. In addition, the City did not adopt annual budgets for the following Special Revenue Funds: Confiscated Assets and TIA Sales Tax.

*CONTEXT*

In the General Fund, Airport expenditures exceeded appropriations by $42,000. For FY2014, there were no expenditures in the Confiscated Assets Fund and TIA Sales Tax Fund.

*EFFECT*

The City has not complied with budget requirements established by restrictions of policy, regulation, laws and contracts. OCGA 36-81-3(b) requires an annual balanced budget for the general fund, each special revenue fund, and each debt service fund.

*CAUSE*

This condition is the result of a breakdown in internal controls regarding compliance with laws and regulations and the City not being sufficiently aware of the budget requirements.

*RECOMMENDATION*

The City should take a proactive role in monitoring the compliance with laws and regulations. The City needs to adopt future budgets as required by state law for all special revenue funds.

*VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS*

We concur with the findings. In the future, the budget will be amended to prevent any expenditure from exceeding the budgeted amount. For future years, the City will adopt an annual budget for Confiscated Assets and TIA Sales Tax.

CITY OF COCHRAN, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

**2013-01 Segregation of Duties (Repeat Finding)**

*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.

*UPDATE*
Unresolved. See current year finding 2014-001.

**2013-02 Violation of Georgia Law – SPLOST Funds**

*CONDITION*
The City has advanced some SPLOST funds to other funds of the City.

*UPDATE*
Unresolved. See current year finding 2014-004.

**2013-03 Violation of Bond Covenants – Sinking Fund**

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

*UPDATE*
This matter was resolved during fiscal year 2014.