# CITY OF COCHRAN, GEORGIA

# ANNUAL FINANCIAL REPORT




# FOR THE FISCAL YEAR ENDED

# JUNE 30, 2015

**CITY OF COCHRAN, GEORGIA**
Financial Statements
For the Fiscal Year Ended June 30, 2015

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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, 2015, 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, 2015, 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 18 to the financial statements, in 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* as of July 1, 2014. 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 on page 40, the schedule of contributions on page 41, the schedule of changes in the net pension liability and related ratios on page 42 and the notes to the required supplementary information on pages 43-45 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 June 13, 2016, 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
June 13, 2016

# Basic Financial Statements

**CITY OF COCHRAN, GEORGIA**
Statement of Net Position
June 30, 2015

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **ASSETS:** | | | |
| Cash | $ 994,726 | $ 1,088,630 | $ 2,083,356 |
| Restricted investments, current | - | 33,525 | 33,525 |
| Receivables, net: | | | |
| Taxes | 45,773 | - | 45,773 |
| Fines and forfeitures | 17,281 | - | 17,281 |
| Customers | - | 377,033 | 377,033 |
| Intergovernmental | 133,147 | - | 133,147 |
| Others | 10,710 | - | 10,710 |
| Prepaid Items | 37,411 | 31,631 | 69,042 |
| Inventory, at cost | 1,559 | 4,290 | 5,849 |
| Investment in joint venture | - | 747,567 | 747,567 |
| Capital assets not being depreciated | 1,077,250 | 274,970 | 1,352,220 |
| Capital assets being depreciated, net | 7,681,939 | 6,795,910 | 14,477,849 |
| **TOTAL ASSETS** | 9,999,796 | 9,353,556 | 19,353,352 |
| **DEFERRED OUTFLOWS OF RESOURCES-** | | | |
| Pensions | 33,060 | 7,235 | 40,295 |
| **LIABILITIES:** | | | |
| Accounts payable | 74,896 | 115,036 | 189,932 |
| Deposits payable | - | 54,406 | 54,406 |
| Salaries and benefits payable | 66,652 | 17,123 | 83,775 |
| Accrued interest | - | 27,683 | 27,683 |
| Intergovernmental | 3,720 | - | 3,720 |
| Compensated absences, payable within one year | 54,613 | 16,329 | 70,942 |
| Compensated absences, payable after one year | 29,407 | 8,042 | 37,449 |
| Capital leases, payable within one year | 21,212 | - | 21,212 |
| Bonds payable due within one year - (payable from restricted assets) | - | 89,026 | 89,026 |
| Bonds and leases payable due after one year | 5,397 | 3,752,970 | 3,758,367 |
| Net pension liability | 230,922 | 50,543 | 281,465 |
| **TOTAL LIABILITIES** | 486,819 | 4,131,158 | 4,617,977 |
| **DEFERRED INFLOWS OF RESOURCES-** | | | |
| Pensions | 142,184 | 31,120 | 173,304 |
| **NET POSITION:** | | | |
| Net investment in capital assets | $ 8,732,580 | $ 3,509,968 | $ 12,242,548 |
| Restricted for capital improvements | 528,707 | - | 528,707 |
| Restricted for transportation projects | 82,866 | - | 82,866 |
| Restricted for confiscated assets - police | 9,364 | - | 9,364 |
| Restricted for debt service | - | 33,525 | 33,525 |
| Unrestricted | 50,336 | 1,655,020 | 1,705,356 |
| **TOTAL NET POSITION** | $ 9,403,853 | $ 5,198,513 | $ 14,602,366 |

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, 2015

| 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 | $ 854,597 | $ 164,291 | $ 393,924 | $ 37,551 | $ (258,831) | $ - | $ (258,831) |
| Public safety | 1,454,433 | 141,683 | - | 71,362 | (1,241,388) | - | (1,241,388) |
| Public works | 889,485 | - | - | 407,251 | (482,234) | - | (482,234) |
| Airport | 154,634 | - | - | 314,847 | 160,213 | - | 160,213 |
| Community development | 14,712 | - | - | - | (14,712) | - | (14,712) |
| Interest on long-term debt | 3,503 | - | - | - | (3,503) | - | (3,503) |
| Total governmental activities | 3,371,364 | 305,974 | 393,924 | 831,011 | (1,840,455) | - | (1,840,455) |
| **Business-type activities:** | | | | | | | |
| Water and sewer | 1,430,316 | 1,400,247 | - | - | - | (30,069) | (30,069) |
| Natural gas | 1,334,367 | 1,469,363 | - | - | - | 134,996 | 134,996 |
| Solid waste | 677,603 | 675,651 | - | - | - | (1,952) | (1,952) |
| Total business-type activities | 3,442,286 | 3,545,261 | - | - | - | 102,975 | 102,975 |
| Total | $ 6,813,650 | $ 3,851,235 | $ 393,924 | $ 831,011 | (1,840,455) | 102,975 | (1,737,480) |
| **General revenues:** | | | | | | | |
| Property taxes | | | | | 820,958 | - | 820,958 |
| General sales tax | | | | | 564,403 | - | 564,403 |
| Hotel/Motel tax | | | | | 14,712 | - | 14,712 |
| Other taxes | | | | | 624,454 | - | 624,454 |
| Interest earnings | | | | | 1,232 | 409 | 1,641 |
| Miscellaneous | | | | | 16,635 | 23,027 | 39,662 |
| Gain on sale of capital assets | | | | | 7,911 | - | 7,911 |
| **Capital contributed** | | | | | - | 203,083 | 203,083 |
| **Transfers** | | | | | 399,687 | (399,687) | - |
| Total general revenues and transfers | | | | | 2,449,992 | (173,168) | 2,276,824 |
| Changes in net position | | | | | 609,537 | (70,193) | 539,344 |
| Net position – beginning, as restated | | | | | 8,794,316 | 5,268,706 | 14,063,022 |
| Net position – ending | | | | | $ 9,403,853 | $ 5,198,513 | $ 14,602,366 |

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

# CITY OF COCHRAN, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2015

| | General Fund | Capital Projects-Special Sales Tax – 2013 | Capital Projects-Special Sales Tax- 2007 | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| Cash | $ 403,894 | $ 432,715 | $ 70,107 | $ 88,010 | $ 994,726 |
| Receivables, net: | | | | | |
| Taxes | 44,372 | - | - | 1,401 | 45,773 |
| Fines and forfeitures | 17,281 | - | - | - | 17,281 |
| Intergovernmental | 42,860 | 58,637 | - | 31,650 | 133,147 |
| Others | 10,710 | - | - | - | 10,710 |
| Due from other funds | 27,252 | - | 10,759 | - | 38,011 |
| Advance to other funds | - | - | 448,234 | - | 448,234 |
| Prepaid items | 37,411 | - | - | - | 37,411 |
| Inventory | 1,559 | - | - | - | 1,559 |
| **TOTAL ASSETS** | $ 585,339 | $ 491,352 | $ 529,100 | $ 121,061 | $ 1,726,852 |
| **LIABILITIES:** | | | | | |
| Accounts payable | $ 40,565 | $ 5,500 | $ - | $ 28,831 | $ 74,896 |
| Salaries and benefits payable | 66,652 | - | - | - | 66,652 |
| Due to other funds | - | 38,011 | - | - | 38,011 |
| Intergovernmental | 3,720 | - | - | - | 3,720 |
| Advance from other funds | 448,234 | - | - | - | 448,234 |
| **TOTAL LIABILITIES** | 559,171 | 43,511 | - | 28,831 | 631,513 |
| **DEFERRED INFLOWS OF RESOURCES-** | | | | | |
| Unavailable revenue-property taxes | 26,031 | - | - | - | 26,031 |
| **FUND BALANCES (DEFICITS):** | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | 37,411 | - | - | - | 37,411 |
| Inventory | 1,559 | - | - | - | 1,559 |
| Advance to other funds | - | - | 448,234 | - | 448,234 |
| Restricted: | | | | | |
| Capital projects | - | 447,841 | 80,866 | - | 528,707 |
| Transportation projects | - | - | - | 82,866 | 82,866 |
| Confiscated assets-police | - | - | - | 9,364 | 9,364 |
| Unassigned- | | | | | |
| General fund | (38,833) | - | - | - | (38,833) |
| **TOTAL FUND BALANCES** | 137 | 447,841 | 529,100 | 92,230 | 1,069,308 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | $ 585,339 | $ 491,352 | $ 529,100 | $ 121,061 | $ 1,726,852 |

