CITY OF CORNELIA

CORNELIA, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF CORNELIA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016

TABLE OF CONTENTS

EXHIBITS

	Independent Auditor's Report	1-3
	BASIC FINANCIAL STATEMENTS	
	Government-Wide Financial Statements	
Exhibit 1	Statement of Net Position	4
Exhibit 2	Statement of Activities	5
	Fund Financial Statements	
	Governmental Funds Financial Statements	
Exhibit 3	Balance Sheet	6
Exhibit 4	Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	7
	Proprietary Fund Financial Statements	
Exhibit 5	Statement of Net Position	8
Exhibit 6	Statement of Revenues, Expenses and Changes in Fund Net Position	9
Exhibit 7	Statement of Cash Flows	10
	Notes to the Financial Statements	11-38
	REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS	
	Budgetary Comparison Schedules	
	General Fund	39
Schedule 1	**Schedule of Changes in Net Pension Liability and Related Ratios**	40
Schedule 2	**Schedule of Contributions – Pensions**	41
	Notes to the Required Supplementary Information	42-43
	OTHER SUPPLEMENTARY INFORMATION	
	Combining Statements and Individual Statements and Schedules:	
Schedule 3	Combining Balance Sheet-Nonmajor Governmental Funds	44
Schedule 4	Combining Statements of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	45

CITY OF CORNELIA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016

TABLE OF CONTENTS

Genral Fund		
Schedule 5	Comparative Balance Sheets	46
Schedule 6	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances	47
Schedule 7	Budget (GAAP Basis) and Actual Comparison Schedules	48
Special Revenue Funds		
Schedule 8	Pet Friends Special Revenue Fund - Comparative Balance Sheets	49
Schedule 9	Pet Friends Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances	50
Schedule 10	Hotel/Motel Tax Special Revenue Fund - Comparative Balance Sheets	51
Schedule 11	Hotel/MotelTax Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances	52
Capital Projects Fund		
Schedule 12	Special Purpose Local Option Sales Tax V Capital Projects Fund – Comparative Balance Sheets	53
Schedule 13	Special Purpose Local Option Sales Tax V Capital Projects Fund – Statement of Revneues, Expenditures and Changes in Fund Balance	54
Enterprise Funds		
Schedule 14	Water and Sewer Enterprise Fund – Comparative Statements of Net Position	55
Schedule 15	Water and Sewer Enterprise Fund – Comparative Statements of Revenues, Expenses and Changes in Net Position	56
Schedule 16	Water and Sewer Enterprise Fund – Comparative Statements of of Cash Flows	57
Schedule 17	City of Cornelia Water and Sewer Authority – Comparative Statements of Net Position	58
Schedule 18	City of Cornelia Water and Sewer Authority – Comparative Statements of Revenues, Expenses and Changes in Net Position	59
Schedule 19	City of Cornelia Water and Sewer Authority – Comparative Statements of Cash Flows	60

Single Audit Section

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*	61-62
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	63-64

CITY OF CORNELIA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016

TABLE OF CONTENTS

	Schedule of Exependitures of Federal Awards by Grant	65
	Notes to the Schedule of Expenditures of Federal Awards	66
	Schedule of Findings and Questioned Costs	67-68
Schedule 20	**State Reporting**	
	Schedule of Projects Financed with Special Purpose Local Option Sales Tax	69

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund, and the aggregate remaining fund information of the City of Cornelia, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Cornelia, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund and the remaining fund information of the City of Cornelia, Georgia, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 39 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has chosen to omit Management's Discussion and Analysis that accounting principles generally accepted 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.

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. The combining and individual fund financial statements and schedule and schedule of expenditures of projects financed with special purpose local option sales tax proceeds (as required by the Official Code of Georgia Annotated 48-8-21) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The combining and individual fund financial statements and schedules, the schedule of projects financed with special purpose local option sales tax, and the schedule 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 stated in all material respects in relation to the financial statements as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, the City of Cornelia, Georgia's basic financial statements for the year ended December 31, 2015, which are not presented with the accompanying financial statements. In our report date June 30, 2016, we expressed unmodified opinions of the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information. The 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 individual fund financial statements and schedules, related to the 2015 financial statements, are presented for purposes of additional analysis and a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2015 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 2015 individual fund financial statements and schedules are fairly presented in all material respects in relation to the basic financial statements from which they are derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017 on our consideration of the City of Cornelia, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, CPA's, LLC

Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia
June 30, 2017

BASIC FINANCIAL STATEMENTS

CITY OF CORNELIA, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

EXHIBIT 1

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash	$ 1,734,240	$ 11,804,059	$ 13,538,299	$ 14,004
Taxes Receivable	940,768	-	940,768	-
Accounts Receivable	33,390	647,335	680,725	-
Notes Receivable				367,479
Intergovernmental Receivable	400,215	(400,215)	-	-
Total Current Assets	3,108,613	12,051,179	15,159,792	381,483
Noncurrent Assets				
Non-Depreciable	360,005	779,593	1,139,598	-
Depreciable Assets, Net	6,152,048	29,320,311	35,472,359	-
Total Noncurrent Assets	6,512,053	30,099,904	36,611,957	-
TOTAL ASSETS	9,620,666	42,151,083	51,771,749	381,483
Deferred Outflows of Resources	183,756	129,465	313,221	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 9,804,422	$ 42,280,548	$ 52,084,970	$ 381,483
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current Liabilities				
Accounts Payable	$ 74,998	$ 367,805	$ 442,803	$ -
Accrued Payroll	23,182	16,327	39,509	-
Payroll Taxes Withheld	13,511		13,511	
Lease Payable - Current Portion	120,706	9,253	129,959	
Current Portion of Long-Term Debt	-	779,139	779,139	15,624
Total Current Liabilities	232,397	1,172,524	1,404,921	15,624
Noncurrent Liabilities				
Water Deposits		60,700	60,700	
Lease Payable		19,523	19,523	
Long-Term Notes Payable	1,178,160	5,652,939	6,831,099	347,928
Net Pension Obligation	950,366	669,576	1,619,942	
Total Noncurrent Liabilities	2,128,526	6,402,738	8,531,264	347,928
TOTAL LIABILITIES	2,360,923	7,575,262	9,936,185	363,552
Deferred Inflows of Resources	8,105	5,711	13,816	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,369,028	7,580,973	9,950,001	363,552
NET POSITION				
Net Investment in Capital Assets	5,213,187	23,639,050	28,852,237	-
Restricted for:				
Capital Projects	528,480		528,480	
Tourism	149,455		149,455	
Unrestricted Assets	1,544,272	11,060,525	12,604,797	17,931
TOTAL NET POSITION	$ 7,435,394	$ 34,699,575	$ 42,134,969	$ 17,931

