CITY OF COCHRAN, GEORGIA

ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

CITY OF COCHRAN, GEORGIA

CITY OF COCHRAN, GEORGIA
Financial Statements
For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report 1-3

Basic Financial Statements:

Government-wide Financial Statements:
- Statement of Net Position 4
- Statement of Activities 5

Fund Financial Statements:
- Balance Sheet - Governmental Funds 6
- Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 7
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 8
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 9
- Statement of Net Position - Proprietary Funds 10-11
- Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds 12
- Statement of Cash Flows – Proprietary Funds ..... 13 - 14
- Notes to Financial Statements ..... 15 - 39

Required Supplementary Information:
- Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP) Basis and Actual - General Fund 40
- Schedule of Contributions – Defined Benefit Plan 41
- Schedule of Changes in Net Pension Liability and Related Ratios 42
- Notes to Required Supplementary Information 43-45

TABLE OF CONTENTS - Continued

Supplementary Information:
Combining Balance Sheet – Nonmajor Governmental Funds 46
Combining Statement of Revenues, Expenditures, and Changes
In Fund Balances – Nonmajor Governmental Funds 47
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Nonmajor
Governmental Funds-Budget (GAAP Basis) and Actual-Special Revenue Funds:
Confiscated Assets Fund 48
Hotel/Motel Tax Fund 49
TIA Sales Tax Fund 50
Schedule of Special Purpose Local Option Sales Tax Expenditures 51-52
Community Development Block Grant Program -
Source and Application of Funds Schedule 53
Community Development Block Grant Program - Project Cost Schedule 54

COMPLIANCE SECTION

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* 55-56

Schedule of Findings and Responses 57-62

Schedule of Prior Fiscal Year Findings 63

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, 2016, 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, 2016, 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.

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 May 12, 2017, 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
May 12, 2017

Basic Financial Statements

CITY OF COCHRAN, GEORGIA
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash	$ 1,419,528	$ 1,219,254	$ 2,638,782
Restricted investments	-	34,141	34,141
Receivables, net:			
Taxes	46,078	-	46,078
Fines and forfeitures	10,204	-	10,204
Customers	-	403,007	403,007
Intergovernmental	174,006	77,596	251,602
Others	7,317	-	7,317
Prepaid items	35,920	26,698	62,618
Inventory, at cost	1,559	3,705	5,264
Investment in joint venture	-	779,581	779,581
Capital assets not being depreciated	1,276,039	702,593	1,978,632
Capital assets being depreciated, net	7,596,014	6,662,042	14,258,056
TOTAL ASSETS	10,566,665	9,908,617	20,475,282
DEFERRED OUTFLOWS OF RESOURCES-			
Pensions	167,155	35,342	202,497
LIABILITIES:			
Accounts payable	136,119	225,719	361,838
Deposits payable	-	63,726	63,726
Salaries and benefits payable	85,336	17,205	102,541
Accrued liabilities	2,150	-	2,150
Accrued interest	-	27,300	27,300
Compensated absences, payable within one year	62,436	12,577	75,013
Compensated absences, payable after one year	33,619	6,195	39,814
Capital leases, payable within one year	16,177		16,177
Bonds payable due within one year-(payable from restricted assets)	-	94,026	94,026
Bonds and leases payable due after one year	14,005	3,658,944	3,672,949
Notes payable due after one year	-	149,970	149,970
Net pension liability	384,678	83,052	467,730
TOTAL LIABILITIES	734,520	4,338,714	5,073,234
DEFERRED INFLOWS OF RESOURCES-			
Pensions	87,096	18,415	105,511
NET POSITION:			
Net investment in capital assets	$ 8,841,871	$ 3,488,387	$ 12,330,258
Restricted for capital improvements	685,544	-	685,544
Restricted for transportation projects	138,960	-	138,960
Restricted for confiscated assets - police	4,078	-	4,078
Restricted for debt service	-	34,141	34,141
Unrestricted	241,751	2,064,302	2,306,053
TOTAL NET POSITION	$ 9,912,204	$ 5,586,830	$ 15,499,034

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, 2016

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	$ 904,337	$ 272,449	$ 425,587	$ 35,369	$ (170,932)	$ -	$ (170,932)
Public safety	1,450,485	140,918	-	54,086	(1,255,481)	-	(1,255,481)
Public works	946,438	-	-	631,628	(314,810)	-	(314,810)
Airport	165,401	-	-	-	(165,401)	-	(165,401)
Community development	14,557	-	-	-	(14,557)	-	(14,557)
Interest on long-term debt	1,300	-	-	-	(1,300)	-	(1,300)
Total governmental activities	3,482,518	413,367	425,587	721,083	(1,922,481)	-	(1,922,481)
Business-type activities:							
Water and sewer	1,427,250	1,590,079	-	28,144	-	190,973	190,973
Natural gas	1,339,364	1,635,534	-	-	-	296,170	296,170
Solid waste	715,157	711,213	-	-	-	(3,944)	(3,944)
Total business-type activities	3,481,771	3,936,826	-	28,144	-	483,199	483,199
Total	$ 6,964,289	$ 4,350,193	$ 425,587	$ 749,227	(1,922,481)	483,199	(1,439,282)
General revenues:							
Property taxes					992,726	-	992,726
General sales tax					518,369	-	518,369
Hotel/Motel tax					14,558	-	14,558
Other taxes					641,684	-	641,684
Interest earnings					1,644	110	1,754
Miscellaneous					7,255	32,014	39,269
Gain on sale of capital assets					8,811	-	8,811
Capital contributed					-	118,779	118,779
Transfers					245,785	(245,785)	-
Total general revenues and transfers					2,430,832	(94,882)	2,335,950
Changes in net position					508,351	388,317	896,668
Net position - beginning					9,403,853	5,198,513	14,602,366
Net position - ending					$ 9,912,204	$ 5,586,830	$ 15,499,034