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, 2015

| | |
|---|---|
| Differences in amounts reported for governmental activities in the statement of net position: | |
| Fund balances - total governmental funds | $ 1,069,308 |
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds | 8,759,189 |
| Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds: | |
| Liability for compensated absences | (84,020) |
| Net pension liability | (230,922) |
| Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and therefore are not reported in the government funds: | |
| Deferred outflows | 33,060 |
| Deferred inflows | (142,184) |
| Long-term payables are not due and payable in the current period and, therefore, are not reported in the governmental funds | (26,609) |
| Some governmental revenues will not be collected for several months after the year end and are deferred in the governmental funds | 26,031 |
| Net position of governmental activities | $ 9,403,853 |

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, 2015

| | General Fund | Capital Projects-Special Sales Tax – 2013 | Capital Projects-Special Sales Tax – 2007 | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES:** | | | | | |
| Taxes | $ 1,955,186 | $ - | $ - | $ 69,760 | $ 2,024,946 |
| Licenses and permits | 65,315 | - | - | - | 65,315 |
| Intergovernmental | 834,330 | 355,176 | - | 35,430 | 1,224,936 |
| Charges for services | 38,749 | - | - | - | 38,749 |
| Fines and forfeitures | 201,910 | - | - | - | 201,910 |
| Miscellaneous | 5,167 | 553 | 44 | 12,103 | 17,867 |
| **Total Revenues** | 3,100,657 | 355,729 | 44 | 117,293 | 3,573,723 |
| **EXPENDITURES:** | | | | | |
| Current: | | | | | |
| General government | 905,216 | - | - | - | 905,216 |
| Public safety | 1,362,519 | - | - | 5,451 | 1,367,970 |
| Public works | 606,751 | - | - | 42,189 | 648,940 |
| Airport | 297,252 | - | - | - | 297,252 |
| Community development | - | - | - | 50,142 | 50,142 |
| Capital outlay | - | 252,949 | 39,063 | - | 292,012 |
| Debt service: | | | | | |
| Principal | 29,034 | - | - | - | 29,034 |
| Interest | 3,503 | - | - | - | 3,503 |
| Total Expenditures | 3,204,275 | 252,949 | 39,063 | 97,782 | 3,594,069 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | (103,618) | 102,780 | (39,019) | 19,511 | (20,346) |
| **OTHER FINANCING SOURCES:** | | | | | |
| Transfers in | 406,984 | - | - | - | 406,984 |
| Transfers out | (7,297) | - | - | - | (7,297) |
| Sale of capital assets | 7,911 | - | - | - | 7,911 |
| Total Other Financing Sources | 407,598 | - | - | - | 407,598 |
| **NET CHANGE IN FUND BALANCES** | 303,980 | 102,780 | (39,019) | 19,511 | 387,252 |
| **FUND BALANCE (DEFICIT), BEGINNING** | (303,843) | 345,061 | 568,119 | 72,719 | 682,056 |
| **FUND BALANCE (DEFICIT), ENDING** | $ 137 | $ 447,841 | $ 529,100 | $ 92,230 | $ 1,069,308 |

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, 2015

| | | |
|---|---|---|
| Differences in amounts reported for governmental activities in the statement of activities: | | |
| Net change in fund balances - total governmental funds | $ | 387,252 |
| Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net position | | 436,073 |
| Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities | | (342,007) |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but as a reduction of long-term liabilities in the statement of net position | | 29,034 |
| 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 | | (84,020) |
| Liability balance at prior fiscal year end | | 93,252 |
| Pension contributions reported as expenditures in the governmental funds are reported as deferred outflows of resources in the statement of net position because the net pension liability is measured prior to the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities | | 90,373 |
| 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 | | 26,031 |
| Unavailable revenue balance at prior fiscal year end | | (26,451) |
| Change in net position of governmental activities | $ | 609,537 |

# CITY OF COCHRAN, GEORGIA
Statement of Net Position
Proprietary Funds
June 30, 2015

| | Water and Sewer | Natural Gas | Solid Waste | Total |
|---|---|---|---|---|
| **ASSETS:** | | | | |
| **Current Assets:** | | | | |
| Cash | $ 917,963 | $ 168,877 | $ 1,790 | $ 1,088,630 |
| Restricted investments | 33,525 | - | - | 33,525 |
| Receivables, net | 256,230 | 79,620 | 41,183 | 377,033 |
| Prepaid items | 17,261 | 5,740 | 8,630 | 31,631 |
| Inventory, at cost | 4,290 | - | - | 4,290 |
| Total Current Assets | 1,229,269 | 254,237 | 51,603 | 1,535,109 |
| **Noncurrent Assets:** | | | | |
| Investment in joint venture | - | 747,567 | - | 747,567 |
| Capital assets: | | | | |
| Land | 9,700 | 515 | - | 10,215 |
| Construction in progress | 264,755 | - | - | 264,755 |
| Buildings, net | 12,649 | - | - | 12,649 |
| Machinery and equipment, net | 43,161 | 4,064 | 812 | 48,037 |
| Water and sewer system, net | 6,507,949 | - | - | 6,507,949 |
| Gas system, net | - | 119,842 | - | 119,842 |
| Transmission line, net | - | 107,433 | - | 107,433 |
| Total Noncurrent Assets | 6,838,214 | 979,421 | 812 | 7,818,447 |
| **TOTAL ASSETS** | 8,067,483 | 1,233,658 | 52,415 | 9,353,556 |
| **DEFERRED OUTFLOWS OF RESOURCES-** | | | | |
| Pensions | 5,485 | - | 1,750 | 7,235 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | 8,072,968 | 1,233,658 | 54,165 | 9,360,791 |

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, 2015

| | Water and Sewer | Natural Gas | Solid Waste | Total |
|---|---|---|---|---|
| **LIABILITIES:** | | | | |
| **Current Liabilities:** | | | | |
| Accounts payable | 24,424 | 33,195 | 57,417 | 115,036 |
| Deposits payable | 34,446 | 19,960 | - | 54,406 |
| Salaries and benefits payable | 13,012 | - | 4,111 | 17,123 |
| Accrued interest | 27,683 | - | - | 27,683 |
| Compensated absences | 13,430 | - | 2,899 | 16,329 |
| Total | 112,995 | 53,155 | 64,427 | 230,577 |
| **Current Liabilities (payable from restricted assets) -** | | | | |
| Revenue bonds payable | 89,026 | - | - | 89,026 |
| Total Current Liabilities (payable from restricted assets) | 89,026 | - | - | 89,026 |
| Total Current Liabilities | 202,021 | 53,155 | 64,427 | 319,603 |
| **Noncurrent Liabilities:** | | | | |
| Revenue bonds payable | 3,752,970 | - | - | 3,752,970 |
| Compensated absences | 6,614 | - | 1,428 | 8,042 |
| Net pension liability | 38,316 | - | 12,227 | 50,543 |
| Total Noncurrent Liabilities | 3,797,900 | - | 13,655 | 3,811,555 |
| **TOTAL LIABILITIES** | 3,999,921 | 53,155 | 78,082 | 4,131,158 |
| **DEFERRED INFLOWS OF RESOURCES-** | | | | |
| Pensions | 23,592 | - | 7,528 | 31,120 |
| **TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES** | 4,023,513 | 53,155 | 85,610 | 4,162,278 |
| **NET POSITION:** | | | | |
| Net investment in capital assets | 3,277,302 | 231,854 | 812 | 3,509,968 |
| Restricted for debt service | 33,525 | - | - | 33,525 |
| Unrestricted | 738,628 | 948,649 | (32,257) | 1,655,020 |
| **TOTAL NET POSITION** | $ 4,049,455 | $ 1,180,503 | $ (31,445) | $ 5,198,513 |

