CITY OF CORNELIA

CORNELIA, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF CORNELIA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF CORNELIA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Cornelia
Cornelia, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cornelia, Georgia, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cornelia, Georgia as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows, and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles in the United States of America require 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. Accounting principles generally accepted in the United States of America also requires that the Budget Comparison Schedule and the Schedule of Funding Progress on pages 31-33 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cornelia, Georgia's, basic financial statements as a whole. The combining and individual fund financial statements and schedule, and the special purpose local option sales tax report are presented for purposes of additional analysis and are not part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual fund financial statements and schedules, the special purpose local option sales tax report, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 fund financial statements and schedules, the special purpose local option sales tax report, and the schedule of expenditures of federal awards are fairly presented in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2014 on our consideration of the City of Cornelia, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Cornelia, Georgia's internal control over financial reporting and compliance.

Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia
June 22, 2014

BASIC FINANCIAL STATEMENTS

CITY OF CORNELIA, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

EXHIBIT 1

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
ASSETS				
Current Assets				
Cash	$ 2,132,424	$ 7,698,032	$ 9,830,456	$ 3,162
Taxes Receivable	952,202	-	952,202	-
Accounts Receivable	112,709	411,077	523,786	-
Intergovernmental Receivable	458,865	(458,865)	-	-
Total Current Assets	3,656,200	7,650,244	11,306,444	3,162
Noncurrent Assets				
Non-Depreciable	169,976	344,616	514,592	-
Depreciable Assets, Net	4,047,008	25,324,202	29,371,210	-
Total Noncurrent Assets	4,216,984	25,668,818	29,885,802	-
TOTAL ASSETS	$ 7,873,184	$ 33,319,062	$ 41,192,246	$ 3,162
LIABILITIES				
Current Liabilities				
Accounts Payable	$ 94,424	$ 149,979	$ 244,403	$ -
Accrued Payroll	71,957	40,182	112,139	-
Payroll Taxes Withheld	6,889		6,889	
Current Portion of Long-Term Debt	47,057	726,316	773,373	-
Water Deposits	-	25,932	25,932	-
Total Current Liabilities	220,327	942,409	1,162,736	
Noncurrent Liabilities				
Long-Term Notes Payable	48,716	6,388,783	6,437,499	-
Total Noncurrent Liabilities	48,716	6,388,783	6,437,499	-
TOTAL LIABILITIES	269,043	7,331,192	7,600,235	-
NET POSITION				
Net Investment in Capital Assets	4,121,211	12,134,405	16,255,616	-
Restricted for:				
Capital Projects	655,522		655,522	
Tourism	124,412		124,412	
Unrestricted Assets	2,702,996	13,853,465	16,556,461	3,162
TOTAL NET POSITION	$ 7,604,141	$ 25,987,870	$ 33,592,011	$ 3,162

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government					
Governmental Activities					
General Government	$ 316,437	$ 161,072	$	$	$ (155,365)
Better Hometown	62,102				(62,102)
City Manager	229,684				(229,684)
Human Resources	90,444			7,201	(83,243)
Police	1,268,499	241,997			(1,026,502)
Fire	819,013	121,574			(697,439)
Streets & Sanitation	589,708	295,756		52,876	(241,076)
Public Buildings	351,690				(351,690)
Recreation Department	281,713	53,518			(228,195)
Planning Department	219,150	58,967			(160,183)
Maintenance and Mechanica	263,820				(263,820)
Interest on long-term debt	4,997				(4,997)
Total Governmental Activities	4,497,257	932,884		60,077	(3,504,296)
Business-type Activities					
Water and Sewer Fund	5,023,048	5,929,294		948,978	1,855,224
Water and Sewer Authority	431,453	908,382			476,929
Total Business-type Activities	5,454,501	6,837,676		948,978	2,332,153
Total Primary Government	9,951,758	7,770,560		1,009,055	(1,172,143)
Component Unit					
Downtown Development Authority	19,818	500			(19,318)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Change in Net Position				
Net (expense) revenue	$ (3,504,296)	$ 2,332,153	$ (1,172,143)	$ (19,318)
General Revenues:				
Taxes:				
Property	1,380,337		1,380,337	
Franchise	479,684		479,684	
Motel Tax	207,459		207,459	
Beer and Wine	160,496		160,496	
Insurance Premium	214,589		214,589	
Unrestricted Investment Earnings	1,037	6,190	7,227	
Intergovernmental	326,136		326,136	
Miscellaneous	15,601		15,601	
Donations	3,326		3,326	20523
Transfers	500,000	(500,000)		
Total General Revenues and Transfers	3,288,665	(493,810)	2,794,855	20,523
Change in net position	(215,631)	1,838,343	1,622,712	1,205
Net Position at Beginning of Year	7,819,772	24,149,527	31,969,299	1957
Net Position - End of Year	$ 7,604,141	$ 25,987,870	$ 33,592,011	$ 3,162

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

EXHIBIT 3

	GENERAL FUND	SPLOST V CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
ASSETS				
Cash	$ 1,350,553	$ 655,522	$ 126,349	$ 2,132,424
Taxes Receivable	952,202			952,202
Accounts Receivable	112,709			112,709
Due from Other Funds	458,865			458,865
TOTAL ASSETS	$ 2,874,329	$ 655,522	$ 126,349	$ 3,656,200
LIABILITIES				
Accounts Payable	$ 94,424	$	$	$ 94,424
Accrued Payroll	71,957			71,957
Payroll Taxes Withheld and Accrued	6,889			6,889
TOTAL LIABILITIES	173,270			173,270
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue -property taxes	349,852			349,852
FUND BALANCE				
Restricted for:				
Capital Outlay Projects		655,522		655,522
Tourism and Promotion			124,412	124,412
Assigned				
Pet Friends			1,937	1,937
Unassigned	2,351,207			2,351,207
TOTAL FUND BALANCE	2,351,207	655,522	126,349	3,133,078
TOTAL LIABILITIES AND FUND BALANCE	$ 2,874,329	$ 655,522	$ 126,349	$ 3,656,200

Capital Projects Fund

Adjustments to the Statement of Net Position	
Fund Balance	$ 3,133,078
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	4,216,984
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds	
Property Taxes	349,852
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	(95,773)
Net Position of Governmental Activities (Exhibit "1")	$ 7,604,141