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

CITY OF COCHRAN, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Capital Projects-Special Sales Tax - 2013	Capital Projects-Special Sales Tax - 2007	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash	$ 625,139	$ 505,039	$ 130,258	$ 159,092	$ 1,419,528
Receivables, net:					
Taxes	44,453	-	-	1,625	46,078
Fines and forfeitures	10,204	-	-	-	10,204
Intergovernmental	61,854	53,521	-	58,631	174,006
Others	7,317	-	-	-	7,317
Due from other funds	-	5,616	3,879	-	9,495
Advance to other funds	-	-	370,463	-	370,463
Prepaid items	29,545	-	-	6,375	35,920
Inventory	1,559	-	-	-	1,559
TOTAL ASSETS	$ 780,071	$ 564,176	$ 504,600	$ 225,723	$ 2,074,570
LIABILITIES:					
Accounts payable	$ 33,739	$ -	$ 3,274	$ 99,106	$ 136,119
Salaries and benefits payable	85,336	-	-	-	85,336
Accrued liabilities	2,150	-	-	-	2,150
Due to other funds	9,495	-	-	-	9,495
Advance from other funds	370,463	-	-	-	370,463
TOTAL LIABILITIES	501,183	-	3,274	99,106	603,563
DEFERRED INFLOWS OF RESOURCES-					
Unavailable revenue-property taxes	16,332	-	-	-	16,332
FUND BALANCES (DEFICITS):					
Nonspendable:					
Prepaid items	29,545	-	-	6,375	35,920
Inventory	1,559	-	-	-	1,559
Advance to other funds	-	-	370,463	-	370,463
Restricted:					
Capital projects	-	564,176	130,863	-	695,039
Transportation projects	-	-	-	138,960	138,960
Confiscated assets-police	-	-	-	4,078	4,078
Unassigned:					
General fund	231,452	-	-	-	231,452
Other governmental funds	-	-	-	(22,796)	(22,796)
TOTAL FUND BALANCES	262,556	564,176	501,326	126,617	1,454,675
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 780,071	$ 564,176	$ 504,600	$ 225,723	$ 2,074,570

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, 2016

Differences in amounts reported for governmental activities in the statement of net position:		
Fund balances - total governmental funds	$	1,454,675
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds		8,872,053
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Liability for compensated absences		(96,055)
Net pension liability		(384,678)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and therefore are not reported in the governmental funds:		
Deferred outflows		167,155
Deferred inflows		(87,096)
Long-term payables are not due and payable in the current period and, therefore, are not reported in the governmental funds		(30,182)
Some governmental revenues will not be collected for several months after the year end and, therefore, are deferred in the governmental funds		16,332
Net position of governmental activities	$	9,912,204

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, 2016

	General Fund	Capital Projects-Special Sales Tax - 2013	Capital Projects-Special Sales Tax - 2007	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	$ 2,111,652	$ -	$ -	$ 65,384	$ 2,177,036
Licenses and permits	65,061	-	-	-	65,061
Intergovernmental	492,674	336,457	-	317,538	1,146,669
Charges for services	114,739	-	-	-	114,739
Fines and forfeitures	233,567	-	-	-	233,567
Miscellaneous	7,845	749	34	272	8,900
Total Revenues	3,025,538	337,206	34	383,194	3,745,972
EXPENDITURES:					
Current:					
General government	935,079	-	-	-	935,079
Public safety	1,380,086	-	-	5,558	1,385,644
Public works	655,776	-	-	28,957	684,733
Airport	17,068	-	-	-	17,068
Community development	-	-	-	354,892	354,892
Capital outlay	-	212,250	27,808	-	240,058
Debt service:					
Principal	21,212	7,846	-	-	29,058
Interest	525	775	-	-	1,300
Total Expenditures	3,009,746	220,871	27,808	389,407	3,647,832
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,792	116,335	(27,774)	(6,213)	98,140
OTHER FINANCING SOURCES:					
Transfers in	299,457	-	-	40,600	340,057
Transfers out	(94,272)	-	-	-	(94,272)
Issuance of capital leases	32,631	-	-	-	32,631
Sale of capital assets	8,811	-	-	-	8,811
Total Other Financing Sources	246,627	-	-	40,600	287,227
NET CHANGE IN FUND BALANCES	262,419	116,335	(27,774)	34,387	385,367
FUND BALANCE, BEGINNING	137	447,841	529,100	92,230	1,069,308
FUND BALANCE, ENDING	$ 262,556	$ 564,176	$ 501,326	$ 126,617	$ 1,454,675

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, 2016

Differences in amounts reported for governmental activities in the statement of activities:	
Net change in fund balances - total governmental funds	$ 385,367
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net position	487,854
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities	(374,990)
Proceeds from the issuance of long-term debt provide current financial resources in the governmental funds but are recorded as liabilities in the governmental activities statement of net position	(32,631)
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	29,058
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	(96,055)
Liability balance at prior fiscal year end	84,020
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:	35,427
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	16,332
Unavailable revenue balance at prior fiscal year end	(26,031)
Change in net position of governmental activities	$ 508,351

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

CITY OF COCHRAN, GEORGIA
Statement of Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Water and Sewer	Natural Gas	Solid Waste	Total
ASSETS:				
Current Assets:				
Cash	$ 1,031,541	$ 187,387	$ 326	$ 1,219,254
Restricted investments	34,141	-	-	34,141
Receivables, net	247,058	102,117	53,832	403,007
Intergovernmental	77,596	-	-	77,596
Prepaid items	13,755	6,259	6,684	26,698
Inventory, at cost	3,705	-	-	3,705
Total Current Assets	1,407,796	295,763	60,842	1,764,401
Noncurrent Assets:				
Investment in joint venture	-	779,581	-	779,581
Capital assets:				
Land	9,700	515	-	10,215
Construction in progress	692,378	-	-	692,378
Buildings, net	12,022	-	-	12,022
Machinery and equipment, net	65,114	3,143	586	68,843
Water and sewer system, net	6,361,847	-	-	6,361,847
Gas system, net	-	115,461	-	115,461
Transmission line, net	-	103,869	-	103,869
Total Noncurrent Assets	7,141,061	1,002,569	586	8,144,216
TOTAL ASSETS	8,548,857	1,298,332	61,428	9,908,617
DEFERRED OUTFLOWS OF RESOURCES-				
Pensions	30,774	-	4,568	35,342
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	8,579,631	1,298,332	65,996	9,943,959

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

CITY OF COCHRAN, GEORGIA
Statement of Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Water and Sewer	Natural Gas	Solid Waste	Total
LIABILITIES:				
Current Liabilities:				
Accounts payable	130,452	72,793	22,474	225,719
Deposits payable	40,987	22,739	-	63,726
Salaries and benefits payable	17,205	-	-	17,205
Accrued interest	27,300	-	-	27,300
Compensated absences	12,577	-	-	12,577
Total	228,521	95,532	22,474	346,527
Current Liabilities (payable from restricted assets) -				
Revenue bonds payable	94,026	-	-	94,026
Total Current Liabilities (payable from restricted assets)	94,026	-	-	94,026
Total Current Liabilities	322,547	95,532	22,474	440,553
Noncurrent Liabilities:				
Revenue bonds payable	3,658,944	-	-	3,658,944
Notes payable	149,970	-	-	149,970
Compensated absences	6,195	-	-	6,195
Net pension liability	66,623	-	16,429	83,052
Total Noncurrent Liabilities	3,881,732	-	16,429	3,898,161
TOTAL LIABILITIES	4,204,279	95,532	38,903	4,338,714
DEFERRED INFLOWS OF RESOURCES-				
Pensions	16,035	-	2,380	18,415
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,220,314	95,532	41,283	4,357,129
NET POSITION:				
Net investment in capital assets	3,264,813	222,988	586	3,488,387
Restricted for debt service	34,141	-	-	34,141
Unrestricted	1,060,363	979,812	24,127	2,064,302
TOTAL NET POSITION	$ 4,359,317	$ 1,202,800	$ 24,713	$ 5,586,830