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, 2015

| | Water and Sewer | Natural Gas | Solid Waste | Total |
|---|---|---|---|---|
| **OPERATING REVENUES:** | | | | |
| Water and sewer charges pledged as security for revenue bonds | $ 1,400,247 | $ - | $ - | $ 1,400,247 |
| Charges for services | - | 1,469,363 | 675,651 | 2,145,014 |
| Total Operating Revenues | 1,400,247 | 1,469,363 | 675,651 | 3,545,261 |
| **OPERATING EXPENSES:** | | | | |
| Salaries and benefits | 296,262 | - | 96,517 | 392,779 |
| Administrative overhead | 205,935 | 59,822 | 42,010 | 307,767 |
| Services and fees | 86,911 | 1,237,572 | 511,816 | 1,836,299 |
| Supplies | 56,643 | - | 416 | 57,059 |
| Repairs and maintenance | 20,862 | 3,000 | 7,014 | 30,876 |
| Utilities | 169,807 | 16,185 | 6,940 | 192,932 |
| Insurance premiums | 32,095 | 8,611 | 12,664 | 53,370 |
| Depreciation | 235,149 | 8,994 | 226 | 244,369 |
| Miscellaneous | 106 | 183 | - | 289 |
| Total Operating Expenses | 1,103,770 | 1,334,367 | 677,603 | 3,115,740 |
| **OPERATING INCOME** | 296,477 | 134,996 | (1,952) | 429,521 |
| **NON-OPERATING REVENUES (EXPENSES):** | | | | |
| Interest income | 409 | - | - | 409 |
| Income from joint venture | - | 23,027 | - | 23,027 |
| Bond issuance costs | (206,911) | - | - | (206,911) |
| Interest expense | (119,635) | - | - | (119,635) |
| Total Non-Operating Revenues (Expenses) | (326,137) | 23,027 | - | (303,110) |
| **INCOME BEFORE CONTRIBUTIONS AND TRANSFERS** | (29,660) | 158,023 | (1,952) | 126,411 |
| Capital contributed | 203,083 | - | - | 203,083 |
| Transfers in | - | - | 7,297 | 7,297 |
| Transfers out | ( 406,984) | - | - | (406,984) |
| **CHANGES IN NET POSITION** | (233,561) | 158,023 | 5,345 | (70,193) |
| **NET POSITION, (DEFICIT) BEGINNING, AS RESTATED** | 4,283,016 | 1,022,480 | (36,790) | 5,268,706 |
| **NET POSITION, (DEFICIT) ENDING** | $ 4,049,455 | $ 1,180,503 | $ (31,445) | $ 5,198,513 |

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

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# CITY OF COCHRAN, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

| | Water and Sewer | Natural Gas | Solid Waste | Total |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Cash received from customers and users | $ 1,326,540 | $ 1,469,171 | $ 700,886 | $ 3,496,597 |
| Cash paid to suppliers | (572,823) | (1,373,788) | (639,967) | (2,586,578) |
| Cash paid to employees | (315,100) | - | (103,678) | (418,778) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 438,617 | 95,383 | (42,759) | 491,241 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES-** | | | | |
| Transfer (to) from other funds | (406,984) | - | 7,297 | (399,687) |
| **NET CASH (USED FOR) NONCAPITAL FINANCING ACTIVITIES** | (406,984) | - | 7,297 | (399,687) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | | | |
| Acquisition of capital assets | (571,114) | - | - | (571,114) |
| Capital contributed | 203,083 | - | - | 203,083 |
| Refunding of bonds | 3,996,347 | - | - | 3,996,347 |
| Principle payments on bonds | (3,420,058) | - | - | (3,420,058) |
| Bond issuance costs | (206,911) | - | - | (206,911) |
| Interest paid on bonds and notes | (105,621) | - | - | (105,621) |
| **NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES** | (104,274) | - | - | (104,274) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | |
| Interest earned | 409 | - | - | 409 |
| Decrease (increase) in restricted assets | 249,638 | - | - | 249,638 |
| **NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES** | 250,047 | - | - | 250,047 |
| **NET INCREASE (DECREASE) IN CASH** | 177,406 | 95,383 | ( 35,462) | 237,327 |
| **CASH, BEGINNING** | 740,557 | 73,494 | 37,252 | 851,303 |
| **CASH, ENDING** | $ 917,963 | $ 168,877 | $ 1,790 | $ 1,088,630 |
| **CASH ENDING -** | | | | |
| Unrestricted | $ 917,963 | $ 168,877 | $ 1,790 | $ 1,088,630 |
| Total | $ 917,963 | $ 168,877 | $ 1,790 | $ 1,088,630 |

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, 2015

| | Water and Sewer | Natural Gas | Solid Waste | Total |
|---|---|---|---|---|
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:** | | | | |
| **Operating Income** | $ 296,477 | $ 134,996 | $ (1,952) | $ 429,521 |
| **Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:** | | | | |
| Depreciation | 235,149 | 8,994 | 226 | 244,369 |
| Pension expense | 9,856 | - | 3,145 | 13,001 |
| Employer pension contributions | (19,365) | - | (6,180) | (25,545) |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in: | | | | |
| Accounts receivable | (90,059) | (2,494) | 25,235 | (67,318) |
| Prepaid items, etc. | (3,343) | (5,140) | (1,087) | (9,570) |
| Inventory, at cost | 569 | - | - | 569 |
| Deferred outflows of resources – pensions | (5,485) | - | (1,750) | (7,235) |
| Increase (decrease) in: | | | | |
| Accounts payable | (4,627) | (43,275) | (58,021) | (105,923) |
| Deposits payable | 16,353 | 2,302 | - | 18,655 |
| Salaries and benefits payable | 3,092 | - | (2,375) | 717 |
| Total adjustments | 142,140 | (39,613) | (40,807) | 61,720 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | $ 438,617 | $ 95,383 | $ (42,759) | $ 491,241 |
| **NON-CASH TRANSACTIONS AFFECTING FINANCIAL POSITION-** | | | | |
| Net income from joint venture | $ - | $ 23,027 | $ - | $ 23,027 |
| **NET-EFFECT-NON-CASH TRANSACTIONS** | $ - | $ 23,027 | $ - | $ 23,027 |

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 - 2013 Capital Projects Fund** accounts for capital outlay and other transactions related to the 2013 additional one-percent local option sales tax.

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.

## 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. 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.

**G. 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.

**H. Prepaid Items**

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

**I. 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.

General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements.

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 |

**J. 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 45 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.

**K. 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.

**L. 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 has only one type of item, which arises under the accrual basis of accounting, that qualifies for reporting in this category. Pension plan contributions made subsequent to the measurement date of the Pension plan are reported on the government-wide statement of net position for governmental activities and business-type activities, and on the proprietary funds statements of net position for the Water and Sewer Fund, and the Solid Waste Fund.

***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. The City has several types of items that qualify for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheets. Pension related items are reported on the government-wide statement of net position for governmental activities and business-type activities, and on the proprietary funds statements of net position for the Water and Sewer Fund, and the Solid Waste Fund.

**M. Fund Equity**

1. Government-wide Statements

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

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

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

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

2. Fund Statements

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

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

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

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

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

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

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

***Fund balance flow assumptions***-When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts 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

The City does not have a formal minimum fund balance policy.

The following is a summary of the fund balance classifications as of June 30, 2015:

| | General Fund | Capital Projects Special Sales Tax - 2013 | Capital Projects Special Sales Tax - 2007 | Other Governmental Funds | Total |
|---|---|---|---|---|---|
| Fund Balances: | | | | | |
| Nonspendable | | | | | |
| Prepaids | $37,411 | $ - | $ - | $ - | $ 37,411 |
| Inventory | 1,559 | - | - | - | 1,559 |
| Advance to other funds | - | - | 448,234 | - | 448,234 |
| Restricted for: | | | | | |
| Capital projects | - | 447,841 | 80,866 | - | 528,707 |
| Transportation projects | - | - | - | 82,866 | 82,866 |
| Confiscated assets-police | - | - | - | 9,364 | 9,364 |
| Unassigned | (38,833) | - | - | - | (38,833) |
| Total fund balances | $ 137 | $ 447,841 | $ 529,100 | $ 92,230 | $1,069,308 |

***Net position flow assumptions***-Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted- net position and unrestricted- net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position.

## N. Advertising Costs

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

### O. Interfund Transactions

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

### P. Allowance for Uncollectible Accounts

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

### Q. Post-employment health care benefits

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

### R. Concentrations of Credit Risk

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

### S. Use of Estimates

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

## 2. DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Government may not be able to recover its deposits or recover collateral securities in the possession of an outside party. At year end, the City had deposits of $2,116,260 the carrying amount for these deposits was $2,294,216. 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 | $ 2,082,735 |
| Restricted Investments, Current | 33,525 |
| Restricted Investments, Noncurrent | - |
| Carrying Amount | 2,116,260 |
| Cash on hand | 620 |
| Totals | $ 2,116,880 |

Restricted investments are 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, 2015, were assessed at the net rate of 9.767 mills on the dollar on a total assessed valuation of $70,259,019.