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA **EXHIBIT 4**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	GENERAL FUND	SPLOST V CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes				
Property	$ 1,099,981	$	$	$ 1,099,981
Franchise	479,684			479,684
Motel			207,459	207,459
Beer and Wine	160,496			160,496
Insurance Premium	214,589			214,589
License and Permits	156,693			156,693
Charges for Services	621,547			621,547
Fines and Forfeitures	154,645			154,645
Interest Income	137	797	103	1,037
Intergovernmental	12,324	313,812		326,136
Grants	60,076			60,076
Donations	3,166		160	3,326
Miscellaneous	15,601			15,601
TOTAL REVENUE	2,978,939	314,609	207,722	3,501,270
EXPENDITURES				
Current:				
General Government	153,206		84,565	237,771
Better Hometown	62,102			62,102
City Manager	229,684			229,684
Human Resources	90,444			90,444
Police Department	1,188,560			1,188,560
Fire Department	698,731	59,841		758,572
Streets and Sanitation	626,448	5,655		632,103
Public Buildings and Library	327,502	24,188		351,690
Recreation Department	69,294	199,042	13,377	281,713
Planning Department	219,150			219,150
Maintenance and Mechanical	126,558	137,262		263,820
Debt Service				
Principal Retirement	45,450			45,450
Interest and Fiscal Charges	4,997			4,997
TOTAL EXPENDITURES	3,842,126	425,988	97,942	4,366,056
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(863,187)	(111,379)	109,780	(864,786)
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	585,698	-	(85,698)	500,000
TOTAL OTHER FINANCING SOURCES (USES)	585,698	-	(85,698)	500,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	(277,489)	(111,379)	24,082	(364,786)
FUND BALANCE - BEGINNING OF YEAR	2,628,696	766,901	102,267	3,497,864
FUND BALANCE - END OF YEAR	$ 2,351,207	$ 655,522	$ 126,349	$ 3,133,078

Adjustments to the Statement of Activities	
Net Change in Fund Balance	$ (364,786)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which Depreciation (273,333) exceeded Capital Outlays (96,682)	(176,651)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	280,356
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in statement of net assets.	45,450
Change in net position of governmental activities (Exhibit 2)	$ (215,631)

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

EXHIBIT 5

	BUSINESS TYPE ACTIVITIES		
	WATER AND SEWER ENTERPRISE FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
ASSETS			
Current Assets:			
Cash	$ 7,602,327	$ 95,705	$ 7,698,032
Accounts Receivable	411,077		411,077
Total Current Assets	8,013,404	95,705	8,109,109
Non-current Assets:			
Capital Assets			
Assets not being depreciated	344,616		344,616
Asset being depreciated	27,584,293	11,103,212	38,687,505
Accumulated Depreciation	(12,528,349)	(834,954)	(13,363,303)
Total Non-current Assets	15,400,560	10,268,258	25,668,818
TOTAL ASSETS	$ 23,413,964	$ 10,363,963	$ 33,777,927
LIABILITIES			
Current Liabilities			
Accounts Payable	$ 149,979	$	$ 149,979
Accrued Payroll	40,182		40,182
Due to General Fund	458,865		458,865
Current Portion of Long-term Notes	8,099	718,217	726,316
Total Current Liabilities	657,125	718,217	1,375,342
Non-current Liabilities			
Water Deposits	25,932		25,932
Long-term Notes Payable	8,329	6,380,454	6,388,783
Total Non-current Liabilities	34,261	6,380,454	6,414,715
TOTAL LIABILITIES	691,386	7,098,671	7,790,057
NET POSITION			
Net Investment in Capital Assets	8,964,818	3,169,587	12,134,405
Unrestricted	13,757,760	95,705	13,853,465
TOTAL NET POSITION	22,722,578	3,265,292	25,987,870

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

EXHIBIT 6

	WATER AND SEWER ENTERPRISE FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
OPERATING REVENUES			
Water Sales	$ 2,910,468	$	$ 2,910,468
Sewer Fees	2,949,999		2,949,999
Fines and Surcharges	32,500		32,500
Water and Sewer Taps	32,565		32,565
Rent		908,382	908,382
Miscellaneous Receipts	3,762		3,762
TOTAL OPERATING REVENUES	5,929,294	908,382	6,837,676
OPERATING EXPENSES - By Department			
Administration	332,950		332,950
Water Plant	920,076		920,076
Disposal Plant	2,030,522		2,030,522
Water & Sewer System - Crew	650,009		650,009
Maintenance and Mechanical	386,729		386,729
Depreciation	679,056	222,064	901,120
TOTAL OPERATING EXPENSES	4,999,342	222,064	5,221,406
OPERATING INCOME	929,952	686,318	1,616,270
NON-OPERATING REVENUES (EXPENSE)			
Capital Grants	546,978		546,978
Interest Income	6,190		6,190
Interest Expense	(23,706)	(209,389)	(233,095)
TOTAL NON-OPERATING INCOME (EXPENSE)	529,462	(209,389)	320,073
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,459,414	476,929	1,936,343
Tansfers In (Out)	(500,000)		(500,000)
Capital Contributions	402,000		402,000
CHANGE IN NET POSITION	1,361,414	476,929	1,838,343
TOTAL NET POSITION - BEGINNING OF YEAR	21,361,164	2,788,363	24,149,527
TOTAL NET POSITION - END OF YEAR	$ 22,722,578	$ 3,265,292	$ 25,987,870

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA **EXHIBIT 7**
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	WATER AND SEWER ENTERPRISE FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 5,929,294	$ 908,382	$ 6,837,676
Payments to Suppliers	(3,037,170)		(3,037,170)
Payments to Employees	(1,105,019)		(1,105,019)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,787,105	908,382	2,695,487
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer(To) From other funds	(500,000)		(500,000)
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(500,000)		(500,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Grants	546,978		546,978
Proceeds from Fieldale Farms, Inc.	402,000		402,000
Principal Paid on Notes	(7,874)	(698,990)	(706,864)
Interest Paid	(23,706)	(209,389)	(233,095)
Acquisition Of Capital Assets	(1,248,149)		(1,248,149)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(330,751)	(908,379)	(1,239,130)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earned	6,190		6,190
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,190		6,190
NET INCREASE IN CASH AND CASH EQUIVALENTS	962,544	3	962,547
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,639,783	95,702	6,735,485
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,602,327	$ 95,705	$ 7,698,032
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	$ 929,952	$ 686,318	$ 1,616,270
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities			
Depreciation	$ 679,056	$ 222,064	$ 901,120
(Increase) Decrease in Accounts Receivable	36,668		36,668
Increase (Decrease) in Customer Deposits	3,552		3,552
Increase (Decrease) in Due to General Fund	119,447		119,447
Increase (Decrease) in Accounts Payable	12,223		12,223
Increase (Decrease) in Accrued Payroll	16,348		16,348
Increase (Decrease) in Payroll Taxes Payable	(10,141)		(10,141)
TOTAL ADJUSTMENTS	857,153	222,064	1,079,217
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,787,105	$ 908,382	$ 2,695,487

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government Unit

The City of Cornelia (the "City") was incorporated under the laws of the State of Georgia in 1887 and operates under an elected mayor-commission for of Government. The City's combined financial statements include the accounts of all the City's operations.