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, 2016

	Water and Sewer	Natural Gas	Solid Waste	Total
OPERATING REVENUES:				
Water and Sewer charges pledged as security for revenue bonds	$ 1,590,079	$ -	$ -	$ 1,590,079
Charges for services	-	1,635,534	711,213	2,346,747
Total Operating Revenues	1,590,079	1,635,534	711,213	3,936,826
OPERATING EXPENSES:				
Salaries and benefits	335,384	-	47,037	382,421
Administrative overhead	210,762	71,465	48,492	330,719
Services and fees	180,138	1,233,946	593,152	2,007,236
Supplies	67,790	265	785	68,840
Repairs and maintenance	33,203	-	4,423	37,626
Utilities	204,586	5,499	3,620	213,705
Insurance premiums	40,224	19,323	17,422	76,969
Depreciation	243,555	8,866	226	252,647
Miscellaneous	353	-	-	353
Total Operating Expenses	1,315,995	1,339,364	715,157	3,370,516
OPERATING INCOME	274,084	296,170	(3,944)	566,310
NON-OPERATING REVENUES (EXPENSES):				
Interest income	110	-	-	110
Income from joint venture	-	32,014	-	32,014
Intergovernmental	28,144	-	-	28,144
Interest expense	(111,255)	-	-	(111,255)
Total Non-Operating Revenues (Expenses)	(83,001)	32,014	-	(50,987)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	191,083	328,184	(3,944)	515,323
Capital contributed	118,779	-	-	118,779
Transfers in	-	-	60,102	60,102
Transfers out	-	(305,887)	-	(305,887)
CHANGES IN NET POSITION	309,862	22,297	56,158	388,317
NET POSITION, (DEFICIT) BEGINNING	4,049,455	1,180,503	(31,445)	5,198,513
NET POSITION, ENDING	$ 4,359,317	$ 1,202,800	$ 24,713	$ 5,586,830

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, 2016

	Water and Sewer	Natural Gas	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	$ 1,605,791	$ 1,615,787	$ 698,564	$ 3,920,142
Cash paid to suppliers	(620,343)	(1,291,390)	(700,891)	(2,612,624)
Cash paid to employees	(343,595)	-	(59,239)	(402,834)
NET CASH PROVIDED BY OPERATING ACTIVITIES	641,853	324,397	(61,566)	904,684
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES-				
Transfer (to) from other funds	-	(305,887)	60,102	(245,785)
NET CASH (USED FOR) NONCAPITAL FINANCING ACTIVITIES	-	(305,887)	60,102	(245,785)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(546,402)	-	-	(546,402)
Capital contributed	118,779	-	-	118,779
Proceeds from issuance of notes payable	100,518	-	-	100,518
Principal payments on bonds	(90,000)	-	-	(90,000)
Interest paid on bonds and notes	(110,664)	-	-	(110,664)
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(527,769)	-	-	(527,769)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earned	110	-	-	110
Decrease (increase) in restricted assets	(616)	-	-	(616)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(506)	-	-	(506)
NET INCREASE (DECREASE) IN CASH	113,578	18,510	(1,464)	130,624
CASH, BEGINNING	917,963	168,877	1,790	1,088,630
CASH, ENDING	$ 1,031,541	$ 187,387	$ 326	$ 1,219,254
CASH ENDING -				
Unrestricted	$ 1,031,541	$ 187,387	$ 326	$ 1,219,254
Total	$ 1,031,541	$ 187,387	$ 326	$ 1,219,254

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, 2016

	Water and Sewer	Natural Gas	Solid Waste	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income	$ 274,084	$ 296,170	$ (3,944)	$ 566,310
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	243,555	8,866	226	252,647
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	9,172	(22,526)	(12,649)	(26,003)
Prepaid items, etc.	3,506	(518)	1,946	4,934
Inventory, at cost	585	-	-	585
Deferred outflows of resources - pensions	(25,288)	-	(2,818)	(28,106)
Increase (decrease) in:				
Accounts payable	106,028	39,627	(34,943)	110,712
Deposits payable	6,540	2,778	-	9,318
Salaries and benefits payable	2,921	-	(8,438)	(5,517)
Deferred inflows of resources - pensions	(7,557)	-	(5,148)	(12,705)
Net pension liability	28,307	-	4,202	32,509
Total adjustments	367,769	28,227	(57,622)	338,374
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 641,853	$ 324,397	$ (61,566)	$ 904,684
NON-CASH TRANSACTIONS AFFECTING FINANCIAL POSITION-				
Net income from joint venture	-	32,014	-	32,014
NET-EFFECT-NON-CASH TRANSACTIONS	$ -	$ 32,014	$ -	$ 32,014

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 are 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 represent 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, which arises under the accrual basis of accounting, that qualifies for reporting in this category. 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.

Deferred inflows of resources represent 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, 2016:

	General Fund	Capital Projects Special Sales Tax - 2013	Capital Projects Special Sales Tax - 2007	Other Governmental Funds	Total
Fund Balances:					
Nonspendable					
Prepaids	$ 29,545	$ -	$ -	$ 6,375	$ 35,920
Inventory	1,559	-	-	-	1,559
Advance to other funds	-	-	370,463	-	370,463
Restricted for:					
Capital projects	-	564,176	130,863	-	695,039
Transportation projects	-	-	-	138,960	138,960
Confiscated assets-police	-	-	-	4,078	4,078
Unassigned (Deficit)	231,452	-	-	(22,796)	208,656
Total fund balances	$ 262,556	$ 564,176	$ 501,326	$ 126,617	$ 1,454,675

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 $2,672,303 the carrying amount for these deposits was $2,872,866. 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	$ 2,638,162
Restricted Investments, Current	34,141
Restricted Investments, Noncurrent	-
Carrying Amount	2,672,303
Cash on hand	620
Totals	$ 2,672,923

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, 2016, were assessed at the net rate of 11.267 mills on the dollar on a total assessed valuation of $72,970,706.