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:

| Governmental Funds | General Fund | Capital Projects SPLOST 2013 | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| Taxes | $ 77,872 | $ - | $ 1,401 | $ 79,273 |
| Less allowance for uncollectibles | (33,500) | - | - | (33,500) |
| Net taxes | $ 44,372 | $ - | $ 1,401 | $ 45,773 |
| Fines | $ 427,796 | $ - | $ - | $ 427,796 |
| Less allowance for uncollectibles | (410,515) | - | - | (410,515) |
| Net fines | $ 17,281 | $ - | $ - | $ 17,281 |
| Intergovernmental | $ 42,860 | $ 58,637 | $ 31,650 | $ 133,147 |
| Less allowance for uncollectibles | - | - | - | - |
| Net intergovernmental | $ 42,860 | $ 58,637 | $ 31,650 | $ 133,147 |
| Others | $ 10,710 | $ - | $ - | $ 10,710 |
| Less allowance for uncollectibles | - | - | - | - |
| Net others | $ 10,710 | $ - | $ - | $ 10,710 |

| Proprietary Funds | Water and Sewer Fund | Natural Gas Fund | Solid Waste Fund | Total Proprietary Funds |
|---|---|---|---|---|
| Customer receivables | $ 592,992 | $ 315,247 | $ 238,381 | $ 1,146,620 |
| Less allowance for uncollectibles | (336,762) | (235,627) | (197,198) | (769,587) |
| Net customer receivables | $ 256,230 | $ 79,620 | $ 41,183 | $ 377,033 |

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

| Description | Balance Beginning | Additions | Transfers/ Retirements | Balance Ending |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 876,374 | $ 23,900 | $ - | $ 900,274 |
| Construction in progress | 405,901 | 53,238 | 282,163 | 176,976 |
| Total capital assets, not being depreciated | 1,282,275 | 77,138 | 282,163 | 1,077,250 |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 6,050,461 | 9,457 | (252,369) | 6,312,287 |
| Buildings and improvements | 1,648,596 | 165,841 | - | 1,814,437 |
| Improvements other than buildings | 106,667 | 144,005 | (29,794) | 280,466 |
| Machinery and equipment | 2,469,366 | 39,632 | 43,360 | 2,465,638 |
| Total capital assets, being depreciated | 10,275,090 | 358,935 | (238,803) | 10,872,828 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 635,652 | 157,953 | - | 793,605 |
| Buildings and improvements | 640,505 | 36,179 | - | 676,684 |
| Improvements other than buildings | 17,680 | 3,623 | - | 21,303 |
| Machinery and equipment | 1,598,405 | 144,252 | (43,360) | 1,699,297 |
| Total accumulated depreciation | 2,892,242 | 342,007 | (43,360) | 3,190,889 |
| Governmental activities capital assets, net of accumulated depreciation: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | 876,374 | 23,900 | - | 900,274 |
| Construction in progress | 405,901 | 53,238 | 282,163 | 176,976 |
| Total capital assets, not being depreciated | 1,282,275 | 77,138 | 282,163 | 1,077,250 |
| Capital assets being depreciated, net of accumulated depreciation: | | | | |
| Infrastructure | 5,414,809 | (148,496) | (252,369) | 5,518,682 |
| Buildings and improvements | 1,008,091 | 129,662 | - | 1,137,753 |
| Improvements other than buildings | 88,987 | 140,382 | (29,794) | 259,163 |
| Machinery and equipment | 870,961 | (104,620) | - | 766,341 |
| Total capital assets being depreciated, net of accumulated depreciation | 7,382,848 | 16,928 | (282,163) | 7,681,939 |
| Total governmental activities capital assets, net of accumulated depreciation | $ 8,665,123 | $ 94,066 | $ - | 8,759,189 |
| Less: related long term debt outstanding | | | | (26,609) |
| Net investment in capital assets | | | | $ 8,732,580 |

| Description | Balance Beginning | Additions | Transfers/ Retirements | Balance Ending |
|---|---|---|---|---|
| **Business Type activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 10,215 | $ - | $ - | $ 10,215 |
| Construction in progress | 148,503 | 242,955 | 126,703 | 264,755 |
| Total capital assets, not being depreciated | 158,718 | 242,955 | 126,703 | 274,970 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 35,512 | - | - | 35,512 |
| Machinery and equipment | 673,599 | 5,338 | - | 678,937 |
| Water and sewerage system | 10,432,028 | 449,524 | - | 10,881,552 |
| Gas system | 585,395 | - | - | 585,395 |
| Transmission line | 667,584 | - | - | 667,584 |
| Total capital assets, being depreciated | 12,394,118 | 454,862 | - | 12,848,980 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 22,236 | 627 | - | 22,863 |
| Machinery and equipment | 617,262 | 13,638 | - | 630,900 |
| Water and sewerage system | 4,151,443 | 222,160 | - | 4,373,603 |
| Gas system | 461,173 | 4,380 | - | 465,553 |
| Transmission line | 556,587 | 3,564 | - | 560,151 |
| Total accumulated depreciation | 5,808,701 | 244,369 | - | 6,053,070 |
| Business-type activities capital assets, net of accumulated depreciation: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | 10,215 | - | - | 10,215 |
| Construction in progress | 148,503 | 242,955 | 126,703 | 264,755 |
| Total capital assets, not being depreciated | 158,718 | 242,955 | 126,703 | 274,970 |
| Capital assets being depreciated, net of accumulated depreciation: | | | | |
| Buildings and improvements | 13,276 | (627) | - | 12,649 |
| Machinery and equipment | 56,337 | (8,300) | - | 48,037 |
| Water and sewerage system | 6,280,585 | 227,364 | - | 6,507,949 |
| Gas system | 124,222 | (4,380) | - | 119,842 |
| Transmission line | 110,997 | (3,564) | - | 107,433 |
| Total capital assets being depreciated, net of accumulated depreciation | 6,585,417 | 210,493 | - | 6,795,910 |
| Total governmental activities capital assets, net of accumulated depreciation | $ 6,744,135 | $ 453,448 | $ 126,703 | 7,070,880 |
| Less: related long term debt outstanding | | | | (3,841,996) |
| Proceeds not spent | | | | 281,084 |
| Net investment in capital assets | | | | $ 3,509,968 |

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

| | |
|---|---|
| Governmental activities: | |
| General government | $ 34,810 |
| Public safety | 93,581 |
| Public works | 74,314 |
| Airport | 139,302 |
| Total depreciation expense - governmental activities | $ 342,007 |
| Business-type activities: | |
| Water and sewer system | $ 235,149 |
| Gas system | 8,994 |
| Solid waste system | 226 |
| Total depreciation expense - business-type activities | $ 244,369 |

## 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, 2014 and 2013 allocated to the City of Cochran are reported in the Natural Gas Enterprise Fund as of and for the years ended June 30, 2015 and 2014.

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, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|---|---|
| Retained earnings, beginning | $724,540 | $695,606 |
| Net income (loss) for the year | 23,027 | 28,934 |
| Retained earnings, ending | $747,567 | $ 724,540 |

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, 2015 and 2014, are as follows:

| | 2015 | 2014 |
|---|---|---|
| Investment in joint venture | $747,567 | $724,540 |
| Net income (loss) from joint venture | $ 23,027 | $ 28,934 |

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, 2015, were $30,000. 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 | $ 14,712 |
| Total Hotel/Motel tax receipts | $ 14,712 |
| Percentage of expenditures to tax receipts | 100 % |

**Deficit Fund Balance/Net Position:**

The following fund had a deficit fund balance/net position at year end-

| | |
|---|---|
| Solid Waste Fund | $ 31,445 |

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

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

The Public Safety department had an excess of expenditures over appropriations in the current year of $4,519.