The financial statements of the City of Cornelia have been prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for the City's accounting and financial reporting policies. The more significant of the City's accounting policies are described below.

The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statement 14, "The Financial Reporting Entity" and GASB Statement 39 "Determining Whether Certain Organizations are Component Units". The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of organizations governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

Blended Component Units: - Blended component units, although legally separate entities, are, in substance, part of the Government's operations.

City of Cornelia Water and Sewer Authority – On May 5, 2011, the City of Cornelia created the City of Cornelia Water and Sewer Authority, under the provisions of the Official Code of Georgia Annotated Section 12-8-50. The Authority consists of five directors who are appointed by the City of Cornelia Council. The authority is blended with the Water and Sewer Enterprise fund since all services benefit the City of Cornelia. Separate financial statements are not issued for the Authority.

Discretely Presented Component Units: - Discretely presented component units are reported in a separate column in the combined financial statements to emphasize it is legally separate from the Government.

Cornelia Downtown Development Authority – The Cornelia Downtown Development Authority (CDDA) was created through a resolution from the Cornelia City Commission in 1982 and was reactivated in the summer of 2011. The CDDA was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of ten members appointed by the City Council and three ex-officio members. The Downtown Development Authority provides for the vitalization of the downtown area of the City of Cornelia.

The City of Cornelia Downtown Development Authority is reported in a separate column. Separate financial statements are not issued for the Authority.

NOTE 1 – (Continued)

Related organizations:
The Cornelia Housing Authority administers Federal funding and/or other financing for improvement of housing conditions in the City. The five citizens who serve as the Governing Board are appointed by the City Commission. The City has no significant influence over the management, budget or policies of the Cornelia Housing Authority. The Authority reports independently.

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Individual funds are not displayed. The statements distinguish between governmental activities, generally supported by taxes, intergovernmental revenues, and other non-exchange transactions and business-type activities, which are generally financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial position of the governmental and business type activities of the City at year end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities, for identifiable activity of the business-type activities of the City. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. 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. These revenues are subject to externally imposed restrictions to these program uses.

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted.*

Taxes and other revenue sources not properly included with the program revenues are reported as general revenues of the City. The comparison between direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns.

NOTE 1 – (Continued)

Fund Accounting – The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

Governmental Funds

Governmental Funds are those through which most of the governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balance of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

The *General Fund* is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.

The *SPLOST V Capital Projects Fund* accounts for the funds from the City's share of the Habersham County Special Purpose Local Option Sales Tax. The SPLOST V Fund is considered a major fund for reporting purposes.

The *Special Revenue Funds* account for revenues derived from specific sources (other than capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The Special revenue funds are not considered a major fund for reporting purposes.

Proprietary Fund: The Government reports the following proprietary funds:

The City reports the following major enterprise funds:

The Water and Sewer Enterprise Fund- This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Cornelia.

The City of Cornelia Water and Sewer Authority- This is a legally separate entity that is reported as blended with the Water and Sewer Enterprise Fund since all services benefit the City of Cornelia.

C. – Measurement Focus, Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included in the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

NOTE 1 – (Continued)

Like the government-wide statements, all proprietary funds types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

At the fund reporting level, governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual method and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues- Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the calendar year which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current calendar year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of year end.

Revenues – Non-exchange Transactions – Non-exchange transactions, in which the City receives value without directly giving equal value in return, includes sales tax, property taxes, grants and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the calendar year for which the taxes are levied. Revenue from grants and donations is recognized in the calendar year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specific the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days for property taxes and other non-exchange transactions) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales tax, special assessments and federal and state grants.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred, if measurable. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

D Assets, Liabilities and Equity

1. ***Cash and Investments*** - Cash and cash equivalents include amounts in demand and time deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. Cash and cash equivalents are reported on the balance sheets, statements of net position and in cash flow statements.

NOTE 1 – (Continued)

State statutes authorize the City to invest in the following types of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or Government Agency
- Obligations of any corporation of the United States Government
- Prime Bankers acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund 1)
- Obligations of the other political subdivisions of the State of Georgia

2. ***Receivables*** – Levied property taxes are recorded as receivables and recognized as revenue in the year they become due. The levy is made on assessed valuations as of January 1, and the taxes are due on December 20 of each year.

   The tax bills are mailed at least 60 days prior to the due date. The billings are considered past due 60 days after the tax billings date or December 20, whichever is later, at which time the applicable property is subject to lien, and penalties are assessed.

   All trade and property tax receivables are shown net of an allowance for uncollectibles, where applicable.

3 ***Interfund Balances***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to /from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

4 ***Inventories***

The cost of supplies is recorded as expenditure at the time the individual items are purchased. The amount of inventory on hand is insignificant and therefore not recorded.

5. ***Capital Assets***

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent that the City's capitalization threshold is met. The City capitalizes asset purchases valued at $5,000 or more. Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays of the Proprietary Fund are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

NOTE 1 – (Continued)

Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. No interest was capitalized during 2013.

Infrastructure (roads, bridges and traffic lights) acquired prior to January 1, 2000 have not been reported.

6 *Compensated Absences*

The City's policy does not allow the accumulation of vacation pay beyond a six-month period subsequent to year-end. Vacation taken subsequent to year-end requires approval of the department head and the Mayor and is lost if not taken by the end of the six-month period. The amount of 2013 vacation time taken in 2014 could not be reasonably estimated but it deemed to be immaterial. Sick pay benefits are nonvesting accumulating rights and are not accrued as allowed by FASB-43 (Accounting for Compensated Absences).

7 *Accrued Liabilities and Long-term Obligations*

The City reports long-term debt of governmental activities at face value in the Government-wide Statement of Net Assets. Long-term debt is not reported for governmental activities in the fund financial statements. Long-term debt and other obligations financed by the proprietary fund are reported as liabilities in both the Government-wide and fund financial statements.

8 *Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance 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 the 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 like inventories and prepaid items) 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 Board of Commissioners through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the Board of Commissioners must adopt another resolution.
- *Assigned-* Fund balances are reported as assigned when the amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Commissioners has authorized the City's finance director 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 criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

NOTE 1 – (Continued)

Net Position – The net position represents the difference between assets and liabilities. The net position component "invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net assets are reported as restricted as described in the fund balance section above. All other assets are reported as unrestricted.