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	$ 69,869	$ -	$ 1,625	$ 71,494
Less allowance for uncollectibles	(25,416)	-	-	(25,416)
Net taxes	$ 44,453	$ -	$ 1,625	$ 46,078
Fines	$ 205,802	$ -	$ -	$ 205,802
Less allowance for uncollectibles	(195,598)	-	-	(195,598)
Net fines	$ 10,204	$ -	$ -	$ 10,204
Intergovernmental	$ 61,854	$ 53,521	$ 58,631	$ 174,006
Less allowance for uncollectibles	-	-	-	-
Net intergovernmental	$ 61,854	$ 53,521	$ 58,631	$ 174,006
Others	$ 7,317	$ -	$ -	$ 7,317
Less allowance for uncollectibles	-	-	-	-
Net others	$ 7,317	$ -	$ -	$ 7,317

Proprietary Funds	Water and Sewer Fund	Natural Gas Fund	Solid Waste Fund	Total Proprietary Funds
Customer receivables	$ 468,204	$ 228,254	$ 452,744	$ 1,149,202
Less allowance for uncollectibles	(221,146)	(126,137)	(398,912)	(746,195)
Net customer receivables	$ 247,058	$ 102,117	$ 53,832	$ 403,007
Intergovernmental	$ 77,596	$ -	$ -	$ 77,596
Less allowance for uncollectibles	-	-	-	-
Net intergovernmental	$ 77,596	$ -	$ -	$ 77,596

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

Description	Balance Beginning	Additions	Transfers/ Retirements	Balance Ending
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 900,274	$ -	$ -	$ 900,274
Construction in progress	176,976	340,335	141,546	375,765
Total capital assets, not being depreciated	1,077,250	340,335	141,546	1,276,039
Capital assets, being depreciated:				
Infrastructure	6,312,287	-	(141,546)	6,453,833
Buildings and improvements	1,814,437	8,600	-	1,823,037
Improvements other than buildings	280,466	-	-	280,466
Machinery and equipment	2,465,638	138,919	87,052	2,517,505
Total capital assets, being depreciated	10,872,828	147,519	(54,494)	11,074,841
Less accumulated depreciation for:				
Infrastructure	793,605	167,212	-	960,817
Buildings and improvements	676,684	39,522	-	716,206
Improvements other than buildings	21,303	11,066	-	32,369
Machinery and equipment	1,699,297	157,190	(87,052)	1,769,435
Total accumulated depreciation	3,190,889	374,990	(87,052)	3,478,827
Governmental activities capital assets, net of accumulated depreciation:				
Capital assets, not being depreciated:				
Land	900,274	-	-	900,274
Construction in progress	176,976	340,335	141,546	375,765
Total capital assets, not being depreciated	1,077,250	340,335	141,546	1,276,039
Capital assets being depreciated, net of accumulated depreciation:				
Infrastructure	5,518,682	(167,212)	(141,546)	5,493,016
Buildings and improvements	1,137,753	(30,922)	-	1,106,831
Improvements other than buildings	259,163	(11,066)	-	248,097
Machinery and equipment	766,341	(18,271)	-	748,070
Total capital assets being depreciated, net of accumulated depreciation	7,681,939	(227,471)	(141,546)	7,596,014
Total governmental activities capital assets, net of accumulated depreciation	$ 8,759,189	$ 112,864	$ -	8,872,053
Less: related long-term debt outstanding				(30,182)
Net investment in capital assets				$ 8,841,871

Description	Balance Beginning	Additions	Transfers/ Retirements	Balance Ending
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 10,215	$ -	$ -	$ 10,215
Construction in progress	264,755	427,623	-	692,378
Total capital assets, not being depreciated	274,970	427,623	-	702,593
Capital assets, being depreciated:				
Buildings and improvements	35,512	-	-	35,512
Machinery and equipment	678,937	35,474	82,940	631,471
Water and sewerage system	10,881,552	83,305	-	10,964,857
Gas system	585,395	-	-	585,395
Transmission line	667,584	-	-	667,584
Total capital assets, being depreciated	12,848,980	118,779	82,940	12,884,819
Less accumulated depreciation for:				
Buildings and improvements	22,863	627	-	23,490
Machinery and equipment	630,900	14,668	(82,940)	562,628
Water and sewerage system	4,373,603	229,407	-	4,603,010
Gas system	465,553	4,381	-	469,934
Transmission line	560,151	3,564	-	563,715
Total accumulated depreciation	6,053,070	252,647	(82,940)	6,222,777
Business-type activities capital assets, net of accumulated depreciation:				
Capital assets not being depreciated:				
Land	10,215	-	-	10,215
Construction in progress	264,755	427,623	-	692,378
Total capital assets, not being depreciated	274,970	427,623	-	702,593
Capital assets being depreciated, net of accumulated depreciation:				
Buildings and improvements	12,649	(627)	-	12,022
Machinery and equipment	48,037	20,806	-	68,843
Water and sewerage system	6,507,949	(146,102)	-	6,361,847
Gas system	119,842	(4,381)	-	115,461
Transmission line	107,433	(3,564)	-	103,869
Total capital assets being depreciated, net of accumulated depreciation	6,795,910	(133,868)	-	6,662,042
Total business-type activities capital assets, net of accumulated depreciation	$ 7,070,880	$ 293,755	$ -	7,364,635
Less: related long-term debt outstanding				(3,902,940)
Proceeds not spent				26,692
Net investment in capital assets				$ 3,488,387

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

Governmental activities:	
General government	$ 38,930
Public safety	105,600
Public works	82,127
Airport	148,333
Total depreciation expense-governmental activities	$ 374,990
Business-type activities	
Water and sewer system	$ 243,555
Gas system	8,866
Solid waste system	226
Total depreciation expense- business-type activities	$ 252,647

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, 2015 and 2014 allocated to the City of Cochran are reported in the Natural Gas Enterprise Fund as of and for the years ended June 30, 2016 and 2015.

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, 2015 and 2014 are as follows:

	2015	2014
Retained earnings, beginning	$747,567	$724,540
Net income (loss) for the year	32,014	23,027
Retained earnings, ending	$779,581	$747,567

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, 2016 and 2015, are as follows:

	2016	2015
Investment in joint venture	$779,581	$747,567
Net income (loss) from joint venture	$ 32,014	$ 23,027

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, 2016, were $18,316. 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	$ 14,558
Total Hotel/Motel tax receipts	$ 14,558
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-

CDBG 2014 Fund	$ 22,796

The City has subsequently received CDBG funds to eliminate this deficit balance.

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

The General Government department had an excess of expenditures over appropriations in the current year of $11,979.

SPLOST Funds Noncompliance-

Funds had been advanced to and are due from other funds in the amount of $370,463 for the 2007 SPLOST. In addition, $3,879 from 2007 SPLOST and $5,616 from 2013 SPLOST are the result of payment of ineligible expenditures from the SPLOST funds in the current year.