**SPLOST Funds Noncompliance-**

Funds had been advanced to and are due from other funds in the amount of $458,993 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, 2015:

| | Balance Beginning- As Restated | Increases | Decreases | Balance Ending | Amounts Due Within One Year | Long-term Portion |
|---|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | | |
| Compensated absences | $ 93,252 | $ - | $ 9,232 | $ 84,020 | $ 54,613 | $ 29,407 |
| Capital leases | 55,643 | - | 29,034 | 26,609 | 21,212 | 5,397 |
| Net pension liability | 466,269 | 494,683 | 730,030 | 230,922 | - | 230,922 |
| Total Governmental Activities | $ 615,164 | $ 494,683 | $ 768,296 | $ 341,551 | $ 75,825 | $ 265,726 |

| | Balance Beginning- As Restated | Increases | Decreases | Balance Ending | Amounts Due Within One Year | Long-term Portion |
|---|---|---|---|---|---|---|
| **Business-Type Activities:** | | | | | | |
| Compensated absences | $ 23,949 | $ 422 | $ - | $ 24,371 | $ 16,329 | $ 8,042 |
| Revenue Bonds Payable: | | | | | | |
| Series 1989 | 92,000 | - | 92,000 | - | - | - |
| Series 2002 | 3,173,059 | - | 3,173,059 | - | - | - |
| Series 2014 | - | 4,025,000 | 155,000 | 3,870,000 | 90,000 | 3,780,000 |
| Less: discount | - | (28,653) | (649) | (28,004) | (974) | (27,030) |
| Total Revenue Bonds | 3,265,059 | 3,996,347 | 3,419,410 | 3,841,996 | 89,026 | 3,752,970 |
| Net pension liability | 102,054 | 108,272 | 159,783 | 50,543 | - | 50,543 |
| Total Business-Type Activities | $ 3,391,062 | $ 4,105,041 | $ 3,579,193 | $ 3,916,910 | $ 105,355 | $ 3,811,555 |

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 | $ 13,510 | $ - | $ 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 | 42,133 | - | 15,524 | 26,609 |
| Total Capital Leases Payable-Governmental Activities | $ 55,643 | $ - | $ 29,034 | $ 26,609 |
| **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 the water and sewer system | $ 92,000 | $ - | $ 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 | 3,173,059 | - | 3,173,059 | - |
| 2.00% graduating to 3.25% by 2044 Revenue bond payable, (Series 2014), with payments due semi-annually in increasing amounts beginning April 1, 2015, original principal amount of $4,025,000 made on October 30, 2014, with final payment due on April 1, 2044, incurred to extend and improve the water and sewer system | - | 3,996,347 | 154,351 | 3,841,996 |
| Total Revenue Bonds Payable-Business – Type Activities | $ 3,265,059 | $ 3,996,347 | $ 3,419,410 | $ 3,841,996 |

The total assets recorded in the governmental activities statement of net position under capital leases outstanding at June 30, 2015, is $82,364 with accumulated amortization of $45,300. Accumulated amortization on assets recorded under capital leases is included in accumulated depreciation. This year, $16,473 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 | | | Totals | | |
|---|---|---|---|---|---|---|---|---|---|
| June 30 | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | $ - | $ - | $ - | $ 21,212 | $ 525 | $ 21,737 | $ 21,212 | $ 525 | $ 21,737 |
| 2017 | - | - | - | 5,397 | 38 | 5,435 | 5,397 | 38 | 5,435 |
| Totals | $ - | $ - | $ - | $ 26,609 | $ 563 | $ 27,172 | $ 26,609 | $ 563 | $ 27,172 |

**Business-Type Activities:**

| Year ending | Revenue Bonds | | | Capital Leases | | | Totals | | |
|---|---|---|---|---|---|---|---|---|---|
| June 30 | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | $ 89,026 | $ 111,705 | $ 200,731 | $ - | $ - | $ - | $ 89,026 | $ 111,705 | $ 200,731 |
| 2017 | 94,026 | 109,905 | 203,931 | - | - | - | 94,026 | 109,905 | 203,931 |
| 2018 | 94,026 | 108,005 | 202,031 | - | - | - | 94,026 | 108,005 | 202,031 |
| 2019 | 94,026 | 106,105 | 200,131 | - | - | - | 94,026 | 106,105 | 200,131 |
| 2020 | 99,026 | 104,205 | 203,231 | - | - | - | 99,026 | 104,205 | 203,231 |
| 2021-2025 | 525,130 | 487,152 | 1,012,282 | - | - | - | 525,130 | 487,152 | 1,012,282 |
| 2026-2030 | 600,130 | 414,189 | 1,014,319 | - | - | - | 600,130 | 414,189 | 1,014,319 |
| 2031-2035 | 695,130 | 318,902 | 1,014,032 | - | - | - | 695,130 | 318,902 | 1,014,032 |
| 2036-2040 | 805,130 | 205,339 | 1,010,469 | - | - | - | 805,130 | 205,339 | 1,010,469 |
| 2041-2045 | 746,346 | 65,403 | 811,749 | - | - | - | 746,346 | 65,403 | 811,749 |
| Totals | $3,841,996 | $ 2,030,910 | $ 5,872,906 | $ | $ | $ | $3,841,996 | $ 2,030,910 | $ 5,872,906 |

Total interest paid on long-term debt was $123,138 during the year ended June 30, 2015.

| Governmental Activities | | | Business Type Activities | | |
|---|---|---|---|---|---|
| Total Interest | Less Direct Interest | Net Interest | Total Interest | Less Capitalized Interest | Net Interest |
| $ 3,503 | $ - | $ 3,503 | $ 119,635 | $ - | $ 119,635 |

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

For governmental activities, compensated absences and net pension liability are generally liquidated by the general fund.

For business-type activities, compensated absences and net pension liability are liquidated by the proprietary funds.

The City has several annually renewable leases on office equipment with no contingent payments included therein. Total equipment rental during the current year was $13,729.

## 9. TAX ANTICIPATION NOTE

In the prior year, the City obtained a tax anticipation note (TAN) in the General Fund in the amount of $100,000 to finance general obligations of the City. The note bore interest at 5.00% and was due on December 31, 2014. The note was paid during 2015 from bond proceeds. Interest on the note totaled $2,608.

Short-term debt activity for the year ended June 30, 2015 was as follows:

| | Beginning Balance | Issued | Retired | Ending Balance |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| General Fund - TAN | $ 100,000 | $ - | $ (100,000) | $ - |

## 10. 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, 2015.

## 11. INTERFUND BALANCES AND TRANSFERS

Interfund balances and transfers as of and for the year ended June 30, 2015, were for routine operating functions in payroll and debt service administration. In addition, the interfund balances as of June 30, 2015, 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, 2015.

In addition, as a result of the 2014 series revenue bond refunding, amounts held in sinking funds in the water and sewer fund for the series 2002 bond were transferred to the general fund as these funds were no longer restricted. Further, the general fund obtained a tax anticipation note of which the funds were used for bond issuance costs and sewer construction in the water and sewer fund. The water and sewer fund transferred funds to the general fund to pay off the tax anticipation note from bond proceeds.

Interfund balances of amounts due to/from other funds and transfers by fund as of and for the year ended June 30, 2015, are as follows:

| Description | Receivables | Payables |
|---|---|---|
| Major Governmental Funds-Advances To/From: | | |
| Capital Projects Fund- Special Sales Tax 2007- | | |
| Advance to General Fund | $ 448,234 | $ - |
| General Fund Advance From- | | |
| Capital Projects Fund - Special Sales Tax - 2007 | - | 448,234 |
| Total Major Governmental Funds-Advance To/From Other Funds | 448,234 | 448,234 |
| Major Governmental Funds-Due To/From: | | |
| Capital Projects Fund-Special Sales Tax 2013 Fund- | | |
| Due to General Fund | - | 27,252 |
| Capital Projects Fund-Special Sales Tax 2013 Fund- | | |
| Due to Special Sales Tax 2007 | - | 10,759 |
| General Fund-Due From Special Sales Tax-2013 | 27,252 | - |
| Capital Projects Fund-Special Sales Tax 2007 Fund- | | |
| Due From Special Sales Tax 2013 Fund | 10,759 | - |
| Total Major Governmental Funds-Due To/From Other Funds | 38,011 | 38,011 |
| Totals | $ 486,245 | $ 486,245 |

| | Transfers In: | |
|---|---|---|
| | General Fund | Solid Waste Fund |
| Transfers Out: | | |
| General Fund | $ - | $ 7,297 |
| Water and Sewer Fund | 406,984 | - |
| Totals | $ 406,984 | $ 7,297 |

## 12. 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.

## 13. 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 $138,003 during the current year.

## 14. COMMITMENTS AND CONTINGENT LIABILITIES

### Litigation

There are currently no lawsuits pending against the City.