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

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	$ 389,254	$ 164,161	$	$	$ (225,093)
City Manager	208,213				(208,213)
Human Resources	97,387				(97,387)
Police	1,336,302	271,537			(1,064,765)
Fire	1,045,431	70,137		362,103	(613,191)
Streets & Sanitation	546,417	325,444		385,050	164,077
Public Buildings	646,372			356,097	(290,275)
Recreation Department	74,411	55,122			(19,289)
Planning Department	270,226	59,486			(210,740)
Maintenance	6,095			6,095	0
Interest on long-term debt	34,209				(34,209)
Total Governmental Activities	4,654,317	945,887		1,103,250	(2,599,085)
Business-type Activities					
Water and Sewer Fund	5,198,950	7,115,017		1,414,024	3,330,091
Water and Sewer Authority	377,077	908,381			531,304
Total Business-type Activities	5,576,027	8,023,398		1,414,024	3,861,395
Total Primary Government	10,230,344	8,969,285		2,517,274	1,256,215
Component Unit					
Downtown Development Authority	33,957				(33,957)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Change in Net Position				
Net (expense) revenue	$ (2,599,085)	$ 3,861,395	$ 1,262,310	$ (33,957)
General Revenues:				
Taxes:				
Property	1,455,249		1,455,249	
Franchise	491,066		491,066	
Motel Tax	289,406		289,406	
Beer and Wine	188,492		188,492	
Insurance Premium	260,454		260,454	
Unrestricted Investment Earnings	698	10,576	11,274	11,246
Gain on Sale of Assets	73,437		73,437	
Donations	1,127		1,127	24,639
Transfers	500,000	(500,000)		
Total General Revenues and Transfers	3,259,929	(489,424)	2,770,505	35,885
Change in net position	660,844	3,371,971	4,032,815	1,928
Net Position - Beginning of Year - as previously reported	6,995,440	31,327,604	38,323,044	16,003
Prior Period Adjustment	(220,890)		(220,890)	
Net Position - Beginning of Year as restated	6,774,550	31,327,604	38,102,154	16,003
Net Position - End of Year as Restated	$ 7,435,394	$ 34,699,575	$ 42,134,969	$ 17,931

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

EXHIBIT 3

	GENERAL FUND	SPLOST VI CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
ASSETS				
Cash	$ 1,186,062	$ 271,510	$ 276,668	$ 1,734,240
Taxes Receivable	808,869	131,899		940,768
Accounts Receivable	33,390			33,390
Due from Other Funds	400,215			400,215
TOTAL ASSETS	$ 2,428,536	$ 403,409	$ 276,668	$ 3,108,613
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 74,998	$	$	$ 74,998
Accrued Payroll	23,182			23,182
Payroll Taxes Withheld and Accrued	13,511			13,511
TOTAL LIABILITIES	111,691			111,691
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue -property taxes	127,924			127,924
FUND BALANCE				
Restricted for:				
Capital Outlay Projects		403,409	125,071	528,480
Tourism and Promotion			149,455	149,455
Assigned				
Pet Friends			2,142	2,142
Unassigned	2,188,921			2,188,921
TOTAL FUND BALANCE	2,188,921	403,409	276,668	2,868,998
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,428,536	$ 403,409	$ 276,668	$ 3,108,613

Adjustments to the Statement of Net Position	
Fund Balance	$ 2,868,998
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	6,512,053
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds	
Property Taxes	127,924
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet but are reported in the government-wide Statement of Net Position	
Net Pension Liability	(950,366)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund financial statements, but are reported in the government-wide Statement of Net Position	
Deferred Outflows - Pensions	183,756
Deferred Inflows - Pensions	(8,105)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	(1,298,866)
Net Position of Governmental Activities (Exhibit "1")	$ 7,435,394

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT 4

	GENERAL FUND	SPLOST VI CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes				
Property	$ 1,456,802	$	$	$ 1,456,802
Franchise	491,066			491,066
Motel			289,406	289,406
Beer and Wine	188,492			188,492
Insurance Premium	260,454			260,454
License and Permits	158,561			158,561
Charges for Services	636,863			636,863
Fines and Forfeitures	150,463			150,463
Interest Income	100	259	339	698
Intergovernmental	274,023	735,826		1,009,849
Grants	99,496			99,496
Donations	0		170	170
Miscellaneous	957			957
TOTAL REVENUE	3,717,277	736,085	289,915	4,743,277
EXPENDITURES				
Current:				
General Government	137,605		147,077	284,682
City Manager	243,411			243,411
Human Resources	97,387			97,387
Police Department	1,619,916		33	1,619,949
Fire Department	1,747,531	202,678		1,950,209
Streets and Sanitation	911,872	285,554	3,875	1,201,301
Public Buildings and Library	454,477	356,097		810,574
Recreation Department	71,610		13,827	85,437
Planning Department	265,999			265,999
Maintenance and Mechanical		6,095		6,095
Debt Service				
Principal Retirement	298,635	0		298,635
Interest and Fiscal Charges	34,209	0		34,209
TOTAL EXPENDITURES	5,882,652	850,424	164,812	6,897,888
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,165,375)	(114,339)	125,103	(2,154,611)
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	73,437			73,437
Lease Proceeds	1,511,793			1,511,793
Interfund Transfers	610,074	0	(110,074)	500,000
TOTAL OTHER FINANCING SOURCES (USES)	2,195,304	0	(110,074)	2,085,230
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	29,929	(114,339)	15,029	(69,381)
FUND BALANCE - Beginning of Year as Previously Reported	2,379,915	517,748	261,639	3,159,302
Prior Period Adjustment	(220,923)			(220,923)
Fund Balance - Beginning of Year as Restated	2,158,992	517,748	261,639	2,938,379
FUND BALANCE - END OF YEAR	$ 2,188,921	$ 403,409	$ 276,668	$ 2,868,998

Adjustments to the Statement of Activities	
Net Change in Fund Balance	$ (69,381)
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 capital outlays (2,285,781) exceeded Depreciation (373,075)	1,912,706
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,553)
The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds ($1,511,793) exceed repayments of ($298,635).	(1,213,158)
Some expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Pension Expense	32,230
Change in net position of governmental activities (Exhibit 2)	$ 660,844

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

EXHIBIT 5

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	WATER AND SEWER ENTERPRISE FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
CURRENT ASSETS			
Cash	$ 11,757,757	$ 46,302	$ 11,804,059
Accounts Receivable	647,335		647,335
Total Current Assets	12,405,092	46,302	12,451,394
NON-CURRENT ASSETS			
Capital Assets			
Assets not being depreciated	779,593		779,593
Asset being depreciated	34,393,860	11,103,212	45,497,072
Accumulated Depreciation	(14,675,615)	(1,501,146)	(16,176,761)
Total Non-Current Assets	20,497,838	9,602,066	30,099,904
Total Assets	32,902,930	9,648,368	42,551,298
DEFERRED OUTFLOWS OF RESOURCES	129,465		129,465
Total Assets and Deferred Outflows of Resources	$ 33,032,395	$ 9,648,368	$ 42,680,763
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
CURRENT LIABILITIES			
Accounts Payable	$ 367,805	$	$ 367,805
Accrued Payroll	16,327		16,327
Due to General Fund	400,215		400,215
Notes Payable - Short Term	1,543,213		1,543,213
Current Portion of Long-term Notes	9,253	779,139	788,392
Total Current Liabilities	2,336,813	779,139	3,115,952
NON-CURRENT LIABILITIES			
Water Deposits	60,700		60,700
Long-term Notes Payable	19,523	4,109,726	4,129,249
Net Pension Liability	669,576		669,576
Total Non-current Liabilities	749,799	4,109,726	4,859,525
Total Liabilities	3,086,612	4,888,865	7,975,477
DEFERRED INFLOWS OF RESOURCES	5,711		5,711
Total Liabilities and Deferred Inflows of Resources	3,092,323	4,888,865	7,981,188
NET POSITION			
Net Investment in Capital Assets	18,925,849	4,713,201	23,639,050
Unrestricted	11,014,223	46,302	11,060,525
Net Position	$ 29,940,072	$ 4,759,503	$ 34,699,575