8. LONG-TERM LIABILITIES

The following is a summary of debt transactions of the City of Cochran for the year ended June 30, 2016:

	Balance Beginning	Increases	Decreases	Balance Ending	Amounts Due Within One Year	Long-term Portion
Governmental Activities:						
Compensated absences	$ 84,020	$ 12,035	$ -	$ 96,055	$ 62,436	$ 33,619
Capital leases	26,609	32,631	29,058	30,182	16,177	14,005
Net pension liability	230,922	153,756	-	384,678	-	384,678
Total Governmental Activities	$ 341,551	$ 198,422	$ 29,058	$ 510,915	$ 78,613	$ 432,302

	Balance Beginning	Increases	Decreases	Balance Ending	Amounts Due Within One Year	Long-Term Portion
Business-Type Activities:						
Compensated Absences	$ 24,371	$ -	$ 5,599	$ 18,772	$ 12,577	$ 6,195
Revenue Bonds Payable-						
Series 2014	3,870,000	-	90,000	3,780,000	95,000	3,685,000
Less: discount	(28,004)	-	(974)	(27,030)	(974)	(26,056)
Total Revenue Bonds	3,841,996	-	89,026	3,752,970	94,026	3,658,944
Notes payable	-	149,970	-	149,970	-	149,970
Net Pension Liability	50,543	32,509	-	83,052	-	83,052
Total Business-Type Activities	$ 3,916,910	$ 182,479	$ 94,625	$ 4,004,764	$ 106,603	$ 3,898,161

Details of capital leases and bonds and notes payable are as follows:

	Balance Beginning	Additions	Retirements	Balance Ending
Governmental Activities:				
Capital Leases:				
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 vehicles	$ 26,609	$ -	$ 21,213	$ 5,396
3.44% Capital lease payable, with quarterly payments of $2,874, including interest, original principal of $32,631, made on September 1, 2015 incurred to purchase a police vehicle	-	32,631	7,845	24,786
Total Capital Leases Payable-Governmental Activities	$ 26,609	$ 32,631	$ 29,058	$ 30,182
Business-Type Activities-				
Revenue Bonds Payable-				
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	3,841,996	-	89,026	3,752,970
Total Revenue Bonds Payable-Business-Type Activities	$ 3,841,996	$ -	$ 89,026	$ 3,752,970
Notes Payable:				
1.03% GEFA note payable, with accrued interest payable monthly on the first day of each calendar month until the first day of the calendar month following the earlier of (1) the completion date, (2) October 1, 2017, or (3) the date that the funds are fully disbursed. Principal and interest payments on this note shall be payable in 239 consecutive monthly installments commencing on the first day of the calendar month following the amortization commencement date. The total approved loan is $1,500,000, incurred for rehabilitation of sewers within the City's wastewater collection system	$ -	$ 124,061	$ -	$ 124,061
1.31% GEFA note payable, with accrued interest payable monthly on the first day of each calendar month until the first day of the calendar month following the earlier of (1) the completion date, (2) July 1, 2018, or (3) the date that the funds are fully disbursed. Principal and interest payments on this note shall be payable in 239 consecutive monthly installments commencing on the first day of the calendar month following the amortization commencement date. The total approved loan is $2,572,500, incurred for rehabilitation of the City's drinking water distribution system	-	25,909	-	25,909
Total Notes Payable-Business-Type Activities	$ -	$ 149,970	$ -	$ 149,970

The total assets recorded in the governmental activities statement of net position under capital leases outstanding at June 30, 2016, is $114,996 with accumulated amortization of $67,212. Accumulated amortization on assets recorded under capital leases is included in accumulated depreciation. This year, $21,912 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
2017	$ -	$ -	$ -	$ 16,177	$ 752	$ 16,929	$ 16,177	$ 752	$ 16,929
2018	-	-	-	11,156	339	11,495	11,156	339	11,495
2019	-	-	-	2,849	25	2,874	2,849	25	2,874
Totals	$ -	$ -	$ -	$ 30,182	$ 1,116	$ 31,298	$ 30,182	$ 1,116	$ 31,298

	Business-Type Activities								
Year ending	Revenue Bonds			Notes Payable			Totals		
June 30	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	94,026	109,905	203,931	-	1,585	1,585	94,026	111,490	205,516
2018	94,026	108,005	202,031	3,754	1,606	5,360	97,780	109,611	207,391
2019	94,026	106,105	200,131	6,826	1,545	8,371	100,852	107,650	208,502
2020	99,026	104,205	203,231	6,900	1,471	8,371	105,926	105,676	211,602
2021	99,026	102,205	201,231	6,975	1,396	8,371	106,001	103,601	209,602
2022-2026	540,130	474,402	1,014,532	36,023	5,832	41,855	576,153	480,234	1,056,387
2027-2031	615,130	396,614	1,011,744	38,017	3,839	41,856	653,147	400,453	1,053,600
2032-2036	720,130	297,902	1,018,032	40,122	1,734	41,856	760,252	299,636	1,059,888
2037-2041	830,130	179,808	1,009,938	11,353	96	11,449	841,483	179,904	1,021,387
2042-2046	567,320	40,054	607,374	-	-	-	567,320	40,054	607,374
Totals	$ 3,752,970	$ 1,919,205	$ 5,672,175	$ 149,970	$ 19,104	$ 169,074	$ 3,902,940	$ 1,938,309	$ 5,841,249

Total interest paid on long-term debt was $112,555 during the year ended June 30, 2016.

Governmental Activities			Business Type Activities		
Total Interest	Less Direct Interest	Net Interest	Total Interest	Less Capitalized Interest	Net Interest
$ 1,300	$ -	$ 1,300	$ 111,255	$ -	$ 111,255

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 $14,936.

9. GEFA CONSTRUCTION / REHABILITATION PROJECTS

The City has entered into the following loan agreements with Georgia Environmental Finance Authority (GEFA) to finance construction / rehabilitation projects in the water and Sewer fund:

Clean Water State Revolving Fund (Project Number CWSRF 15-002) for $1,500,000 dated August 17, 2015 for the rehabilitation of existing sewer lines and manholes. The loan agreement includes a provision to forgive $225,000 of the loan amount, if all funds are drawn.

Drinking Water State Revolving Fund (Project Number DWSRF 15-019) for $2,572,500 dated February 23, 2016 for the rehabilitation of the City's drinking water distribution system. The loan agreement includes a provision to forgive $500,000 of the loan amount, if all funds are drawn.

Clean Water State Revolving Fund (Project Number CWSRF 15-009) for $2,500,000 dated February 23, 2016 for the rehabilitation of existing sewer lines and manholes. The loan agreement includes a provision to forgive $500,000 of the loan amount, if all funds are drawn.

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, 2016.

11. INTERFUND BALANCES AND TRANSFERS

Interfund balances and transfers as of and for the year ended June 30, 2016, were for routine operating functions in payroll and debt service administration. In addition, the interfund balances as of June 30, 2016, 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, 2016.