## 15. 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 City has the right to establish and amend the benefit provisions of the plan. These amendments become effective once approved by the Board of Trustees of GMEBS. 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 provides benefits upon retirement, death, disablement, and termination of employment to plan participants and beneficiaries, if certain eligibility conditions are met. All employees who work at least thirty hours per week are eligible to participate. The plan also covers City officials elected since December 1, 1991. Employees were eligible to participate after completion of one year of service. Elected City officials are immediately eligible to participate. Effective January 1, 2015, the plan was amended to provide for immediate participation for employees. Employees are considered vested after ten years of service and City officials are vested immediately. Normal retirement age for employees is the earlier of age sixty-five with five years of service or upon the completion of thirty (twenty-five for police officers and firefighters) 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:

Twenty 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.

As of January 1, 2015, pension plan membership consisted of the following:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 24 |
| Vested terminated employees | 14 |
| Active employees | 38 |
| Active elected officials | 5 |
| Total membership in the plan | 81 |

*Contributions* - The City is required to contribute based on actuarial funding policy. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability or the 10-year level percentage of payroll amortization of the surplus, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). Plan provisions and contribution requirements are established by state statute and may be amended by the State. City contributions to the Plan were $167,983 for the year ended June 30, 2015.

B. Net Pension Liability

Effective July 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

The City's net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015.

*Actuarial assumptions* - The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through June 30, 2014.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 50% | 5.95% |
| International equity | 15% | 6.45% |
| Fixed income | 25% | 1.55% |
| Real estate | 10% | 3.75% |
| Cash | 0% | - |
| | 100% | |

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

*Changes in the Net Pension Liability of the City* – The changes in the components of the net pension liability of the City for the year ended June 30, 2015, were as follows:

| | Schedule of Changes in Net Pension Liability Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balance, June 30, 2014 | $ 3,824,607 | $ 3,256,284 | $ 568,323 |
| Changes for the year: | | | |
| Service cost | 79,124 | - | 79,124 |
| Interest | 287,625 | - | 287,625 |
| Differences between expected and actual experience | (107,126) | - | (107,126) |
| Contributions-employer | - | 185,951 | (185,951) |
| Contributions-employer | - | - | - |
| Net investment income | - | 314,321 | (314,321) |
| Benefit payments, including refunds of employee contributions | (226,634) | (226,634) | - |
| Administrative expense | - | (9,572) | 9,572 |
| Other | (55,781) | - | (55,781) |
| Net changes | (22,792) | 264,066 | (286,858) |
| Balance, June 30, 2015 | $ 3,801,815 | $ 3,520,350 | $ 281,465 |

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| | 6.75% | 7.75% | 8.75% |
| City's Net Pension Liability | $ 728,266 | $ 281,465 | $ (92,941) |

*Changes of assumptions*

The eligibility assumption has been changed from one year to immediate participation. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.

The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.

The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.

The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70. If retirement is not available at a given age or a participant does not meet the plan's service criteria to retire at a given age, no retirement is assumed at that age.

The inflation assumption was decreased from 3.50% to 3.25%.

The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2015 and the current sharing pattern of costs between employer and employee.

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

| **Pension Expense:** | |
|---|---|
| Service cost | $ 79,124 |
| Interest on TPL | 287,625 |
| Administrative expense | 9,572 |
| Expected return on assets | (250,415) |
| Expensed portion of current year period differences between expected and actual experience in TPL | (26,780) |
| Expensed portion of current year period assumption changes | (13,946) |
| Expensed portion of current year period differences between projected and actual investment earnings | (12,782) |
| Total pension expense | $ 72,398 |

For the year ended June 30, 2015, the City recognized pension expense of $72,398. As of June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ (80,346) |
| Contributions made subsequent to measurement date | 40,295 | - |
| Changes of assumptions | - | (41,835) |
| Net difference between projected and actual earnings on pension plan investments | - | (51,124) |
| Total | $ 40,295 | $ (173,305) |

City contributions subsequent to the measurement date of $40,295 are reported as deferred outflows of resources and will be recognized as a reduction of the net position liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Amount |
|---|---|
| 2016 | $ (53,508) |
| 2017 | (53,508) |
| 2048 | (53,508) |
| 2019 | (12,781) |

## 16. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The following table provides detail regarding the deferred outflows and inflows of resources on the government-wide statement of net position for governmental activities and business-type activities, and on the proprietary funds statements of net position for the water and sewer fund, natural gas fund, and the solid waste fund:

| | Government-Wide | | Proprietary Funds | | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Water and Sewer Fund | Natural Gas Fund | Solid Waste Fund |
| **Deferred Outflows-** | | | | | |
| Pensions- | | | | | |
| City contributions subsequent to measurement date | $ 33,060 | $ 7,235 | $ 5,485 | $ - | $ 1,750 |
| Total deferred outflows | $ 33,060 | $ 7,235 | $ 5,485 | $ - | $ 1,750 |
| **Deferred Inflows:** | | | | | |
| Pensions- | | | | | |
| Differences between expected and actual experience | $ 65,918 | $ 14,428 | $ 10,938 | $ - | $ 3,490 |
| Changes of assumptions | 34,323 | 7,512 | 5,695 | | 1,817 |
| Net differences between projected and actual earnings on pension plan investments | 41,943 | 9,181 | 6,960 | - | 2,221 |
| Total deferred inflows | $ 142,184 | $ 31,121 | $ 23,593 | $ - | $ 7,528 |

## 17. EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 13, 2016 the date which the financial statements were available to be issued.

The City entered into the following loan agreements with Georgia Environmental Finance Authority (GEFA) subsequent to June 30, 2015:

- A loan agreement dated August 14, 2015 for $1,500,000 for the rehabilitation of existing sewer lines and manholes. Repayment terms include interest at 1.03% for a period of 20 years. The loan agreement includes a provision to forgive $225,000 of the loan amount, if all funds are drawn. The projected completion of the project is March 2017.
- A loan agreement dated February 19, 2016 for $2,500,000 for video survey and rehabilitation of existing sewer lines and manholes and replacement of two pump stations. Repayment terms include interest at 1.03% for a period of 20 years. The loan agreement includes a provision to forgive $500,000 of the loan amount, if all funds are drawn. The projected completion of the project is December 2017.
- A loan agreement dated February 19, 2016 for $2,572,500 for rehabilitation and repainting of four elevated water storage tanks, replacement of water mains and water meters, and related appurtenances. Repayment terms include interest at 1.31% for a period of 20 years. The loan agreement includes a provision to forgive $500,000 of the loan amount, if all funds are drawn. The projected completion of the project is December 2017.

## 18. RESTATEMENT FOR NEW ACCOUNTING STANDARDS

Net position (deficit) of the government-wide Governmental Activities, Business-Type Activities, Water and Sewer Fund and Solid Waste Fund was restated for the reporting of the net pension liability and the deferred outflows of resources-employer contributions in accordance with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

| | Government-Wide | | |
|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total Primary Government |
| Net position, beginning, as previously reported | $ 9,224,735 | $ 5,362,913 | $ 14,587,648 |
| Implementation of GASB 68 / 71 for pensions: | | | |
| Record net pension liability | (430,419) | (94,207) | (524,626) |
| Net position, beginning, as restated | $ 8,794,316 | $ 5,268,706 | $ 14,063,022 |

| | Proprietary Funds | | |
|---|---|---|---|
| | Water and Sewer Fund | Natural Gas Fund | Solid Waste Fund |
| Net position (deficit), beginning, as previously reported | $ 4,354,433 | $ 1,022,480 | $ (14,000) |
| Implementation of GASB 68 / 71 for pensions: | | | |
| Record net pension liability | (71,417) | - | (22,790) |
| Net position (deficit), beginning, as restated | $ 4,283,016 | $ 1,022,480 | $ (36,790) |

## 19. 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 | $ 528,707 | $ - | $ 528,707 |
| Transportation projects | 82,866 | - | 82,866 |
| Confiscated assets-police | 9,364 | - | 9,364 |
| Balance, end of year | $ 620,937 | $ - | $ 620,937 |