Fund Balance Flow Assumptions – Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position Flow Assumptions – Sometimes the government 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 government's policy to consider restricted-net position to have been depleted before unrestricted- net position is applied.

9 ***Operating Revenue and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and development. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund.

10 ***Interfund Activity***

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/ expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

11 ***Estimates***

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

12 ***Deferred Outflows/Inflows of Resources***

The City implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB No. 65, *Items Previously Reported as Assets and*

NOTE 1 – (Continued)

Liabilities in fiscal year 2013. This implementation resulted primarily in changes to terminology and the elimination of reporting unamortized debt issuance costs (i.e., unamortized loan origination fees) as a deferred charge.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources, This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditures) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents the acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

On or before the end of December of each year, all departments of the City submit requests for appropriation to the City's Management so that a budget may be prepared. The budget is prepared by fund, function and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Before December 31st the Proposed Budget is presented to the City's Council for review. The City Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City's Management. The revenue estimates must be changed by an affirmative vote of a majority of the City Council. The budget was not amended during the year.

NOTE 3 – DEPOSIT AND INVESTMENT RISK

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized. At December 31, 2013 the City had no uninsured, uncollateralized deposits.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Stat of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other

NOTE 3 – (Continued)

political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit the investment choices. Investments are to be reported at fair value.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign Currency Risk

The City has no investments denominated in a foreign currency.

NOTE 4 - RECEIVABLES

Receivables at December 31, 2013 consisted of the following:

	General Fund	Enterprise Fund	Total
Receivables:			
Taxes	$ 952,202	$	$ 952,202
Service Fees	112,709		112,709
Water and Sewer Receivables		411,077	411,077
Total Receivables	$ 1,064,911	$ 411,077	$ 1,475,988

The delinquent taxes receivable account represents uncollected tax levies. No allowance for uncollectible taxes has been provided as delinquent taxes are considered fully collectible.

Property taxes are assessed as of January 1, 2013 on property values. Taxes were levied on November 8, 2013 for the 2013 tax year, and were due on January 8, 2014. All unpaid taxes levied on December 21, 2013 become delinquent as of January 9, 2014. Interest and penalties accrue after January 9, 2014.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within 60 days after year end.

Due to the high collection rate in the Enterprise Fund, no allowance has been made for bad debts.

NOTE 5 – INTERFUND BALANCES

DUE TO - FROM OTHER FUNDS

Receivable Fund	Payable Fund	Amount
General	Water and Sewer	458,865
Total		$ 458,865

NOTE 5 – (Continued)

INTERFUND TRANSFERS

	Major Funds		Nonmajor Funds	
	General	Proprietary	Governmental	Combined
Transfer Out To:				
Major Funds				
General	$	$ (500,000)	$ (85,698)	$ (585,698)
Transfer In From:				
Major Funds				
Proprietary Fund	500,000		-	500,000
Nonmajor Funds				
Governmental	85,698	-	-	85,698
Total	$ 585,698	$ (500,000)	$ (85,698)	$ -

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires them to the fund that statute or budget requires to expend them, and 2) use restricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type group.

NOTE 6 - CHANGES IN FIXED ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

Governmental-Type Activities:

	Balance 01/01/13	Additions	Deletions	Balance 12/31/13
Capital Assets Not being Depreciated				
Land	$ 169,976	$	$	$ 169,976
Depreciable Assets				
Building	$ 2,964,513	$	$	$ 2,964,513
Furniture & Equipment	458,482			458,482
Fire Equipment	962,257			962,257
Police Equipment	932,549			932,549
Sanitation and Streets	821,736	36,221		857,957
Streetscape Project	1,993,537	60,461		2,053,998
Total Depreciable Assets	8,133,074	96,682		8,229,756
Less: Accumulated Depreciation				
Building	1,346,485	59,978		1,406,463
Furniture & Equipment	188,733	10,580		199,313
Fire Equipment	710,137	71,421		781,558
Police Equipment	876,504	79,940		956,444
Sanitation and Streets	686,281	39,133		725,414
Streetscape Project	101,275	12,281		113,556
Total Accumulated Depreciation	3,909,415	273,333		4,182,748
Net Depreciable Assets	4,223,659	(176,651)		4,047,008
Governmental activities assets, net	$ 4,393,635	$ (176,651)	$	$ 4,216,984

NOTE 6 – (Continued)

Depreciation was charged to governmental functions as follows:

General Government Administration	$ 78,666
Police	79,939
Fire	60,441
Streets and Sanitation	54,287
Total	$ 273,333

Business-Type Activities:

	Balance 01/01/13	Additions	Deletions	Balance 12/31/13
Capital Assets Not being Depreciated				
Land	$ 344,616	$	$	$ 344,616
Depreciable Assets				
Building	$ 90,011	$	$	$ 90,011
Equipment	2,040,657	13,089		2,053,746
Water Plant	7214,399	40,728		7,255,125
Sewer Plant	13,530,024	88,927		13,618,951
Water and Sewer System	14,564,265	1,105,405		15,669,671
Total Depreciable Assets	37,439,356	1,248,149		38,687,505
Less: Accumulated Depreciation				
Building	98,509	8,840		107,349
Equipment	1,194,306	90,283		1,284,589
Water Plant	2,528,978	117,147		2,646,125
Sewer Plant	4,469,020	351,437		4,820,457
Water & Sewer System	4,171,370	333,413		4,504,783
Total Accumulated Depreciation	12,462,182	901,120		13,363,303
Net Depreciable Assets	24,977,174	347,029		25,324,202
Business -Type activities assets, net	$ 25,321,789	$ 347,029	$	$ 25,668,818

In the governmental and business-type activities, the following estimated useful lives are used to compute depreciation using the straight-line method:

General Government Buildings	40 Years
Streetscape	40 Years
Streets and Sanitation	5-20 Years
Water and Sewer System	50 Years
Utility Plant	50 Years
Machinery and Equipment	5-20 Years

NOTE 7 - LONG-TERM DEBT

General Fund

The General Fund has incurred debt for various vehicles and equipment. This debt is reported in the General Fund since it is expected to be repaid from General Fund revenues. This debt is backed by the full faith and credit of the government and is considered general obligation debt.