Interfund balances of amounts due to/from other funds and transfers by fund as of and for the year ended June 30, 2016, are as follows:

Description	Receivables	Payables
Major Governmental Funds-Advances To/From:		
Capital Projects Fund-Special Sales Tax 2007-		
Advance to General Fund	$ 370,463	$ -
General Fund Advance From-		
Capital Projects Fund-Special Sales Tax-2007	-	370,463
Total Major Governmental Funds-Advance To/From Other Funds	370,463	370,463
Major Governmental Funds-Due To/From:		
Capital Projects Fund-Special Sales Tax 2013 Fund-		
Due from General Fund	9,495	-
General Fund		
Due to Special Sales Tax 2007 Fund		3,879
Due to Special Sales Tax 2013 Fund	-	5,616
Total Major Governmental Funds-Due To/Other Funds	9,495	9,495
Totals	$ 379,958	$ 379,958

Transfers Out:	Transfers In: General Fund	T-SPLOST Fund	Solid Waste Fund	Totals
General Fund	$ -	40,600	$ 53,672	$ 94,272
Natural Gas Fund	299,457	-	6,430	305,887
Totals	$ 299,457	$ 40,600	$ 60,102	$ 400,159

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 $141,985 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 July 1, 2016, pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	29
Vested terminated employees	15
Active employees	41
Active elected officials	5
Total membership in the plan	90

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 $136,669 for the year ended June 30, 2016.

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, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

Actuarial assumptions - The total pension liability in the July 1, 2016 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 July 1, 2016 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	45%	6.75%
International equity	20%	7.45%
Fixed income	25%	5.05%
Real estate	10%	4.55%
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, 2016, 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, 2015	$ 3,801,815	$ 3,520,350	$ 281,465
Changes for the year:			
Service cost	88,539	-	88,539
Interest	284,759	-	284,759
Differences between expected and actual experience	(32,077)	-	(32,077)
Contributions-employer	-	155,051	(155,051)
Contributions-employee	-	-	-
Net investment income	-	10,212	(10,212)
Benefit payments, including refunds of employee contributions	(255,015)	(255,015)	-
Administrative expense	-	(10,307)	10,307
Other	-	-	-
Net changes	86,206	(100,059)	186,265
Balance, June 30, 2016	$ 3,888,021	$ 3,420,291	$ 467,730

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	$ 923,414	$ 467,730	$ 85,352

Changes of assumptions

Assumption changes reflected in the last two fiscal years are as follows:

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, 2016 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	$ 88,539
Interest on TPL	284,759
Administrative expense	10,307
Expected return on assets	(268,554)
Expensed portion of current year period differences between expected and actual experience in TPL	(8,020)
Expensed portion of current year period differences between projected and actual investment earnings	51,670
Current year recognition of deferred inflows and outflows established in prior years	(53,508)
Total pension expense	$105,193

For the year ended June 30, 2016, the City recognized pension expense of $105,193. As of June 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (77,621)
Contributions made subsequent to measurement date	34,168	-
Changes of assumptions	-	(27,890)
Net difference between projected and actual earnings on pension plan investments	168,329	-
Total	$ 202,497	$ (105,511)

City contributions subsequent to the measurement date of $34,168 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, 2017. 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
2017	$	(9,859)
2018		(9,859)
2019		30,868
2020		51,668

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	$ 28,204	$ 5,964	$ 5,193	$ -	$ 771
Net differences between projected and actual earnings on pension plan investments	138,951	29,378	25,581	-	3,797
Total deferred outflows	$ 167,155	$ 35,342	$ 30,774	$ -	$ 4,568
Deferred Inflows-					
Pensions:					
Differences between expected and actual experience	$ 64,074	$ 13,547	$ 11,796	$ -	$ 1,751
Changes of assumptions	23,022	4,868	4,239	-	629
Total deferred inflows	$ 87,096	$ 18,415	$ 16,035	$ -	$ 2,380

17. EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through May 12, 2017 the date which the financial statements were available to be issued.

18. 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	$ 685,544	$ -	$ 685,544
Transportation projects	138,960	-	138,960
Confiscated assets-police	4,078	-	4,078
Balance, end of year	$ 828,582	$ -	$ 828,582

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, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES:				
Taxes	$ 2,044,500	$ 1,905,200	$ 2,111,652	$ 206,452
Licenses and permits	55,200	60,200	65,061	4,861
Intergovernmental	165,500	475,500	492,674	17,174
Charges for services	80,300	97,300	114,739	17,439
Fines and forfeitures	210,250	230,250	233,567	3,317
Miscellaneous	93,200	7,200	7,845	645
Total Revenues	2,648,950	2,775,650	3,025,538	249,888
EXPENDITURES:				
Current:				
General government	1,148,100	923,100	935,079	(11,979)
Public safety	1,388,850	1,388,850	1,380,086	8,764
Public works	651,300	660,000	655,776	4,224
Airport	22,000	22,000	17,068	4,932
Debt service:				
Principal	21,736	21,736	21,212	524
Interest	800	800	525	275
TOTAL EXPENDITURES	3,232,786	3,016,486	3,009,746	6,740
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(583,836)	(240,836)	15,792	256,628
OTHER FINANCING SOURCES:				
Transfers in	575,836	295,836	299,457	3,621
Transfers out	-	(95,000)	(94,272)	728
Issuance of capital leases	-	32,000	32,631	631
Sale of capital assets	8,000	8,000	8,811	811
Total Other Financing Sources	583,836	240,836	246,627	5,791
NET CHANGE IN FUND BALANCES	-	-	262,419	262,419
FUND BALANCE, BEGINNING	137	137	137	-
FUND BALANCE, ENDING	$ 137	$ 137	$ 262,556	$ 262,419

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, 2016

	Fiscal Year End	
	2016	2015
Actuarially determined contribution	$ 136,669	$ 161,178
Contributions in relation to the actuarially determined contribution	136,669	161,178
Contribution deficiency (excess)	-	-
City's covered-employee payroll	$ 1,486,855	$ 1,413,489
Contributions as a percentage of covered-employee payroll	9.19%	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, 2016

	Fiscal Year End	
	2016	**2015**
Total Pension Liability		
Service cost	$ 88,539	$ 79,124
Interest	284,759	287,625
Differences between expected and actual experience	(32,077)	(107,126)
Changes in assumptions	-	(55,781)
Benefit payments, including refunds of employee contributions	(255,015)	(226,634)
Net change in total pension liability	86,206	(22,792)
Total pension liability-beginning	3,801,815	3,824,607
Total pension liability-ending	$ 3,888,021	$ 3,801,815
Plan Fiduciary Net Position		
Contributions-employer	$ 155,051	$ 185,951
Net investment income	10,212	314,321
Benefit payments, including refunds of employee contributions	(255,015)	(226,634)
Administrative expense	(10,307)	(9,572)
Net change in fiduciary net position	(100,059)	264,066
Plan fiduciary net position-beginning	3,520,350	3,256,284
Plan fiduciary net position-ending	$ 3,420,291	$ 3,520,350
Net Pension Liability		
Net pension liability-ending	$ 467,730	$ 281,465
Plan's fiduciary net position as a percentage of the total pension liability	87.97%	92.60%
Covered-employee payroll	1,486,855	1,413,489
Net pension liability as a percentage of covered-employee payroll	31.46%	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 General Government department had an excess of expenditures over appropriations in the current year of $11,979.