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, 2016

EXHIBIT 6

	WATER AND SEWER ENTERPRISE FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
OPERATING REVENUES			
Water Sales	$ 3,428,231	$	$ 3,428,231
Sewer Fees	3,623,396		3,623,396
Fines and Surcharges	19,548		19,548
Water and Sewer Taps	31,543		31,543
Rent		908,381	908,381
Miscellaneous Receipts	12,299		12,299
TOTAL OPERATING REVENUES	7,115,017	908,381	8,023,398
OPERATING EXPENSES - By Department			
Administration	346,846	102	346,948
Water Plant	1,138,465		1,138,465
Disposal Plant	1,962,467		1,962,467
Water & Sewer System - Crew	417,572		417,572
Maintenance and Mechanical	557,502		557,502
Depreciation	760,248	222,064	982,312
TOTAL OPERATING EXPENSES	5,183,100	222,166	5,405,266
OPERATING INCOME	1,931,917	686,215	2,618,132
NON-OPERATING REVENUES (EXPENSE)			
Capital Grants	1,012,024		1,012,024
Interest Income	10,576		10,576
Interest Expense	(15,850)	(154,911)	(170,761)
TOTAL NON-OPERATING INCOME (EXPENSE)	1,006,750	(154,911)	851,839
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	2,938,667	531,304	3,469,971
Tansfers In (Out)	(500,000)		(500,000)
Capital Contributions	402,000		402,000
CHANGE IN NET POSITION	2,840,667	531,304	3,371,971
NET POSITION - BEGINNING OF YEAR	27,099,405	4,228,199	31,327,604
NET POSITION - END OF YEAR	$ 29,940,072	$ 4,759,503	$ 34,699,575

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

EXHIBIT 7

	WATER AND SEWER ENTERPRISE FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 7,115,017	$ 908,381	$ 8,023,398
Payments to Suppliers	(2,843,742)	(102)	(2,843,844)
Payments to Employees	(1,389,814)		(1,389,814)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,881,461	908,279	3,789,740
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	1,012,024		1,012,024
Proceeds from Fieldale Farms, Inc.	402,000		402,000
Note Proceeds	1,131,186		1,131,186
Principal Paid on Notes	(8,929)	(753,470)	(762,399)
Interest Paid	(15,850)	(154,911)	(170,761)
Acquisition Of Capital Assets	(3,060,778)		(3,060,778)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(540,347)	(908,381)	(1,448,728)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earned	10,576		10,576
NET CASH PROVIDED BY INVESTING ACTIVITIES	10,576		10,576
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,851,690	(102)	1,851,588
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,906,067	46,404	9,952,471
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11,757,757	$ 46,302	$ 11,804,059
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	$ 1,931,917	$ 686,215	$ 2,618,132
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities			
Depreciation	$ 760,248	$ 222,064	$ 982,312
(Increase) Decrease in Accounts Receivable	(220,594)		(220,594)
(Increase) Decrease in Deferred Outflows	(74,394)		
Increase (Decrease) in Customer Deposits	43,716		43,716
Increase (Decrease) in Due to General Fund	(10,879)		(10,879)
Increase (Decrease) in Accounts Payable	327,073		327,073
Increase (Decrease) in Accrued Payroll	(21,905)		(21,905)
Increase (Decrease) in Net Pension Liability	167,150		167,150
Increase (Decrease) in Deferred Inflows	(20,871)		(20,871)
TOTAL ADJUSTMENTS	949,544	222,064	1,246,002
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,881,461	$ 908,279	$ 3,864,134

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 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

NOTE 1 – (Continued)

financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

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.

NOTE 1 – (Continued)

D. Assets, Liabilities and Equity

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. 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

1. ***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.

2. ***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."

3. ***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.

4. ***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.

NOTE 1 – (Continued)

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.

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 2015.

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

5. *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 2015 vacation time taken in 2016 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).

6. *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.

7. *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.

NOTE 1 – (Continued)

- *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.

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.

8. ***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.

9. ***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.

10. ***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

NOTE 1 – (Continued)

reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

11. *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 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

A. Budgetary Information

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, 2016 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

State 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 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 – NOTES AND ACCOUNTS RECEIVABLE

Primary Government

Receivables at December 31, 2016 consisted of the following:

Major Funds	
General Fund	
Taxes	$ 808,869
Service Fees	33,390
Enterprise Funds	
Water and Sewer	647,335
Total Primary Government	$ 1,489,594

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, 2016 on property values. Taxes were levied on November 8, 2016 for the 2016 tax year, and were due on January 8, 2017. All unpaid taxes levied on December 21, 2016 become delinquent as of January 9, 2017. Interest and penalties accrue after January 9, 2017.

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.

Component Unit

Cornelia Downtown Development Authority

Notes receivable from an individual, 4.5% interest per annum, to be paid in monthly installments of $2,518.32 from December 1, 2015 through August 1, 2019 with the last payment a balloon payment of $331,521.07.	$ 367,479
Due within one year	$ 14,821

NOTE 4 – (Continued)

Intergovernmental Receivable

Major Funds	
Splost	
Intergovernmental	$ 131,899
Total Primary Government	$ 131,899

NOTE 5 – INTERFUND BALANCES

DUE TO - FROM OTHER FUNDS

Receivable Fund	Payable Fund	Amount
General	Water and Sewer	400,215
Total		$ 400,215

This is a long term obligation that is not expected to be repaid within one year.

INTERFUND TRANSFERS

	Major Funds		Nonmajor Fund	
	General	Proprietary	Governmental	Combined
Transfer Out To:				
Major Funds				
General	$ -	$ (500,000)	$ (110,074)	$ (610,074)
Transfer In From:				
Major Funds				
Proprietary Fund	500,000			500,000
Nonmajor Funds				
Governmental	110,074			110,074
Total	$ 610,074	$ (500,000)	$ (110,074)	$ -

NOTE 5 – (Continued)

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, 2016 was as follows:

Governmental -Type Activities:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Capital Assets Not Being Depreciated				
Land	$ 252,176	$ 107,829	$	$ 360,005
Depreciable Assets				
Building	3,007,960	971,750		3,979,710
Furniture & Equipment	458,482	35,726	(125,719)	368,489
Fire Equipment	986,037	631,969		1,618,006
Police Equipment	1,157,762	346,253	(114,596)	1,389,419
Sanitation and Streets	922,382	192,256		1,114,638
Streetscape Project	2,578,296	-		2,578,296
Total Depreciable Assets	9,110,919	2,177,954	(240,315)	11,048,558
Less: Accumulated Depreciation				
Building	1,533,953	81,864		1,615,817
Furniture & Equipment	321,801	14,440	(125,719)	210,522
Fire Equipment	933,372	97,483		1,030,855
Police Equipment	1,026,367	109,112	(114,596)	1,020,883
Sanitation and Streets	808,596	53,413		862,009
Streetscape Project	139,661	16,763		156,424
Total Accumulated Depreciation	4,763,750	373,075	(240,315)	4,896,510
Net Depreciable Assets	4,347,169	1,804,879	-	6,152,048
Governmental activities assets, net	$ 4,599,345	$ 1,912,708	$ -	$ 6,512,053

Depreciation was charged to governmental functions as follows:

General Government Administration	$ 107,390
Police	109,102
Fire	82,491
Streets and Sanitation	74,092
Total	$ 373,075

NOTE 6 – (Continued)

Enterprise Activities

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Capital Assets Not Being Depreciated				
Land	$ 779,593	$ -	$	$ 779,593
Depreciable Assets				
Building	132,135	17,723		149,858
Equipment	2,314,742	146,400		2,461,142
Water Plant	7,569,230	757,989		8,327,219
Sewer Plant	13,814,454	42,137		13,856,591
Water and Sewer System	18,605,732	2,096,529		20,702,261
Total Depreciable Assets	42,436,293	3,060,778	-	45,497,071
Less: Accumulated Depreciation				
Building	75,312	9,637		84,949
Equipment	1,468,051	98,418		1,566,469
Water Plant	2,934,177	127,702		3,061,879
Sewer Plant	5,534,604	383,102		5,917,706
Water and Sewer System	5,182,304	363,453		5,545,757
Total Accumulated Depreciation	15,194,448	982,312		16,176,760
Net Depreciable Assets	27,241,845	2,078,466	-	29,320,311
Governmental activities assets, net	$ 28,021,438	$ 2,078,466	$ -	$ 30,099,904