	Governmental Activities
Payable December 31, 2012	$ 141,223
New Debt	
Debt Retired	(45,450)
Payable December 31, 2013	$ 95,773

Governmental Type Activities

	USDA Fire Equip.	USDA Police Cars	BBT Garbage Truck	Total
2014	$ 8,514.14	$ 18,899.96	$ 19,642.76	$ 47,056.86
2015	8,864.30	19,650.92	20,200.62	48,715.84
Total	17,378.44	38,550.88	39,843.38	95,772.70
Less:				
Payable within one year	8,514.14	18,899.96	19,642.76	47,056.86
Total Due after one year	$ 8,864.30	$ 19,650.92	$ 20,200.62	$ 48,715.84

The amount of interest expense for the year in the General Fund was $ 4,997.

Notes Payable – USDA On April 28, 2010 the city entered into a loan to finance the purchase of a "Jaws of Life" apparatus and a Cascade Recharge System with 2 compressors and 2 fill stations for the fire department. Total amount of loan was $40,950.00. Principal and interest shall be due and payable in five annual payments in the amount of $9,231.00, commencing on April 28, 2011 and continuing on the 28th day of April until paid. The note bears interest at 4.125% per annum.

Amortization of this loan is as follows:

Year	Principal	Interest	Total
2014	$ 8,514.14	$ 716.86	$ 9,231.00
2015	8,864.30	365.65	9,229.95
	$ 17,378.44	$ 1,082.51	$ 18,460.95

NOTE 7 – (Continued)

Notes Payable – USDA On March 31, 2010 the city entered into a loan to finance the purchase of a Five new Police Cars for the Police Department. Total amount of loan was $91,000.00. Principal and interest shall be due and payable in five annual payments in the amount of $20,442.00, commencing on April 28, 2011 and continuing on the 28th day of April until paid. The note bears interest at 4.00% per annum.

Amortization of this loan is as follows:

Year	Principal	Interest	Total
2014	$ 18,899.96	$ 1,542.04	$ 20,442.00
2015	19,650.92	786.04	20,436.96
	$ 38,550.88	$ 2,328.08	$ 40,878.96

Notes Payable – BBT - On April 27, 2012 the City entered into a loan with BBT Governmental to finance the purchase of a 2012 Isuzu Garbage Truck for the Streets and Sanitation Department. Total amount of loan was $79,718.00. Principal and interest shall be due and payable in four annual payments in the amount of $20,774.31, commencing on May 18, 2012 and continuing annually on May 18th until paid. The note bears interest at 2.84% per annum.

Amortization of this loan is as follows:

Year	Principal	Interest	Total
2014	$ 19,642.76	$ 1,131.55	$ 20,774.31
2015	20,200.62	573.69	20,774.31
	$ 39,843.38	$ 1,705.24	$ 41,548.62

The following is a summary of Long-Term Debt transactions of the City for the year ended December 31, 2012

	Enterprise Funds
Payable December 31, 2012	$ 7,821,963
New Debt	
Debt Retired	(706,864)
Payable December 31, 2013	$ 7,115,099

NOTE 7 – (Continued)

	Business Type Activities				
	BBT Skid Steer	CBT Sewer Facilities	CBT Sewer Facilities	CBT Sewer Facilities	Total
2014	$ 8,098.53	$ 93,398.11	$ 459,002.97	$ 165,815.95	$ 726,315.56
2015	8,328.53	96,522.61	471,222.94	170,230.44	746,304.52
2016		99,620.69	483,549.92	174,683.59	757,854.20
2017		103,084.31	496,641.70	179,413.02	779,139.03
2018		106,532.86	509,863.70	184,189.50	800,586.06
2019-2023		588,466.58	1,612,418.49	582,499.06	2,783,384.13
2024-2028		521,514.39			521,514.39
Total	16,427.06	1,609,139.55	4,032,699.72	1,456,831.56	7,115,097.89
Less: Payable within one year	8,098.53	93,398.11	459,002.97	165,815.95	726,315.56
Total Due after one year	$ 8,328.53	$ 1,515,741.44	$ 3,573,696.75	$ 1,291,015.61	$ 6,388,782.33

The amount of interest expense for the year in the Water and Sewer Fund was $ 210,080.

The proprietary fund has incurred debt for the construction and improvement of water and sewer facilities. This debt is reported in the Proprietary Fund since it is expected to be repaid from Proprietary Fund Revenues.

This debt is however backed by the full faith and credit of the government and is considered general obligation debt.

Notes Payable – BBT - On April 16, 2012 the City entered into a loan with BBT Governmental to finance the purchase of a New Holland L230 Skid Steer Loader for the Water and Sewer Fund. Total amount of loan was $32,867. Principal and interest shall be due and payable in four annual payments in the amount of $8,565.06, commencing on May 18, 2012 and continuing annually on May 18th until paid. The note bears interest at 2.84% per annum.

Amortization of this loan is as follows:

Year	Principal	Interest	Total
2014	$ 8,098.53	$ 466.53	$ 8,565.06
2015	8,328.53	236.53	8,565.06
	$ 16,427.06	$ 703.06	$ 17,130.12

Notes Payable – Community Bank and Trust

During the year 2012 the City transferred certain assets held in the water and sewer utility fund to the City of Cornelia Water and Sewer Authority. These assets were from the wastewater treatment facility. The Authority then obtained new financing with Community Bank and Trust at a lower interest rate. The proceeds from three loans were used to pay off the City's debt to the Georgia Environmental Facilities Authority.

NOTE 7 – (Continued)

The description and amortization of these loans is as follows:

On October 31, 2012, the City entered into a loan with Community Bank and Trust to pay off loans with the Georgia Environmental Facilities Authority. The original amount of this loan was $1,714,417.28. Principal and interest shall be due and payable in one hundred eighty monthly payments in the amount of $12,084.53, commencing on November 30, 2012, and continuing monthly until October 30, 2027. The note bears interest at 2.84% per annum.

Amortization of this loan is as follows:

Year	Principal	Interest	Total
2014	$ 93,398.11	$ 51,616.25	$ 145,014.36
2015	96,522.61	48,491.75	145,014.36
2016	99,620.69	45,393.67	145,014.36
2017	103,084.31	41,930.05	145,014.36
2018	106,532.86	38,481.50	145,014.36
2019-2023	588,466.58	136,605.22	725,071.80
2024-2028	521,514.39	34,373.99	555,888.38
	$ 1,609,139.55	$ 396,892.43	$ 2,006,031.98

On October 31, 2012, the City entered into a loan with Community Bank and Trust to pay off loans with the Georgia Environmental Facilities Authority. The original amount of this loan was $4,479,799.69. Principal and interest shall be due and payable in 36 quarterly payments in the amount of $140,195.43, commencing on January 30, 2013, and continuing monthly until October 31, 2021. The note bears interest at 2.60% per annum.