Georgia Municipal Employees Benefit System

This note describes assumption and benefit changes reflected in the last two fiscal years.

***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, 2016, 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, 2017.

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

Actuarial cost method	Entry Age Normal
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. RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

Supplementary Information

CITY OF COCHRAN, GEORGIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Capital Projects-CDBG 2014	Special Revenue-Confiscated Assets	Special Revenue-Hotel/ Motel Tax	Special Revenue-TIA Sales Tax	Total Nonmajor Governmental Funds
ASSETS:					
Cash	$ -	$ 4,078	$ -	$ 155,014	$ 159,092
Receivables, net:					
Taxes	-	-	1,625	-	1,625
Intergovernmental	54,459	-	-	4,172	58,631
Prepaid items	-	-	-	6,375	6,375
Total Assets	$ 54,459	$ 4,078	$ 1,625	$ 165,561	$ 225,723
LIABILITIES:					
Accounts payable	$ 77,255	$ -	$ 1,625	$ 20,226	$ 99,106
Due to other funds	-	-	-	-	-
Total Liabilities	77,255	-	1,625	20,226	99,106
FUND BALANCES:					
Nonspendable-					
Prepaid items	-	-	-	6,375	6,375
Restricted:					
Transportation projects	-	-	-	138,960	138,960
Confiscated assets-police	-	4,078	-	-	4,078
Unassigned (Deficit)	(22,796)	-	-	-	(22,796)
Total Fund Balances (Deficit)	(22,796)	4,078	-	145,335	126,617
Total Liabilities and Fund Balances	$ 54,459	$ 4,078	$ 1,625	$ 165,561	$ 225,723

CITY OF COCHRAN, GEORGIA

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

	Capital Projects-CDBG 2014	Special Revenue-Confiscated Assets	Special Revenue-Hotel/ Motel Tax	Special Revenue-TIA Sales Tax	Total Nonmajor Governmental Funds
REVENUES:					
Taxes	$ -	$ -	$ 14,558	$ 50,826	$ 65,384
Intergovernmental	317,538	-	-	-	317,538
Miscellaneous	-	272	-	-	272
Total Revenues	317,538	272	14,558	50,826	383,194
EXPENDITURES:					
Current:					
Public safety	-	5,558	-	-	5,558
Public works	-	-	-	28,957	28,957
Community development	340,334	-	14,558	-	354,892
Total Expenditures	340,334	5,558	14,558	28,957	389,407
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(22,796)	(5,286)	-	21,869	(6,213)
OTHER FINANCING SOURCES:					
Transfers in	-	-	-	40,600	40,600
Total Other Financing Sources	-	-	-	40,600	40,600
NET CHANGE IN FUND BALANCES	(22,796)	(5,286)	-	62,469	34,387
FUND BALANCE, BEGINNING	-	9,364	-	82,866	92,230
FUND BALANCE (DEFICIT), ENDING	$ (22,796)	$ 4,078	$ -	$ 145,335	$ 126,617

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, 2016

	Final Budget	Actual	Variance With Final Budget
REVENUES -			
Miscellaneous	$ 6,365	$ 272	$ (6,093)
Total Revenues	6,365	272	(6,093)
EXPENDITURES -			
Current -			
Public Safety	6,365	5,558	807
Total Expenditures	6,365	5,558	807
EXCESS OF REVENUES OVER EXPENDITURES	-	(5,286)	(5,286)
FUND BALANCE, BEGINNING	9,364	9,364	-
FUND BALANCE, ENDING	$ 9,364	$ 4,078	$ (5,286)

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, 2016

	Final Budget	Actual	Variance With Final Budget
REVENUES -			
Taxes	$ 15,000	$ 14,558	$ (442)
Total Revenues	15,000	14,558	(442)
EXPENDITURES -			
Current -			
Community development	15,000	14,558	442
Total Expenditures	15,000	14,558	442
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, 2016

	Final Budget	Actual	Variance With Final Budget
REVENUES -			
Taxes	$ 36,000	$ 50,826	$ 14,826
Total Revenues	36,000	50,826	14,826
EXPENDITURES -			
Current -			
Public works	36,000	28,957	7,043
Total Expenditures	36,000	28,957	7,043
EXCESS OF REVENUES OVER EXPENDITURES	-	21,869	21,869
OTHER FINANCING SOURCES-			
Transfers in	-	40,600	(40,600)
Total Other Financing Sources	-	40,600	(40,600)
NET CHANGE IN FUND BALANCES	-	62,469	62,469
FUND BALANCE, BEGINNING	82,866	82,866	-
FUND BALANCE, ENDING	$ 82,866	$ 145,335	$ 62,469

CITY OF COCHRAN, GEORGIA

Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Period Ended June 30, 2016

Project	Original Estimated Cost	Current Estimated Cost	Expenditures Prior Years	Expenditures Current Year	Total
Beginning 2007:					
Roads and Streets	$ 700,000	$ 700,000	$ 298,531	$ 7,772	$ 306,303
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	3,086	215,543
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	16,166	-	16,166
Recreation Department	180,000	180,000	131,665	16,950	148,615
Emergency Management Office	25,000	25,000	26,943	-	26,943
Total 2007 SPLOST	$ 2,205,000	$ 2,205,000	$ 1,847,315	$ 27,808	$ 1,875,123

CITY OF COCHRAN, GEORGIA
Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Period Ended June 30, 2016

Project	Original Estimated Cost	Current Estimated Cost	Expenditures Prior Years	Expenditures Current Year	Total
Beginning 2013:					
Roads and Streets	$ 530,600	$ 530,600	$ 8,662	$ 55,379	$ 64,041
Fire Department	100,000	100,000	62,448	14,723	77,171
Sewer System	625,000	625,000	196,814	43,503	240,317
Water System	330,000	330,000	17,125	91,670	108,795
Police Department	200,000	200,000	60,970	15,520	76,490
Public Library	15,000	15,000	4,419	-	4,419
Recreation Department	175,200	175,200	5,500	76	5,576
Emergency Management Office	24,000	24,000	87	-	87
Total 2013 SPLOST	$ 1,999,800	$ 1,999,800	$ 356,025	$ 220,871	$ 576,896

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, 2016

I. Total Fiscal Year 2014 CDBG Funds Awarded to Recipient	$ 500,000
II. Total Amount Drawn Down by Recipient from CDBG	$ 352,968
III. Less: CDBG Funds Expended by Recipient	352,968
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, 2016

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	375,765	-	375,765	-
Administration	A-21A-00	30,000	-	-	-	-
Totals		$ 500,000	$ 375,765	$ -	$ 375,765	$ -

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, 2016, 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 May 12, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. 2016-001, 2016-002, 2016-003, 2016-004

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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 2016-005 and 2016-006.