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 6 – (Continued)

Invested in Capital Assets, Net of Related Debt

	Governmental Activities	Enterprise Fund
Invested in Capital Assets, net of related debt:	$	$
Cost of Capital Assets	11,408,563	46,276,664
Accumulated Depreciation	(4,896,510)	(16,176,760)
Book Value	6,512,053	30,099,904
Capital Related Debt	(1,298,866)	(6,460,854)
Total	$ 5,213,187	$ 23,639,050

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2016:

Primary Government

	Balance 12/31/2015	Additions	Payments	Balance 12/31/2016	Due Within One Year
Governmental Activities					
Obligations Under Capital Lease	$ 85,708	$ 1,511,793	$ 298,635	$ 1,298,866	$ 120,706
Net Pension Liability	855,483	94,883	-	950,366	-
Total Debt	$ 941,191	$ 1,606,676	$ 298,635	$ 2,249,232	$ 120,706
Enterprise Activities					
Notes Payable	$ 6,054,362	$ 1,131,186	$ 753,470	$ 6,432,078	$ 779,139
Obligations Under Capital Lease	37,706	-	8,930	28,776	9,253
Net Pension Liability	502,426	167,150	-	669,576	-
Total Debt	$ 6,594,494	$ 1,298,336	$ 762,400	$ 7,130,430	$ 788,392

The amount of interest expense for the year in the General Fund was $ 34,209. The amount of interest expense for the year in the Business-Type activities was $ 160,681.

NOTE 7 – (Continued)

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 – South State Bank

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 South State Bank 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.

The description and amortization of these loans is as follows:

On October 31, 2012, the City entered into a loan with South State Bank 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 Ending	Principal	Interest	Total
2017	$ 103,084.31	$ 41,930.05	$ 145,014.36
2018	106,532.86	38,481.50	145,014.36
2019	110,096.75	34,917.61	145,014.36
2020	113,687.97	31,326.39	145,014.36
2021	117,583.18	27,431.18	145,014.36
2022-2026	649,567.71	75,504.09	725,071.80
2027	119,092.79	1,799.94	120,892.73
Total	$ 1,319,645.57	$ 251,390.76	$ 1,571,036.33

NOTE 7 – (Continued)

On October 31, 2012, the City entered into a loan with Southstate Bank 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 Ending	Principal	Interest	Total
2017	$ 496,641.70	$ 64,140.02	$ 560,781.72
2018	509,863.70	50,918.02	560,781.72
2019	523,437.71	37,344.01	560,781.72
2020	537,303.14	23,478.58	560,781.72
2021	551,557.99	9,104.08	560,662.07
	$ 2,618,804.24	$ 184,984.71	$ 2,803,788.95

On October 31, 2012, the City entered into a loan with Southstate Bank 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 Ending			
2017	$ 179,413.02	$ 23,170.98	$ 202,584.00
2018	184,189.50	18,394.50	202,584.00
2019	189,093.16	13,490.84	202,584.00
2020	194,102.07	8,481.93	202,584.00
2021	203,617.44	3,289.10	206,906.54
Total	$ 950,415.19	$ 66,827.35	$ 1,017,242.54

NOTE 7 – (Continued)

Notes Payable – Georgia Environmental Facilities Authority (GEFA)

The City entered into an agreement with the Georgia Environmental Facilities Authority (GEFA) in the amount of $975,000 for Sewer system improvements which is in progress at December 31, 2016. GEFA agrees to forgive $195,000 of the loan if all funds are drawn. The city has drawn $519,148 on this agreement and recognized $103,829 in principal forgiveness. The current loan balance for this note is $415,318.48. Monthly installments of principal and interest are due beginning the on the first day of the calendar month following the date the loan is fully disbursed (the Amortization Commencement Date). This loan was not in repayment status as of December 31, 2016.

Notes Payable – Georgia Environmental Facilities Authority (GEFA)

The City entered into agreements with the Georgia Environmental Facilities Authority (GEFA) for Water and Sewer system improvements which are in progress at December 31, 2016. The city has drawn $1,127,894.35 as of December 31, 2016. Monthly installments of principal and interest are due beginning the on the first day of the calendar month following the date the loan is fully disbursed (the Amortization Commencement Date). This loan was not in repayment status as of December 31, 2016.

Component Unit

Cornelia Downtown Development Authority

The following is a summary of Long-Term Debt transactions of the City of Cornelia Downtown Development Authority for the year ended December 31, 2016

Payable December 31, 2014	$	379,959
New Debt		
Debt Retired		(16,407)
Payable December 31, 2015	$	363,552

On June 13, 2014, the Cornelia Downtown Development Authority (the Authority) entered into a loan with South State Bank to make available funds for economic development in the City. The proceeds were loaned to an individual to facilitate the purchase of a downtown restaurant. The original amount of this loan was $300,000, with an additional funding of $100,000 during fiscal year ended December 31, 2015. Principal and interest shall be due and payable in forty four monthly payments in the amount of $2,518.32, commencing on December 1, 2015, and continuing monthly until August 1, 2019 with the last payment being a balloon payment of $331,521.07. The note bears interest at 2.25% per annum.

NOTE 7 – (Continued)

Amortization of this loan is as follows:

Year Ending	Principal	Interest	Total
2017	$ 15,624.46	$ 9,308.06	$ 24,932.52
2018	16,406.81	8,525.71	24,932.52
2019	331,521.07	10,164.30	341,685.37
Total	$ 363,552.34	$ 27,998.07	$ 391,550.41

NOTE 8 – LEASES

Capital Leases

The City has entered into certain capital lease agreements under which the related equipment will become the property of the City when all terms of the lease agreement are met.

Equipment and related accumulated depreciation under capital leases are as follows:

	Governmental Activities	Proprietary Fund
Equipment	$ 1,623,001	$ 37,705
Less: Accumulated Depreciation	(92,672)	(7,540)
Net Value	$ 1,530,329	$ 30,165

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016 were as follows:

Year ending December 31	Governmental Activities	Proprietary Funds
2017	$ 373,175.08	$ 10,294.60
2018	373,175.08	10,294.60
2019	368,996.76	10,294.60
2020	227,751.91	-
	1,343,098.83	30,883.80
Less Interest	(44,232.81)	(2,108.06)
	$ 1,298,866.02	$ 28,775.74

NOTE 8 – (Continued)

Georgia Municipal Association/BB&T Governmental Finance

On December 15, 2014 the City entered into a Capital Lease with the Georgia Municipal Association/BB&T Governmental Finance for the acquisition of an Interop Records Management System for the Police Department. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The original amount of the lease was $ 63,413. The lease calls for five (5) yearly payments of $13,610.19 beginning January 12, 2015. This lease has interest rate of 3.5% per annum. The asset is recorded in the General Fund. The accumulated depreciation on this asset is $12,683, and the current depreciation expense was $6,341, for the fiscal year ended December 31, 2016.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at December 31, 2016:

Year Ending	Principal	Interest	Total
2017	$ 12,275.61	$ 1,334.58	$ 13,610.19
2018	12,705.26	904.93	13,610.19
2019	13,149.95	460.24	13,610.19
Total	$ 38,130.82	$ 2,699.75	$ 40,830.57

Digital Ally

On September 10, 2014 the City entered into a Capital Lease with Digital Ally for the acquisition of 12 Vehicle Cameras for the Police Department. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The original amount of the lease was $ 47,795. The lease calls for sixty (60) monthly payments of $901.95 beginning November 1, 2014. This lease has interest rate of 5.0% per annum. The assets are recorded in the General Fund. The asset is recorded in the General Fund. The accumulated depreciation on this asset is $11,152, and the current depreciation expense was $4,780, for the fiscal year ended December 31, 2016.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at December 31, 2016:

Year Ending	Principal	Interest	Total
2017	$ 9,720.69	$ 1,102.71	$ 10,823.40
2018	10,218.04	605.36	10,823.40
2019	6,530.31	114.76	6,645.07
Total	$ 26,469.04	$ 1,822.83	$ 28,291.87

NOTE 8 – (Continued)

Georgia Municipal Association/South State Bank

On February 25, 2016 the City entered into a Lease Purchase Agreement with the Georgia Municipal Association/South State Bank for the acquisition of new Ladder Truck and improvements at the Midway Fire Station for the Fire Department. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The original amount of the lease was $ 1,000,000. The lease calls for fifty one (51) monthly payments of $20,164.93 beginning April 1, 2016. This lease has interest rate of 1.28% per annum. The assets are recorded in the General Fund. The asset is recorded in the General Fund. The accumulated depreciation on this asset is $23,912, and the current depreciation expense was $23,912, for the fiscal year ended December 31, 2016.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at December 31, 2016:

Year Ending	Principal	Interest	Total
2017	$ 232,621.66	$ 9,357.50	$ 241,979.16
2018	235,658.60	6,320.56	241,979.16
2019	238,735.19	3,243.97	241,979.16
2020	120,531.33	458.25	120,989.58
Total	$ 827,546.78	$ 19,380.28	$ 846,927.06

Georgia Municipal Association/BB&T Governmental Finance

On January 28, 2016 the City entered into a Lease Purchase Agreement with the Georgia Municipal Association/BB&T Governmental Finance for the acquisition of one 2016 Garbage Truck, six 2016 Ford Utility Interceptors, five 2016 Dodge Durangos, one 2016 Ford F150 and one 2016 Ford F250. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The original amount of the lease was $ 511,793. The lease calls for five annual payments of $106,762.33 beginning March 25, 2016. This lease has interest rate of 0.198% per annum. The assets are recorded in the General Fund. The asset is recorded in the General Fund. The accumulated depreciation on this asset is $41,468 and the current depreciation expense was $41,468, for the fiscal year ended December 31, 2016.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at December 31, 2016:

Year Ending	Principal	Interest	Total
2017	$ 98,709.29	$ 8,053.04	$ 106,762.33
2018	100,663.73	6,098.60	106,762.33
2019	102,656.88	4,105.46	106,762.34
2020	104,689.48	2,072.85	106,762.33
Total	$ 406,719.38	$ 20,329.95	$ 427,049.33

NOTE 8 – (Continued)

Georgia Municipal Association/BB&T Governmental Finance

On January 19, 2014 the City entered into a Capital Lease with the Georgia Municipal Association/BB&T Governmental Finance for the acquisition of an 2009 Ford F550 Bucket Truck for the Water Department. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The original amount of the lease was $ 48,000. The lease calls for five (5) yearly payments of $10,294.60 beginning January 19, 2015. This lease has interest rate of 3.62% per annum. The asset is recorded in the Water and Sewer Enterprise Fund. The accumulated depreciation on this asset is $7,540 and the current depreciation expense was $3,770, for the fiscal year ended December 31, 2016.

Year Ending	Principal	Interest	Total
2017	9,252.92	1,041.68	10,294.60
2018	9,587.87	706.73	10,294.60
2019	9,934.95	359.65	10,294.60
Total	$ 28,775.74	$ 2,108.06	$ 30,883.80

NOTE 9 - 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, 2016.

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 effective from the date of hire.

Vested employees who have reached the age of 65 and have completed five years of credited service are eligible to receive a monthly benefit, payable for life. The benefit is equal to 1.0% of the employees' average salary up to a floating break point and 1.75% of the employee's average salary above the floating break point for the five highest years of employment multiplied by the years of credited service. Members are vested after ten years of service has been completed. The floating break point is based upon average Social Security earnings determined by the

NOTE 9 – (Continued)

employee's year of employment termination. The plan also provides benefits in the event of death or disability. These benefits provisions were established by an adoption agreement executed by the City Council.

Current Membership is as follows:

Number of retired participants and beneficiaries	37
Number of vested former participants	10
Number of active vested employees	28
Total number of participants	75

Funding Policy

City employees are not required to contribute to the Plan. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state requirements. The City is required to contribute at an actuarially determined rate; the current rate is 10.87% of annual covered payroll. The prior year contribution rate was 11.85%. The new rate is a decrease of .98% of pay. The contribution requirements of plan members and the City are established and may be amended by the Georgia Municipal Employee Benefit System Board of Trustees.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions
As of December 31, 2016, the City reported a net pension liability of $1,619,942. The net pension liability was measured on March 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2016. For the fiscal year ended December 31, 2016, the City recognized a pension expense in the amount of $290,167.

At December 31, 2016, the City reported deferred outflows and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 55,921	$
Changes in assumptions	187,759	(13,816)
Net difference between projected and actual earnings on pension plan investments		(40,929)
City contributions subsequent to the measurement date	69,541	
Total	$ 313,221	$ (54,745)

NOTE 9 – (Continued)

The $40,929 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction in net position liability in the fiscal year ending December 31, 2016. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year Ending December 31	
2017	$ 13,643
2018	13,643
2019	13,643
	$ 40,929

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions as applied to all periods included in the measurement:

Inflation	3.25% per year
Cost of Living Adjustment	0% per year
Investment Return:	7.75% per year
Future Salary Increases:	3.25% per year with an age based scale as follows:

Years of Service	Annual Rate (%)
0-1	8.75
2	5.75
3	5.50
4	5.25
5	5.00
6	4.75
7	4.50
8	4.25
9	4.00
10 or more	3.75

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

NOTE 9 – (Continued)

The mortality assumptions used in the July 1, 2016 actuarial report were based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2015.

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nominal Real Rate of Return
Domestic Equity	50%	5.95%	9.20%
International Equity	15%	6.45%	9.70%
Fixed Income	25%	1.55%	4.80%
Real Estate	10%	3.75%	7.00%
Cash	0%		
Total	100%		

Discount Rate:
The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from employer will be made at the contractually required rates, actuarially determined. Based on the those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the net pension liability.

NOTE 9 – (Continued)

Changes in Net Pension Liability:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (a)-(b)
Balances at March 31, 2015	$ 5,200,997	$ 3,843,088	$ 1,357,909
Changes for the year:			
Service Cost	132,015	-	132,015
Interest	391,838	-	391,838
Difference between actual and expected experience	41,837	-	41,837
Employer contributions	-	303,520	(303,520)
Employee contributions	-	-	-
Net investment income	-	12,041	(12,041)
Benefit payments	(290,041)	(290,041)	-
Administrative expense	-	(11,904)	11,904
Other	-	-	-
Net Changes	275,649	13,616	262,033
Balances at March 31, 2016	$ 5,476,646	$ 3,856,704	$ 1,619,942

Sensitivity of the Net Pension Asset/Liability to Changes in the Discount Rate.
The discount rate used to measure the total net pension liability was 7.75%. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.75%	2,326,366
Current discount rate	7.75%	1,619,942
1% increase	8.75%	1,033,108

NOTE 9– (Continued)

Plan Fiduciary Net Position:
Detailed information about the Plan's fiduciary net position is available in a separately issued Georgia Municipal Employee Benefit System financial report.

Other Plans:
In addition to the plan above, various City employees are covered under the Peace Officers' Annuity and Benefit Fund of Georgia. Further information regarding this plan can be obtained from the plan's annual report.

NOTE 10 – 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 11– 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 2016 were $ 4,531,867.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to , and destruction of assets; errors and omissions; 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, 2016. No provisions have been made in the financial statements for the year ended December 31, 2016 for any estimate of unpaid claims.