Amortization of this loan is as follows:

Year	Principal	Interest	Total
2014	$ 459,002.97	$ 101,778.75	$ 560,781.72
2015	471,222.94	89,558.78	560,781.72
2016	483,549.92	77,231.80	560,781.72
2017	496,641.70	64,140.02	560,781.72
2018	509,863.70	50,918.02	560,781.72
2019-2023	1,612,418.49	69,926.67	1,682,345.16
	$ 4,032,699.72	$ 453,554.04	$ 4,486,253.76

NOTE 7 – (Continued)

On October 31, 2012, the City entered into a loan with Community Bank and Trust to pay off loans with the Georgia Environmental Facilities Authority. The original amount of this loan was $1,618,347.50. Principal and interest shall be due and payable in 36 quarterly payments in the amount of $140,195.43, commencing on January 30, 2013, and continuing monthly until October 31, 2021. The note bears interest at 2.60% per annum.

Amortization of this loan is as follows:

Year	Principal	Interest	Total
2014	$ 165,815.95	$ 36,768.05	$ 202,584.40
2015	170,230.44	32,353.56	202,584.40
2016	174,683.59	27,900.41	202,584.40
2017	179,413.02	23,170.98	202,584.00
2018	184,189.50	18,394.50	202,584.00
2019-2023	582,499.06	25,261.87	607,760.93
	$ 1,456,831.56	$ 163,849.37	$ 1,620,680.93

NOTE 8 - EMPLOYEE RETIREMENT PLAN

PLAN DESCRIPTION

The City, by ordinance, on August 1, 1972, established a retirement plan for its employees to be funded through the Georgia Municipal Employees Benefit System (GMEBS), an agent, multiple-employer type defined benefit pension plan. The Georgia Municipal Employees Benefit System issues a stand-alone financial report that included a schedule of member net assets, listing the net assets held by the City of Cornelia. That report may be obtained by writing to the Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303. The City is required to contribute at an actuarially determined rate. The actuarial valuation date was July 1, 2013.

Employees are not required to contribute to the plan. The contribution requirement of the City is established and may be amended by the Board of Trustees of the Georgia Municipal Employees Benefit System.

The City's plan, City of Cornelia Retirement Plan, provides retirement and death and disability benefits for all employees that have been employed full time for one year.

Members may retire on reaching age 65 and five years of service have been completed. Benefits are calculated at 1.0 % to 1.75% of the average earnings for the period of the five highest years prior to retirement. Members are vested after ten years of service have been completed.

The Plan's financial statements are prepared on an accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and increments in the cash value of death benefits.

Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable.

The amounts shown below as the " actuarial accrued liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help

NOTE 8 – (Continued)

users assess the funding status of the plan on a going concern basis, and assess progress made in accumulating sufficient assets to pay benefits when due. The measure is the actuarial value of credited projected benefits and is independent of the funding method used to determine contributions to the plan.

The Actuarial Value of Assets is determined by rolling forward the prior year's actuarial value with contributions, disbursements, and expected return on investments, adding 10% of Investment gains (losses) during the 10 prior years.

Significant actuarial assumptions used to compute contribution requirements include: (A) A rate of return on the investment of present and future assets of 7.75% per year compounded annually, with an inflation component of 3.50% (B) Projected Salary Increases of 3.5% and (C) the assumption that benefits will not increase after retirement.

The actuarial cost method used for this report is known as the Aggregate Method. This method determines the total cost of the projected pension benefits of all employees combined. This total cost is then spread over the average future remaining years to retirement for the employees. If benefits are related to compensation, the cost is spread as a level percentage of compensation. The portion of cost which is attributed to each year is called the Normal Cost. This method does not identify or separately amortize unfunded actuarially liabilities.

RECOMMENDED CONTRIBUTIONS

The Board of Trustees of the Georgia Municipal Employees Benefit System has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the plan.

The annual recommended contribution is the sum of 1) the normal cost, 2) the level dollar amortization of the unfunded actuarial accrued liability (initial unfunded actuarial accrued liability over 30 years from 1981 and changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year during which such changes arise), and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The Georgia Municipal Employees Benefit Systems' unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The recommended contribution under the policy for 2013 is as follows:

STATE FUNDING STANDARDS

The Plan is subject to minimum funding standards of the Public Retirement Systems Standard Law (Georgia Code Section 47-20-10). The required minimum annual contribution under these standards is $218,934. The GMEBS Board of Trustees has adopted an actuarial funding policy which requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan. If the employer contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet applicable funding standards.

Contributions Required and Made

As a participant in the GMEBS, the City receives a separate annual valuation as of September 1 each year. The City is required to pay the annual contribution of GMEBS on a monthly basis. The City's contribution to the plan was all made in accordance with actuarially determined requirements. Employees are not required to contribute to the Plan. Total pension costs paid was $271,918 for the fiscal year ended December 31, 2013,

NOTE 8 – (Continued)

which includes amortization of past service cost over 31 years. The City's total payroll for the year ending December 31, 2013 was $2,912,835. Total covered payroll was $2,722,834.

Ten Year Trend Information for
The City of Cornelia Retirement Plan

Fiscal Year Beginning	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-04	$ 72,381	100.%	0
12-31-05	94,226	100.%	0
12-31-06	75,156	100.%	0
12-31-07	93,968	100.%	0
12-31-08	107,863	100.%	0
12-31-09	261,993	100.%	0
12-31-10	225,308	100.%	0
12-31-11	230,404	100.%	0
12-31-12	261,194	100.%	0
12-31-13	271,918	100.%	0

Required Supplementary Information for
The City of Cornelia Retirement Plan
Analysis of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Funded Ratio (a/b)	Unfunded AAL (UALL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)*
07-1-2004	$ 2,516,241	$ 2,176,872	116.0%	$ (339,369)	$ 1,541,415	0.0%
07-1-2005	2,623,033	2,309,974	114.0%	(313,059)	1,622,806	0.0%
07-1-2006	2,745,425	2,370,931	115.8%	(374,494)	1,419,315	0.0%
07-1-2007	2,883,068	2,600,960	110.85%	(282,108)	1,808,973	0.0%
07-1-2008	2,962,713	2,811,853	105.39%	(150,860)	2,210,869	0.0%
07-1-2009	1,965,104	3,014,387	65.19%	1,049,283	2,431,103	43.16%
07-1-2010	2,577,749	3,184,599	80.94%	606,850	2,237,334	27.12%
07-1-2011	2,754,487	3,312,080	83.16%	557,593	2,512,128	22.20%
07-1-2012	2,962,090	3,586,741	82.58%	624,651	2,677,627	23.33%
07-1-2013	3,219,952	3,830,915	84.05%	610,963	2,722,834	22.44%

* *Not less than zero.*

Effect of plan changes on the actuarial accrued liability of any current-year changes in assumption or benefit provisions is:
The plan provision valued and the actuarial assumptions are the same as those used in the preceding valuation.