# 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, 2015

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Taxes | $ 1,965,500 | $ 1,737,700 | $ 1,955,186 | $ 217,486 |
| Licenses and permits | 72,000 | 58,000 | 65,315 | 7,315 |
| Intergovernmental | 702,039 | 800,500 | 834,330 | 33,830 |
| Charges for services | 13,500 | 36,500 | 38,749 | 2,249 |
| Fines and forfeitures | 275,000 | 200,000 | 201,910 | 1,910 |
| Miscellaneous. | 126,000 | 1,000 | 5,167 | 4,167 |
| **TOTAL REVENUES** | 3,154,039 | 2,833,700 | 3,100,657 | 266,957 |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| General government | 810,350 | 906,000 | 905,216 | 784 |
| Public safety | 1,338,300 | 1,358,000 | 1,362,519 | (4,519) |
| Public works | 732,689 | 608,000 | 606,751 | 1,249 |
| Airport | 605,500 | 300,000 | 297,252 | 2,748 |
| Debt Service: | | | | |
| Principal | 61,400 | 31,000 | 29,034 | 1,966 |
| Interest | 2,100 | 4,000 | 3,503 | 497 |
| **TOTAL EXPENDITURES** | 3,550,339 | 3,207,000 | 3,204,275 | 2,725 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | (396,300) | (373,300) | (103,618) | 269,682 |
| **OTHER FINANCING SOURCES:** | | | | |
| Transfers in | 366,300 | 374,300 | 406,984 | 32,684 |
| Transfers out | - | (8,000) | (7,297) | 703 |
| Sale of capital assets | 30,000 | 7,000 | 7,911 | 911 |
| Total Other Financing Sources | 396,300 | 373,300 | 407,598 | 34,298 |
| **NET CHANGE IN FUND BALANCES** | - | - | 303,980 | 303,980 |
| **FUND BALANCE (DEFICIT), BEGINNING** | (303,843) | (303,843) | (303,843) | - |
| **FUND BALANCE (DEFICIT), ENDING** | $ (303,843) | $ (303,843) | $ 137 | $ 303,980 |

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

**CITY OF COCHRAN, GEORGIA**
Required Supplementary Information
Schedule of Contributions
Georgia Municipal Employees Benefit System
For the Fiscal Year Ended June 30, 2015

| | |
|---|---|
| Actuarially determined contribution | $ 161,178 |
| Contributions in relation to the actuarially determined contribution | 161,178 |
| Contribution deficiency (excess) | $ - |
| City's covered-employee payroll | $ 1,413,489 |
| Contributions as a percentage of covered-employee payroll | 11.40% |

Note: This schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

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

## CITY OF COCHRAN, GEORGIA

Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Georgia Municipal Employees Benefit System
For the Fiscal Year Ended June 30, 2015

| | |
|---|---|
| ***Total Pension Liability*** | |
| Service cost | $ 79,124 |
| Interest | 287,625 |
| Differences between expected and actual experience | (107,126) |
| Changes in benefit terms | - |
| Changes in assumptions | - |
| Benefit payments, including refunds of employee contributions | (226,634) |
| Other | (55,781) |
| Net change in total pension liability | (22,792) |
| Total pension liability-beginning | 3,824,607 |
| Total pension liability-ending | $ 3,801,815 |
| ***Plan Fiduciary Net Position*** | |
| Contributions-employer | $ 185,951 |
| Contributions-employee | - |
| Net investment income | 314,321 |
| Benefit payments, including refunds of employee contributions | (226,634) |
| Administrative expense | (9,572) |
| Other | - |
| Net change in fiduciary net position | 264,066 |
| Plan fiduciary net position-beginning | 3,256,284 |
| Plan fiduciary net position-ending | $ 3,520,350 |
| ***Net Pension Liability*** | |
| Net pension liability-ending | $ 281,465 |
| Plan's fiduciary net position as a percentage of the total pension liability | 92.60% |
| Covered –employee payroll | $ 1,413,489 |
| Net pension liability as a percentage of covered-employee payroll | 19.91% |

Note: This schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

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

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**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.

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

The Public Safety department had an excess of expenditures over appropriations in the current year of $4,519.

**Georgia Municipal Employees Benefit System**

***Changes of assumptions*:**

As a result of the plan change to provide immediate participation for employees, for the fiscal year ending 2016, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

Amounts reported for the fiscal year ending in 2016, and later reflect the following assumption changes approved by the Board in December, 2014 based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014:

- The mortality table for disabled participants was changed to remove the two-year set forward for males and the one-year set forward for females.
- The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.
- The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at age 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.
- The inflation assumption was decreased from 3.50% to 3.25%.
- The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

***Benefit Changes***

Effective January 1, 2015, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits.

| | |
|---|---|
| Valuation date | The actuarially determined contribution rate was determined as of July 1, 2015, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2016. |

***Methods and assumptions used to determine contribution rates*:**

| | |
|---|---|
| Actuarial cost method | Projected Unit Credit |
| Amortization method | Closed level dollar for the remaining unfunded liability. |
| Remaining amortization period | Remaining amortization period varies for the bases, with a net effective amortization period of 10 years. |
| Asset valuation method | Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value. |
| Actuarial Assumptions: | |
| Net Investment Rate of Return | 7.75% |
| Projected Salary Increases | 3.25% plus service based merit increases. |
| Cost of Living Adjustments | 0.00% |
| Retirement Age | Ages 55-59 rate of 10%, age 60 rate of 20%, age 61 rate of 25%, age 62 rate of 35%, age 63 rate of 40%, age 64 rate of 45%, ages 65-69 rate of 50% and age 70 and over rate of 100%. |
| Mortality | RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.<br>RP-2000 Disabled Retiree Mortality Table with sex-distinct rates. |

# Supplementary Information

# CITY OF COCHRAN, GEORGIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

| | Capital Projects-CBDG 2014 | Special Revenue-Confiscated Assets | Special Revenue-Hotel/ Motel Tax | Special Revenue-TIA Sales Tax | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| Cash | $ - | $ 9,364 | $ - | $ 78,646 | $ 88,010 |
| Receivables, net: | | | | | |
| Taxes | - | - | 1,401 | - | 1,401 |
| Intergovernmental | 27,430 | - | - | 4,220 | 31,650 |
| **Total Assets** | $ 27,430 | $ 9,364 | $ 1,401 | $ 82,866 | $ 121,061 |
| **LIABILITIES:** | | | | | |
| Accounts payable | $ 27,430 | $ - | $ 1,401 | $ - | $ 28,831 |
| **Total Liabilities** | 27,430 | - | 1,401 | - | 28,831 |
| **FUND BALANCES-** | | | | | |
| Restricted: | | | | | |
| Transportation projects | - | - | - | 82,866 | 82,866 |
| Confiscated assets-police | - | 9,364 | - | - | 9,364 |
| **Total Fund Balances** | - | 9,364 | - | 82,866 | 92,230 |
| **Total Liabilities and Fund Balances** | $ 27,430 | $ 9,364 | $ 1,401 | $ 82,866 | $ 121,061 |

## CITY OF COCHRAN, GEORGIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2015

| | Capital Projects-CBDG 2014 | Special Revenue-Confiscated Assets | Special Revenue-Hotel/ Motel Tax | Special Revenue-TIA Sales Tax | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES:** | | | | | |
| Taxes | $ - | $ - | $ 14,712 | $ 55,048 | $ 69,760 |
| Intergovernmental | 35,430 | - | - | - | 35,430 |
| Miscellaneous | - | 12,103 | - | - | 12,103 |
| **Total Revenues** | 35,430 | 12,103 | 14,712 | 55,048 | 117,293 |
| **EXPENDITURES:** | | | | | |
| Current: | | | | | |
| Public safety | - | 5,451 | - | - | 5,451 |
| Public works | - | - | - | 42,189 | 42,189 |
| Community development | 35,430 | - | 14,712 | - | 50,142 |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| **Total Expenditures** | 35,430 | 5,451 | 14,712 | 42,189 | 97,782 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | - | 6,652 | - | 12,859 | 19,511 |
| **OTHER FINANCING SOURCES:** | | | | | |
| Transfers in | - | - | - | - | - |
| Total Other Financing Sources | - | - | - | - | - |
| **NET CHANGE IN FUND BALANCES** | - | 6,652 | - | 12,859 | 19,511 |
| **FUND BALANCE-BEGINNING** | - | 2,712 | - | 70,007 | 72,719 |
| **FUND BALANCE, ENDING** | $ - | $ 9,364 | $ - | $ 82,866 | $ 92,230 |