NOTE 12– (Continued)

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 13– 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) 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, 2016, the City paid $4,609 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 14 – 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	Amount Percent
Collections	$ 289,406	100%
Habersham Chamber of Commerce	$ 63,669	
Cornelia Hospitality and Tourism Board	60,695	
	$ 124,364	43%

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Governmental Activities

A prior period adjustment has been made to record correct the balance in Property Taxes receivable at December 31, 2015. The adjustment was to the amount from a detailed listing of taxes receivable. This amount was not available in the prior period. This adjustment decreased the beginning net position by $220,923.

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, 2016

	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED
REVENUES				
Taxes				
Property	$ 1,311,685	$ 1,311,685	$ 1,456,802	$ 145,117
Franchise	485,000	485,000	491,066	6,066
Beer and Wine	172,000	172,000	188,492	16,492
Insurance Premium	230,000	230,000	260,454	30,454
License and Permits	176,200	176,200	158,561	(17,639)
Charges for Services	651,800	651,800	636,863	(14,937)
Fines and Forfeitures	205,200	205,200	150,463	(54,737)
Interest Income	1,000	1,000	100	(900)
Intergovernmental	0	0	274,023	274,023
Grants	435,800	435,800	99,496	(336,304)
Miscellaneous	60,000	60,000	957	(59,043)
TOTAL REVENUE	3,728,685	3,728,685	3,717,277	(11,408)
EXPENDITURES				
Current:				
General Government	246,000	246,000	137,605	108,395
City Manager	267,479	267,479	243,411	24,068
Human Resources	113,357	113,357	97,387	15,970
Police Department	1,658,938	1,658,938	1,619,916	39,022
Fire Department	1,757,913	1,757,913	1,747,531	10,382
Streets and Sanitation	936,580	936,580	911,872	24,708
Public Buildings	456,651	456,651	454,477	2,174
Recreation Department	77,000	77,000	71,610	5,390
Planning Department	279,995	279,995	265,999	13,996
Debt Service				
Principal Retirement	300,000	300,000	298,635	1,365
Interest and Fiscal Charges	50,000	50,000	34,209	15,791
TOTAL EXPENDITURES	6,143,913	6,143,913	5,882,652	261,261
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,415,228)	(2,415,228)	(2,165,375)	249,853
OTHER FINANCING SOURCES (USES)				
Sale of Equipment			73,437	73,437
Lease Proceeds	1,494,969	1,494,969	1,511,793	16,824
Prior Year Fund Balance	190,259	190,259		(190,259)
Interfund Transfers	730,000	730,000	610,074	(119,926)
TOTAL OTHER FINANCING SOURCES (USES)	2,415,228	2,415,228	2,195,304	(219,924)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	$ -	$ -	$ 29,929	$ 29,929

CITY OF DEMOREST
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS
DECEMBER 31, 2016
(Unaudited)

SCHEDULE 1

		2016
Total Pension Liability as of the beginning of year (1)	$	5,200,997
Service Cost		132,015
Interest on Total Pension Liability		391,838
Difference between expected and actual experience		41,837
Change of assumptions		-
Changes of benefit terms		-
Benefits Payments, including refunds of employee contributions		(290,041)
Total Pension Liability as of March 31, 2015 (2)	$	5,476,646
Fiduciary Net Position as of beginning of year (3)	$	3,843,088
Employer Contributions		303,520
Employee Contributions		-
Net Investment Income		12,041
Benefit Payments		(290,041)
Administrative Expense		(11,904)
Other		-
Fiduciary Net Position as of End of Year (4)	$	3,856,704
Net pension liability as of beginning of year (1)-(3)	$	1,357,909
Net Pension liability as of end of year (2) - (4)	$	1,619,942
Fiduciary Net Position as a % of Total Pension Liability (4)/(2)		70.42%
Covered-employee payroll	$	2,819,555
Net pension liability as a % of covered-employee payroll		57.45%

* *Historical information prior to implementation of GASB 67/68 is not required.*

SCHEDULE 2

CITY OF CORNELIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS
DECEMBER 31, 2016
(Unaudited)

	FISCAL YEAR END 2016
Actuarially determined contribution	-*
Contributions in relation to the actuarially determined contribution	-*
Contribution deficiency (excess)	-
Covered-employee payroll	-*
Contributions as a percentage of covered-employee payroll	-*

** 2015 information will be determined after fiscal year end and will be included in the 2016 valuation report.*

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 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 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.

PENSIONS

1. Valuation Date

The actuarially determined contribution rate was determined as of July 1, 2016, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2017.

2. Methods and Assumptions Used to Determine Contribution Rates:

- Actuarial cost method = Projected unit credit
- Amortization method = Closed level dollar for remaining unfunded liability
- Remaining amortization period = Remaining amortization period varies for the bases, with a net effective amortization period of 24 years
- Asset valuation method = Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
- Net investment rate of return = 7.75%
- Projected salary increases = 3.25% plus service based merit increases
- Cost of living adjustments = 0.00%
- Retirement age for inactive vested participants = 65
- Mortality = Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

3. Changes in Benefits

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

4. Changes of Assumptions

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

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

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

CITY OF CORNELIA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016

SCHEDULE 3

	PET FRIENDS	HOTEL/ MOTEL TAX	SPLOST V CAPITAL PROJECTS	TOTAL
ASSETS				
Cash	$ 2,142	$ 149,455	$ 125,071	$ 276,668
TOTAL ASSETS	$ 2,142	$ 149,455	$ 125,071	$ 276,668
LIABILITIES	$ -	$ -	$ -	$ -
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Restricted for:				
Tourism and Promotion		149,455		149,455
Capital Outlay Projects			125,071	125,071
Assigned for:				
Pet Friends	2,142			2,142
TOTAL FUND BALANCES	2,142	149,455	125,071	276,668
TOTAL LIABILITIES AND FUND BALANCE	$ 2,142	$ 149,455	$ 125,071	$ 276,668

CITY OF CORNELIA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE 4

REVENUES	PET FRIENDS	HOTEL/ MOTEL TAX	SPLOST V CAPITAL OUTLAY	TOTAL
Hotel/Motel Tax	$	$ 289,406	$	$ 289,406
Donations	170			170
Interest	-	180	159	339
TOTAL REVENUE	170	289,586	159	289,915
EXPENDITURES				
Public Safety			33	33
Streets			3,875	3,875
Recreation			13,827	13,827
Tourism and Promotion	360	146,717		147,077
TOTAL EXPENDITURES	360	146,717	17,735	164,812
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	(190)	142,869	(17,576)	125,103
OTHER FINANCING SOURCES(USES)				
Operating Transfers In(Out)				
General Fund	-	(110,074)	-	(110,074)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(190)	32,795	(17,576)	15,029
FUND BALANCES BEGINNING OF YEAR	2,332	116,660	142,647	261,639
FUND BALANCES END OF YEAR	$ 2,142	$ 149,455	$ 125,071	$ 276,668

GENERAL FUND

THE GENERAL OPERATING FUND OF THE CITY IS USED TO ACCOUNT FOR ALL FINANCIAL RESOURCES EXCEPT THOSE REQUIRED TO BE ACCOUNTED FOR IN ANOTHER FUND.