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is:
The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

NOTE 9 – CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts collected, may constitute a liability of the applicable funds. The amount, if any which may be disallowed by the grantor cannot be determined at this time although the government expects such amount, if any, to be immaterial.

The City is a defendant in various lawsuits. The financial statements do not include accrual of provisions for loss contingencies that may result from these proceedings. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that an adverse resolution on all of these matters would not have a material effect on the financial condition of the government.

NOTE 10– ECONOMIC DEPENDENCY/MAJOR CUSTOMERS

The City's Enterprise Fund for Water and Sewer Services has sales to a single customer which comprises more than ten percent of the total revenue for the enterprise fund. Sales to this customer for 2013 were $ 4,072,403.

NOTE 11 - 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; injuries to employees; and natural disasters. The City has insurance coverage with the Georgia Municipal Association. Insurance coverage and deductible options for property, casualty and crime under the policy are selected by City's management based on anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by the Association, as well as following loss reduction and prevention procedures established by the Association. The Association's responsibility includes paying claims, and representing the City in defense and settlement of claims. The Association's basis for estimating the liabilities for unpaid claims is established by the actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2013. No provisions have been made in the financial statements for the year ended December 31, 2013 for any estimate of unpaid claims.

The city has elected to be a member of the Georgia Municipal Association of Worker's Compensation Self-Insurance Fund (GMAWCSIF), a risk management agency created under Georgia Law. As a participant in the GMAWCSIF, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating GMAWCSIF permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. No amount has been recorded in the general purpose financial statements for this contingency, as management believes the likelihood for assessment is remote.

NOTE 12– GEORGIA MOUNTAIN REGIONAL COMMISSION

The City of Cornelia , in conjunction with cities and counties in the Northeast Georgia area, is a member of the Georgia Mountains Commission. Membership in a Regional Commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989)

NOTE 12 – (Continued)

provides for the organizational structure of the Commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the Commission During its year ended December 31, 2013, the City paid $4,253 in such dues. The Commission Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County 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 the non-public Board member from a County. Separate financial statements can be obtained from:

Georgia Mountains Regional Commission
P.O. Box 1720
Gainesville, Georgia 30503

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines Commissions as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of a Commission beyond its resources. (O.C.G.A. 50-8-39.1)

NOTE 13 – HOTEL MOTEL TAX

As required by code section 48-13-51 of the O.C.GA the City is required to spend 40% of the first 5% of the tax assessed on the promotion of tourism and trade. In addition, 50% of the amount assessed over 5% must also be expended of promotion of tourism and trade.

	Amount
Collections	$ 207,459
Habersham Chamber of Commerce	43,068
Cornelia Hospitality and Tourism Board	41,497

REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

In accordance with the Governmental Accounting Standards Board Statement No. 34,
The following information is a required part of the financial statements.

CITY OF CORNELIA, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED
REVENUES				
Taxes				
Property	$ 1,275,361	$ 1,275,361	$ 1,099,981	$ (175,380)
Franchise	460,000	460,000	479,684	19,684
Beer and Wine	161,000	161,000	160,496	(504)
Insurance Premium	225,000	225,000	214,589	(10,411)
License and Permits	157,000	157,000	156,693	(307)
Charges for Services	641,017	641,017	621,547	(19,470)
Fines and Forfeitures	232,700	232,700	154,645	(78,055)
Interest Income	5,000	5,000	137	(4,863)
Intergovernmental	20,000	20,000	12,324	(7,676)
Grants	494,000	494,000	60,076	(433,924)
Donation	0	0	3,166	3,166
Miscellaneous	15,100	15,100	15,601	501
TOTAL REVENUE	3,686,178	3,686,178	2,978,939	(707,239)
EXPENDITURES				
Current:				
General Government	232,600	232,600	153,206	79,394
Better Hometown	64,041	64,041	62,102	1,939
City Manager	239,374	239,374	229,684	9,690
Human Resources	102,269	102,269	90,444	11,825
Police Department	1,256,739	1,284,239	1,188,560	95,679
Fire Department	745,633	745,633	698,731	46,902
Streets and Sanitation	1,040,837	1,068,337	626,448	441,889
Public Buildings	339,976	339,976	327,502	12,474
Recreation Department	74,500	74,500	69,294	5,206
Planning Department	253,064	253,064	219,150	33,914
Maintenance and Mechanical	157,145	157,145	126,558	30,587
Debt Service				
Principal Retirement	50,000	50,000	45,450	4,550
Interest and Fiscal Charges	5,000	5,000	4,997	3
TOTAL EXPENDITURES	4,561,178	4,616,178	3,842,126	774,052
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(875,000)	(930,000)	(863,187)	66,813
OTHER FINANCING SOURCES (USES)				
Prior Year Fund Balance	175,000	175,000	0	(175,000)
Interfund Transfers	700,000	700,000	585,698	(114,302)
TOTAL OTHER FINANCING SOURCES (USES)	875,000	875,000	585,698	(289,302)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	-	(55,000.00)	(277,489)	(222,489)
FUND BALANCE - BEGINNING OF YEAR			2,628,696	
FUND BALANCE - END OF YEAR			$ 2,351,207	

CITY OF CORNELIA, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR
CITY OF CORNELIA RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2013

Required Supplementary Information for
The City of Cornelia Retirement Plan
Analysis of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Funded Ratio (a/b)	Unfunded AAL (UALL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)*
07-1-2004	$ 2,516,241	$ 2,176,872	116.0%	$ (339,369)	$ 1,541,415	0.0%
07-1-2005	2,623,033	2,309,974	114.0%	(313,059)	1,622,806	0.0%
07-1-2006	2,745,425	2,370,931	115.8%	(374,494)	1,419,315	0.0%
07-1-2007	2,883,068	2,600,960	110.85%	(282,108)	1,808,973	0.0%
07-1-2008	2,962,713	2,811,853	105.39%	(150,860)	2,210,869	0.0%
07-1-2009	1,965,104	3,014,387	65.19%	1,049,283	2,431,103	43.16%
07-1-2010	2,577,749	3,184,599	80.94%	606,850	2,237,334	27.12%
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07-1-2013	3,219,952	3,830,915	84.05%	610,963	2,722,834	22.44%

* *Not less than zero.*

Effect of plan changes on the actuarial accrued liability of any current-year changes in assumption or benefit provisions is:
The plan provision valued and the actuarial assumptions are the same as those used in the preceding valuation.