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
May 12, 2017

Cherry Bekaert LLP

CITY OF COCHRAN, GEORGIA

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

2016-001 Natural Gas Fund – Bank Account Balance

CRITERIA
An effective system of internal controls includes the requirement that all bank accounts are reconciled with the general ledger on a monthly basis and the reconciliations are reviewed by management or another responsible official.

CONDITION
The Daily Receipts pooled bank account was overstated and not properly reconciled as of June 30, 2016.

CONTEXT
The Daily Receipts pooled bank account erroneously reported a deposit in transit of $61,550. The funds were also reported as a receivable in the Natural Gas Fund.

EFFECT
Cash and revenue in the Natural Gas Fund were overstated by $61,550.

CAUSE
Due to a software conversion, the City may not have been able to generate proper financial reports.

RECOMMENDATION
We recommend that outstanding items on bank reconciliations are reviewed on a timely basis and revenue accounts are reconciled to subsidiary records.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
We concur with the finding. This was an isolated event due to software conversion. This is not expected to happen again. The City is now current with its bank reconciliations.

2016-002 Utility Billing Accounts Receivable

CRITERIA
The City's accounting and billing software should generate accurate reports and subsidiary ledgers to support general ledger balances.

CONDITION
Some utility billing accounts receivable balances were not properly allocated to the utility funds.

CONTEXT
The City upgraded its utility billing software in the current fiscal year. As a result of the conversion, inactive account balances were not carried over correctly. Sewer receivables were carried over to the new system as Natural Gas receivables and Natural Gas receivables were carried over to the new system as Solid Waste receivables.

EFFECT
Accounts receivable were overstated in the Solid Waste Fund and understated in the Natural Gas Fund and Water and Sewer Fund.

CAUSE
It appears during the software conversion process effective April 1, 2016, the City did not perform a reconciliation between the old software system balances and the new software system balances.

RECOMMENDATION
The City should perform reconciliation procedures on all inactive accounts and make the necessary adjustments to correct accounts receivable balances.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
We concur with the finding. The City is in contact with our accounting software provider to correct the converted balances in the utility billing system.

2016-003 Water and Sewer Fund

CRITERIA
Accounting procedures should be designed to insure that revenue is accrued and recognized when it becomes both measurable and available to finance expenditures for the fiscal period.

CONDITION
GEFA loan proceeds were not properly recorded for 2016.

CONTEXT
Audit adjustments were required to record and reclassify revenues for the fiscal year ended June 30, 2016. The adjustments consisted of $77,595 to record a receivable from GEFA for draws on loans and $15,078 to reclassify to revenue the forgivable portion of the GEFA loan proceeds.

EFFECT
The City's accounting records contained material errors which were identified and adjusted during the annual audit process.

CAUSE
The City did not monitor financial activity during 2016.

RECOMMENDATION
We recommend that the City develop procedures to insure the recording of revenues when they become measurable and available to finance expenditures of the fiscal period. The City should also consider providing additional training for personnel.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
We concur with the finding. The City will record, monthly, all activities, including the forgivable portion of the GEFA loan proceeds. The City has corrected the recording of this activity in the current fiscal year.

2016-004 Financial Reporting Software

CRITERIA
The City's accounting software should generate accurate reports and subsidiary ledgers to support general ledger balances.

CONDITION
The City was unable to provide a detail general ledger for the period April 1, 2016 to June 30, 2016.

CONTEXT
The City upgraded its accounting software effective April 1, 2016. As a result of the new system, the City was unable to generate and print a general ledger for the period April 1, 2016 to June 30, 2016.

EFFECT
The City was unable to generate adequate reports subsequent to the upgrade of the accounting software system.

CAUSE
The City experienced turnover in the finance department and financial personnel may have lacked the appropriate training on the new accounting software system.

RECOMMENDATION
We recommend the City contact the accounting software provider to obtain the necessary training and/or updates to enable the generation of complete general ledger reports.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
We concur with the finding. We will work with our accounting software provider and accounting consultant to make available the proper general ledger reports that are needed by our finance staff and auditors.

COMPLIANCE FINDINGS

2016-005 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 the General Fund in the 2007 SPLOST Fund for non-capital outlay items purchased with SPLOST funds.

CONTEXT
At June 30, 2016, the General Fund owed $370,462 to the 2007 SPLOST Fund for an advance and $3,879 for current year expenditures.

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

CAUSE
In prior years, the City was unaware 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.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
We concur with the finding. The City has passed a resolution outlining a repayment schedule that is included in the budget. A minimum payment of $70,000 is being made each fiscal year, beginning with the 2015-16 fiscal year, until the entire balance is made to the SPLOST 2007 fund.

2016-006 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. Capital outlay projects are defined by law as major projects which are of a permanent, long-lived nature and would be properly chargeable to a capital asset account as distinguished from current expenditures and ordinary maintenance expenses. State law also prohibits the expenditure of SPLOST monies for any purposes that were not approved in the SPLOST referendum.

CONDITION
In FY16, the City had expenditures in the 2013 SPLOST Fund that did not meet the definition of capital outlay items.

CONTEXT
The City purchased shoulder pads and footballs for the recreation department, which are considered operating expenditures, in the amount of $5,616 with SPLOST funds. At June 30, 2016, the General Fund owed $5,616 to the 2013 SPLOST Fund.

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

CAUSE
City personnel responsible for distribution of SPLOST funds lacked an understanding of projects eligible for SPLOST funding as defined by Georgia code.

RECOMMENDATION
The City should implement procedures to ensure restricted funds are not utilized for operating expenditures.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
We concur with the finding. The City has fully corrected this error as of April 2017.

CITY OF COCHRAN, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

2015-001 Violation of Georgia Law – 2007 SPLOST Fund

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 the2007 SPLOST Fund. No payments to the 2007 SPLOST Fund were made in the current fiscal year.

UPDATE
Unresolved. See current year finding 2016-005.

2015-002 Violation of Georgia Law – 2013 SPLOST Fund

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

UPDATE
Unresolved. See current year finding 2016-006.

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