CITY OF CORNELIA, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

SCHEDULE 5

	2016	2015
ASSETS		
Cash	$ 1,186,062	$ 792,763
Taxes Receivable	808,869	1,373,522
Accounts Receivable	33,390	54,627
Due from Other Funds	400,215	411,094
TOTAL ASSETS	$ 2,428,536	$ 2,632,006
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 74,998	$ 40,610
Accrued Payroll	23,182	52,610
Payroll Taxes Withheld and Accrued	13,511	29,394
TOTAL LIABILITIES	111,691	122,614
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue -property taxes	127,924	129,477
FUND BALANCE		
Unassigned	2,188,921	2,379,915
TOTAL FUND BALANCE	2,188,921	2,379,915
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,428,536	$ 2,632,006

CITY OF CORNELIA, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES INF FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

SCHEDULE 6

	2016	2015
REVENUES		
Taxes		
Property	$ 1,456,802	$ 1,429,465
Franchise	491,066	506,535
Beer and Wine	188,492	179,961
Insurance Premium	260,454	240,450
License and Permits	158,561	158,198
Charges for Services	636,863	607,311
Fines and Forfeitures	150,463	156,004
Interest Income	100	86
Intergovernmental	274,023	12,132
Grants	99,496	183,311
Miscellaneous	957	29,280
TOTAL REVENUE	3,717,277	3,502,733
EXPENDITURES		
Current:		
General Government	137,605	118,395
Better Hometown	-	62,348
City Manager	243,411	251,670
Human Resources	97,387	98,034
Police Department	1,619,916	1,171,949
Fire Department	1,747,531	781,895
Streets and Sanitation	911,872	802,773
Public Buildings and Library	454,477	333,990
Recreation Department	71,610	64,257
Planning Department	265,999	232,719
Maintenance and Mechanical	-	111,333
Debt Service		
Principal Retirement	298,635	72,807
Interest and Fiscal Charges	34,209	2,073
TOTAL EXPENDITURES	5,882,652	4,104,243
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,165,375)	(601,510)
OTHER FINANCING SOURCES (USES)		
Sale of Equipment	73,437	-
Lease Proceeds	1,511,793	-
Interfund Transfers	610,074	601,679
TOTAL OTHER FINANCING SOURCES (USES)	2,195,304	601,679
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	29,929	169
FUND BALANCE - Beginning of Year as Previously Reported	2,379,915	2,379,746
Prior Period Adjustment	(220,923)	
FUND BALANCE - as Restated	2,158,992	2,379,746
FUND BALANCE - END OF YEAR	$ 2,188,921	$ 2,379,915

SCHEDULE 7

CITY OF CORNELIA, GEORGIA
BUDGETARY COMPARISON SCHEDULE
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016			2015
	FINAL BUDGET	ACTUAL	VARIANCE	ACTUAL
REVENUES				
Taxes				
Property	$ 1,311,685	$ 1,456,802	$ 145,117	$ 1,429,465
Franchise	485,000	491,066	6,066	506,535
Beer and Wine	172,000	188,492	16,492	179,961
Insurance Premium	230,000	260,454	30,454	240,450
License and Permits	176,200	158,561	(17,639)	158,198
Charges for Services	651,800	636,863	(14,937)	607,311
Fines and Forfeitures	205,200	150,463	(54,737)	156,004
Interest Income	1,000	100	(900)	86
Intergovernmental	0	274,023	274,023	12,132
Grants	435,800	99,496	(336,304)	183,311
Miscellaneous	60,000	957	(59,043)	29,280
TOTAL REVENUE	3,728,685	3,717,277	(11,408)	3,502,733
EXPENDITURES				
Current:				
General Government	246,000	137,605	108,395	118,395
Better Hometown	0		-	62,348
City Manager	267,479	243,411	24,068	251,670
Human Resources	113,357	97,387	15,970	98,034
Police Department	1,658,938	1,619,916	39,022	1,171,949
Fire Department	1,757,913	1,747,531	10,382	781,895
Streets and Sanitation	936,580	911,872	24,708	802,773
Public Buildings	456,651	454,477	2,174	333,990
Recreation Department	77,000	71,610	5,390	64,257
Planning Department	279,995	265,999	13,996	232,719
Maintenance and Mechanical	0	-	-	111,333
Debt Service				
Principal Retirement	300,000	298,635	1,365	72,807
Interest and Fiscal Charges	50,000	34,209	15,791	2,073
TOTAL EXPENDITURES	6,143,913	5,882,652	261,261	4,104,243
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,415,228)	(2,165,375)	249,853	(601,510)
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	0	73,437	73,437	-
Lease Proceeds	1,494,969	1,511,793	16,824	
Prior Year Fund Balance	190,259	0	(190,259)	
Interfund Transfers	730,000	610,074	(119,926)	601,679
TOTAL OTHER FINANCING SOURCES (USES)	2,415,228	2,195,304	(219,924)	601,679
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	$ -	$ 29,929	$ 29,929	$ 169

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS ARE USED TO ACCOUNT FOR THE PROCEEDS OF SPECIFIC REVENUE SOURCES THAT ARE LEGALLY OR DONOR RESTRICTED TO EXPENDITURES FOR SPECIFIED PURPOSES.

Pet Friends

This fund is used to account for the donations and expenditures for various projects to enhance the recreational opportunities for pets and their owners within the City.

Hotel/Motel Tax Fund

This fund is used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Cornelia.

SCHEDULE 8

CITY OF CORNELIA, GEORGIA
PET FRIENDS SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash	$ 2,142	$ 2,332
TOTAL ASSETS	$ 2,142	$ 2,332
LIABILITIES	$	$
TOTAL LIABILITIES		
FUND BALANCES		
Assigned for:		
Pet Friends	2,142	2,332
TOTAL FUND BALANCES	2,142	2,332
TOTAL LIABILITIES AND FUND BALANCE	$ 2,142	$ 2,332

CITY OF CORNELIA, GEORGIA
PET FRIENDS SPECIAL REVENUE FUND
SCHEUDLE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

SCHEDULE 9

	2016	2015
REVENUES		
Donations	$ 170	$ 245
TOTAL REVENUE	170	245
EXPENDITURES		
Supplies	360	
TOTAL EXPENDITURES	360	
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	(190)	245
FUND BALANCES BEGINNING OF YEAR	2,332	2,087
FUND BALANCES END OF YEAR	$ 2,142	$ 2,332

SCHEDULE 10

CITY OF CORNELIA, GEORGIA
HOTEL / MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash	$ 149,455	$ 116,660
TOTAL ASSETS	$ 149,455	$ 116,660
LIABILITIES	$	$
TOTAL LIABILITIES		
FUND BALANCES		
Restricted for:		
Tourism and Promotion	149,455	116,660
Assigned for:		
Pet Friends		
TOTAL FUND BALANCES	149,455	116,660
TOTAL LIABILITIES AND FUND BALANCE	$ 149,455	$ 116,660

CITY OF CORNELIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEUDLE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

SCHEDULE 11

	2016	2015
REVENUES		
Hotel/Motel Tax	$ 289,406	$ 267,576
Donations		
Interest	180	101
	289,586	267,677
EXPENDITURES		
Tourism and Promotion	146,717	161,380
	146,717	161,380
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	142,869	106,297
OTHER FINANCING SOURCES(USES)		
Operating Transfers In(Out)	(110,074)	(101,679)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	32,795	4,618
FUND BALANCES BEGINNING OF YEAR	116,660	112,042
FUND BALANCES END OF YEAR	$ 149,455	$ 116,660

CAPITAL PROJECTS FUNDS

CAPITAL PROJECTS FUNDS ARE USED TO ACCOUNT FOR FINANCIAL RESOURCES TO BE USED FOR THE ACQUISITION OR CONSTRUCTION OF SPECIFICALLY PLANNED PROJECTS (OTHER THAN THOSE FINANCED BY THE PROPRIETARY OR FIDICUIARY FUNDS).

Special Purpose Local Option Sales Tax V

This fund is used to account for long-term projects financed by the passage of a special Purpose local option sales tax by Habersham County.