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is:
The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

CITY OF CORNELIA, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
YEAR ENDED DECEMBER 31, 2013

BUDGETARY ACCOUNTING AND CONTROL

The City Commission annually adopts budgets for the General Fund of the Primary Government. All appropriations are legally controlled at the departmental level for the General Fund. There were no budget amendments made during the year. The budgets are integrated into the accounting system, and the budget, as presented in financial statements for all funds with annual budgets; compare the expenditures with actual budgets.

All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditures are recorded to reserve that portion of the applicable appropriation-, is not utilized by the City of Cornelia.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CORNELIA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013

SCHEDULE 1

	PET FRIENDS	HOTEL/ MOTEL TAX	TOTAL
ASSETS			
Cash	$ 1,937	$ 124,412	$ 126,349
TOTAL ASSETS	$ 1,937	$ 124,412	$ 126,349
LIABILITIES	$	$	$
TOTAL LIABILITIES			
FUND BALANCES			
Restricted for:			
Tourism and Promotion		124,412	124,412
Assigned for:			
Pet Friends	1,937		1,937
TOTAL FUND BALANCES	1,937	124,412	126,349
TOTAL LIABILITIES AND FUND BALANCE	$ 1,937	$ 124,412	$ 126,349

CITY OF CORNELIA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

SCHEDULE 2

REVENUES	SKATE PARK	PET FRIENDS	HOTEL/ MOTEL TAX	TOTAL
Hotel/Motel Tax	$	$	$ 207,459	$ 207,459
Donations	-	160		160
Interest		-	103	103
TOTAL REVENUE	-	160	207,562	207,722
EXPENDITURES				
Tourism and Promotion	-	-	84,565	84,565
Skate Park	13,377			13,377
TOTAL EXPENDITURES	13,377	-	84,565	97,942
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	(13,377)	160	122,997	109,780
OTHER FINANCING SOURCES(USES)				
Operating Transfers In(Out)				
General Fund	-	-	(85,698)	(85,698)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(13,377)	160	37,299	24,082
FUND BALANCES BEGINNING OF YEAR	13,377	1,777	87,113	102,267
FUND BALANCES END OF YEAR	$ -	$ 1,937	$ 124,412	$ 126,349

CITY OF CORNELIA, GEORGIA SCHEDULE 3
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2013

Habersham County, Georgia SPLOST V	Original Estimated Costs	Expenditures		
		Prior Years	Current Year	Total
Water	$ 1,146,719	$ 150,540	$ 137,262	$ 287,802
Sewer	1,000,000	700,000	-	700,000
Public Safety	400,000	438,548	59,841	498,389
Roads and Bridges	378,477	6,000	5,655	11,655
Public Facilities	256,000	244,997	24,188	269,185
Recreation	100,000	54,628	199,042	253,670
	$ 3,281,196	$ 1,594,713	$ 425,988	$ 2,020,701

COMPLIANCE AND SINGLE AUDIT SECTION

DUNCAN & KITCHENS, LLC
Certified Public Accountants
327-D MONROE STREET
CLARKESVILLE, GA 30523
(706) 754-5814
FAX (706) 754-9069

Joseph Duncan, CPA, ATA, ATP
Joe Kitchens, CPA

Members of
American Institute and
Georgia Society of
Certified Public Accountants

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 the City Council
City of Cornelia
Cornelia, Georgia

We have audited, in accordance with the standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cornelia, Georgia, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Cornelia, Georgia's basic financial statements and have issued our report thereon dated June 22, 2014.

Internal Control over Financial Reporting

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

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 over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. This is reported as item 2012-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cornelia, 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 no instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*.

City of Cornelia, Georgia's Response to Findings

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

Purpose of this Report

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

Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia
June 22, 2014

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Cornelia
Cornelia, Georgia

Report on Compliance for Each Major Program

We have audited the City of Cornelia, Georgia's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City of Cornelia, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibilities

Our responsibility is to express an opinion on compliance for each of the City of Cornelia, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Cornelia, Georgia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of the City of Cornelia, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Cornelia, Georgia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Duncan & Kitchens, LLC

Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia
June20, 2014

CITY OF CORNELIA, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

FEDERAL GRANT/PASS THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Agency or Pass-Through Grantor Number	Expenditures
United States Department of Housing and Urban Development			
Entitlement Grant	14.218	11p-x-068-2-5347	$ 457,912
Entitlement Grant	14.218	10p-x-068-2-5224	8,160
Entitlement Grant	14.218	12p-x-068-2-5548	80,906
Total U.S. Department of Housing and Urban Development			546,978
Total Expenditure of Federal Awards			$ 546,978

See accompanying note to Schedule of Expenditures of Federal Awards

CITY OF CORNELIA, GEORGIA
NOTES SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS FOR THE
YEAR ENDED DECEMBER 31, 2013

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the SEFA) includes the federal grant activity of the City of Cornelia, Georgia, under programs for the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because this schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2) Pass-through entity identifying numbers are presented where available.

CITY OF CORNELIA, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified:	None noted
Are any significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial Statements noted?	None noted

B. Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	None noted
Significant deficiencies identified not considered material weaknesses:	None noted
Type of auditor's report issued on compliance of major programs:	Unqualified
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major program:	
14.218 Community Development Block Grant/Entitlement Grants	
Dollar threshold used to distinguish Between Type A and Type B programs:	$300,000
Auditee qualified as low risk auditee?	No

2. FINDINGS-FINANCIAL STATEMENTS AUDIT

A. SIGNIFICANT DEFICIENCY

12-1

Condition: City personnel may require additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common in governments of similar size and structure of the City. This does not indicate that the Finance Director is not trained to perform the daily accounting functions, but that the City has elected as a cost benefit to outsource this expertise to their auditors. As required, we have indicated this as a significant deficiency in our on Internal Control and Compliance.

Criteria: The City should possess the ability to prepare its own financial statements or have access to someone with adequate technical training and education to review the financial statements prepared by others.

Cause: The City staff does not have the accounting skill necessary to prepare financial statements in accordance with accounting principles generally accepted in the United States.

Effect: The City does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.

Recommendation: The City should continue to receive training in identification and application of generally accepted accounting principles and the preparation of the City's financial statements.

Management Response: The City agrees with the finding.

B. MATERIAL NONCOMPLIANCE

None Reported

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The audit of our basic financial statements and schedule of expenditures of federal awards disclosed no audit findings or questioned costs which are required to be reported under section 510(a) of OMB A-133.