**CITY OF COCHRAN, GEORGIA**
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Nonmajor Governmental Funds
Special Revenue – Confiscated Assets
For the Fiscal Year Ended June 30, 2015

| | Original Budget | Actual | Variance With Final Budget |
|---|---|---|---|
| **REVENUES -** | | | |
| Miscellaneous | $ 6,000 | $ 12,103 | $ 6,103 |
| Total Revenues | 6,000 | 12,103 | 6,103 |
| **EXPENDITURES -** | | | |
| Current - | | | |
| Public Safety | 6,000 | 5,451 | 549 |
| Total Expenditures | 6,000 | 5,451 | 549 |
| **EXCESS OF REVENUES OVER EXPENDITURES** | - | 6,652 | 6,652 |
| **FUND BALANCE, BEGINNING** | 2,712 | 2,712 | - |
| **FUND BALANCE, ENDING** | $ 2,712 | $ 9,364 | $ 6,652 |

**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, 2015

| | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|
| **REVENUES -** | | | |
| Taxes | $ 16,000 | $ 14,712 | $ (1,288) |
| Total Revenues | 16,000 | 14,712 | (1,288) |
| **EXPENDITURES -** | | | |
| Current - | | | |
| Community development | 16,000 | 14,712 | 1,288 |
| Total Expenditures | 16,000 | 14,712 | 1,288 |
| **EXCESS OF REVENUES OVER EXPENDITURES** | - | - | - |
| **FUND BALANCE, BEGINNING** | - | - | - |
| **FUND BALANCE, ENDING** | $ - | $ - | $ - |

**CITY OF COCHRAN, GEORGIA**
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Nonmajor Governmental Fund
Special Revenue – TIA Sales Tax
For the Fiscal Year Ended June 30, 2015

| | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|
| **REVENUES -** | | | |
| Taxes | $ 45,000 | $ 55,048 | $ 10,048 |
| Total Revenues | 45,000 | 55,048 | 10,048 |
| **EXPENDITURES -** | | | |
| Current - | | | |
| Public works | 45,000 | 42,189 | 2,811 |
| Total Expenditures | 45,000 | 42,189 | 2,811 |
| **EXCESS OF REVENUES OVER EXPENDITURES** | - | 12,859 | 12,859 |
| **FUND BALANCE, BEGINNING** | 70,007 | 70,007 | - |
| **FUND BALANCE, ENDING** | $ 70,007 | $ 82,866 | $ 12,859 |

## CITY OF COCHRAN, GEORGIA

Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Period Ended June 30, 2015

| Project | Original Estimated Cost | Current Estimated Cost | Expenditures Prior Year | Expenditures Current Year | Total |
|---|---|---|---|---|---|
| **Beginning 2007:** | | | | | |
| Roads and Streets | $ 700,000 | $ 700,000 | $ 280,723 | $ 17,808 | $ 298,531 |
| Sewer System | 600,000 | 600,000 | 646,631 | - | 646,631 |
| Water System | 285,000 | 285,000 | 307,150 | - | 307,150 |
| Fire Department Equipment | 200,000 | 200,000 | 212,457 | - | 212,457 |
| Police Department Equipment | 100,000 | 100,000 | 107,772 | - | 107,772 |
| Utility Vehicles | 100,000 | 100,000 | 100,000 | - | 100,000 |
| Library | 15,000 | 15,000 | 3,840 | 12,326 | 16,166 |
| Recreation Department | 180,000 | 180,000 | 122,736 | 8,929 | 131,665 |
| Emergency Management Office | 25,000 | 25,000 | 26,943 | - | 26,943 |
| Total 2007 SPLOST | $ 2,205,000 | $2,205,000 | $ 1,808,252 | $ 39,063 | $ 1,847,315 |

## CITY OF COCHRAN, GEORGIA

Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Period Ended June 30, 2015

| Project | Original Estimated Cost | Current Estimated Cost | Expenditures Prior Year | Expenditures Current Year | Total |
|---|---|---|---|---|---|
| **Beginning 2013:** | | | | | |
| Roads and Streets | $ 530,600 | $ 530,600 | $ 129 | $ 8,533 | $ 8,662 |
| Fire Department | 100,000 | 100,000 | 61,568 | 880 | 62,448 |
| Sewer System | 625,000 | 625,000 | 2,423 | 194,391 | 196,814 |
| Water System | 330,000 | 330,000 | 8,433 | 8,692 | 17,125 |
| Police Department | 200,000 | 200,000 | 30,436 | 30,534 | 60,970 |
| Public Library | 15,000 | 15,000 | - | 4,419 | 4,419 |
| Recreation Department | 175,200 | 175,200 | - | 5,500 | 5,500 |
| Emergency Management Office | 24,000 | 24,000 | 87 | - | 87 |
| Total 2013 SPLOST | $ 1,999,800 | $1,999,800 | $ 103,076 | $ 252,949 | $ 356,025 |

**CITY OF COCHRAN, GEORGIA**
Community Development Block Grant Program
Source and Application of Funds Schedule
Grant # 14p-x-012-2-5653
For the Period September 25, 2014 through June 30, 2015

| | |
|---|---|
| I. Total Fiscal Year 2014 CDBG Funds Awarded to Recipient | $ 500,000 |
| II. Total Amount Drawn Down by Recipient from CDBG | $ 35,430 |
| III. Less: CDBG Funds Expended by Recipient | 35,430 |
| IV. Amount of Fiscal Year 2014 CDBG Funds Held by Recipient | $ - |

**CITY OF COCHRAN, GEORGIA**
Community Development Block Grant Program
Project Cost Schedule
Grant # 14p-x-012-2-5653
For the Period September 25, 2014 through June 30, 2015

| 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 |
|---|---|---|---|---|---|---|
| Contingency | C-022-00 | $ 43,860 | $ - | $ - | $ - | $ - |
| Sewer Facilities | P-03J-02 | 426,140 | 35,430 | - | 35,430 | - |
| Administration | A-21A-00 | 30,000 | - | - | - | - |
| Totals | | $ 500,000 | $ 35,430 | $ - | $ 35,430 | $ - |

# 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, 2015, 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 June 13, 2016.

**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.

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

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



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**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 2015-001 and 2015-002.

**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
June 13, 2016

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*:

## COMPLIANCE FINDINGS

### 2015-001 Violation of Georgia Law – 2007 SPLOST Fund

*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. The City adopted a resolution in October 2014 to repay $50,000 a year to the 2007 SPLOST Fund. No payments to the 2007 SPLOST Fund were made in the current fiscal year.

*CONTEXT*
At June 30, 2015, the General Fund owed $448,234 to the 2007 SPLOST Fund. At year end, the 2013 SPLOST Fund owed $10,759 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 has passed a resolution outlining a repayment schedule to be included in the budget. A minimum payment of $70,000 will be made each fiscal year, beginning with fiscal year 2015-2016, until the entire balance is paid to the SPLOST 2007 Fund.

## 2015-002 Violation of Georgia Law – 2013 SPLOST Fund

*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 FY15, the City borrowed 2013 SPLOST funds to purchase equipment for a General Fund capital outlay obligation.

*CONTEXT*
On March 17, 2015, the City borrowed $10,000 of 2013 SPLOST funds to pay for equipment that should have been paid by the General Fund. The City received a grant to reimburse for the purchase of the equipment and deposited the funds into the SPLOST bank account. The City netted the purchase and repayment of $10,000 in a SPLOST expenditure account. Audit adjustments were necessary to properly record the $10,000 purchase and grant reimbursement in the General Fund.

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

*CAUSE*
City personnel were not aware that SPLOST funds cannot be borrowed from SPLOST accounts to pay for other City obligations, even if the funds are paid back.

*RECOMMENDATION*
The City should implement procedures to ensure restricted funds are not accessed to finance daily operations of the City.

*VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS*
We concur with the finding. The City is now aware of the specific regulations of SPLOST expenditures and will adhere to those going forward.

CITY OF COCHRAN, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

**2014-01 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*
This matter was resolved during fiscal year 2015.

**2014-02 Timely Deposits – TAN Proceeds**

*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.

*UPDATE*
This matter was resolved during fiscal year 2015.

**2014-03 Accounts Payable / Expenditures or Expenses**

*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.

*UPDATE*
This matter was resolved during fiscal year 2015.

**2014-04 Violation of Georgia Law – SPLOST Funds**

*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.

*UPDATE*
Unresolved. See current year finding 2015-001.

**2014-05 Budgetary Controls – Expenditures Exceeding Appropriations – (OCGA 36-81-3)**

*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.

*UPDATE*
This matter was resolved during fiscal year 2015.

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