SCHEDULE 12

CITY OF CORNELIA, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX V
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash	$ 125,071	$ 142,647
TOTAL ASSETS	$ 125,071	$ 142,647
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
DEFERRED INFLOWS OF RESOURCES		
FUND BALANCE		
Restricted for:		
Capital Outlay Projects	125,071	142,647
TOTAL FUND BALANCE	125,071	142,647
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 125,071	$ 142,647

CITY OF CORNELIA, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX V
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

SCHEDULE 13

	2016	2015
REVENUES		
Interest Income	$ 159	$ 235
Intergovernmental	-	-
TOTAL REVENUE	159	235
EXPENDITURES		
Capital		
Police Department	33	10,429
Fire Department		
Streets and Sanitation	3,875	24,272
Public Buildings		
Recreation Department	13,827	66,672
Maiuntenance and Mechanical		
Public Utilties	-	-
TOTAL EXPENDITURES	17,735	101,373
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(17,576)	(101,138)
FUND BALANCE - BEGINNING OF YEAR	142,647	243,785
FUND BALANCE - END OF YEAR	$ 125,071	$ 142,647

ENTERPRISE FUNDS

ENTERPRISE FUNDS ARE USED TO ACCOUNT FOR OPERATIONS THAT ARE FINANCED AND OPERATED IN A MANNER SIMILAR TO PRIVATE BUSINESS ENTERPRISES. THE FUNDS ARE SELF-SUPPORTING IN NATURE WHERE THE COSTS, INCLUDING DEPRECIATION, OF PROVIDING GOODS OR SERVICES TO THE GENERAL PUBLIC ON A CONTINUING BASIS ARE FINANCED OR RECOVERED PRIMARILY THROUGH USER CHARGES.

Water and Sewer Fund

This fund is used to account for activities connected with the development, operation and Maintenance of water and sewer activities in the City of Cornelia.

City of Cornelia Water and Sewer Authority

The authority was established to hold certain assets and related debt of the City of Cornelia Water and Sewer Fund. These assets are leased back to the City.

CITY OF CORNELIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

SCHEDULE 14

	2016	2015
ASSETS		
Current Assets:		
Cash	$ 11,757,757	$ 9,906,067
Accounts Receivable	647,335	426,741
Total Current Assets	12,405,092	10,332,808
NON-CURRENT ASSETS		
Capital Assets		
Assets not being depreciated	779,593	779,593
Asset being depreciated	34,393,860	31,333,082
Accumulated Depreciation	(14,675,615)	(13,915,367)
Total Non-current Assets	20,497,838	18,197,308
Total Assets	32,902,930	28,530,116
DEFERRED OUTFLOWS OF RESOURCES	129,465	55,071
Total Assets and Deferred Outflows of Resources	$ 33,032,395	$ 28,585,187
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 367,805	$ 40,732
Accrued Payroll	16,327	38,232
Due to General Fund	400,215	411,094
Notes Payable - Short Term	1,543,213	412,027
Current Portion of Long-term Notes	9,253	8,929
Total Current Liabilities	2,336,813	911,014
NON-CURRENT LIABILITIES		
Water Deposits	60,700	16,984
Long-term Notes Payable	19,523	28,776
Net Pension Liabilty	669,576	502,426
Total Non-current Liabilities	749,799	548,186
TOTAL LIABILITIES	3,086,612	1,459,200
DEFERRED INFLOWS OF RESOURCES	5,711	26,582
Total Liabilities and Deferred Inflows of Resources	3,092,323	1,485,782
NET POSITION		
Net Investment in Capital Assets	18,925,849	17,747,576
Unrestricted	11,014,223	9,351,829
TOTAL NET POSITION	$ 29,940,072	$ 27,099,405

CITY OF CORNELIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

SCHEDULE 15

	2016	2015
OPERATING REVENUES		
Water Sales	$ 3,428,231	$ 3,315,031
Sewer Fees	3,623,396	3,450,355
Fines and Surcharges	19,548	29,848
Water and Sewer Taps	31,543	22,570
Miscellaneous Receipts	12,299	8,936
TOTAL OPERATING REVENUES	7,115,017	6,826,740
OPERATING EXPENSES - By Department		
Administration	346,846	354,268
Water Plant	1,138,465	976,697
Disposal Plant	1,962,467	1,925,016
Water & Sewer System - Crew	417,572	533,257
Maintenance and Mechanical	557,502	394,623
Depreciation	760,248	708,500
TOTAL OPERATING EXPENSES	5,183,100	4,892,361
OPERATING INCOME	1,931,917	1,934,379
NON-OPERATING REVENUES (EXPENSE)		
Capital Grants	1,012,024	476,521
Interest Income	10,576	4,773
Interest Expense	(15,850)	(6,005)
TOTAL NON-OPERATING INCOME (EXPENSE)	1,006,750	475,289
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	2,938,667	2,409,668
Tansfers In (Out)	(500,000)	(500,000)
Capital Contributions	402,000	402,000
CHANGE IN NET POSITION	2,840,667	2,311,668
NET POSITION-BEGINNING OF YEAR	27,099,405	25,343,344
NET POSITION - END OF YEAR	$ 29,940,072	$ 27,655,012

CITY OF CORNELIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

SCHEDULE 16

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 7,115,017	$ 6,826,740
Payments to Suppliers	(2,843,742)	(2,856,866)
Payments to Employees	(1,389,814)	(1,389,814)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,881,461	2,580,060
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	1,012,024	476,521
Proceeds from Fieldale Farms, Inc.	402,000	402,000
Note Proceeds	1,131,186	50,868
Principal Paid on Notes	(8,929)	(29,630)
Interest Paid	(15,850)	(6,005)
Acquisition Of Capital Assets	(3,060,778)	(1,710,742)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(540,347)	(816,988)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earned	10,576	4,773
NET CASH PROVIDED BY INVESTING ACTIVITIES	10,576	4,773
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,851,690	1,267,845
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,906,067	8,638,222
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11,757,757	$ 9,906,067
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ 1,931,917	$ 1,934,379
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation	$ 760,248	$ 708,500
(Increase) Decrease in Accounts Receivable	(220,594)	94,383
(Increase) Decrease in Deferred Outflows	(74,394)	(42,384)
Increase (Decrease) in Customer Deposits	43,716	(1,735)
Increase (Decrease) in Due to General Fund	(10,879)	(6,397)
Increase (Decrease) in Accounts Payable	327,073	(64,144)
Increase (Decrease) in Accrued Payroll	(21,905)	(3,257)
Increase (Decrease) in Net Pension Liability	167,150	(32,959)
Increase (Decrease) in Deferred Inflows	(20,871)	(6,326)
TOTAL ADJUSTMENTS	949,544	645,681
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,881,461	$ 2,580,060

CITY OF CORNELIA, GEORGIA
CORNELIA WATER AND SEWER AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

SCHEDULE 17

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 46,302	$ 46,404
Total Current Assets	46,302	46,404
NON-CURRENT ASSETS		
Capital Assets		
Assets not being depreciated	11,103,212	11,103,212
Asset being depreciated	(1,501,146)	(1,279,082)
Accumulated Depreciation	9,602,066	9,824,130
Total Non-current Assets		
Total Assets	$ 9,648,368	$ 9,870,534
LIABILITIES		
Current Liabilities		
Current Portion of Long-term Notes	779,139	757,854
Total Current Liabilities	779,139	757,854
NON-CURRENT LIABILITIES		
Long-term Notes Payable	4,109,726	4,884,481
Total Non-current Liabilities	4,109,726	4,884,481
Total Liabilities	4,888,865	5,642,335
NET POSITION		
Net Investment in Capital Assets	4,713,201	4,181,795
Unrestricted	46,302	46,404
Net Position	$ 4,759,503	$ 4,228,199

SCHEDULE 18

CITY OF CORNELIA, GEORGIA
CORNELIA WATER AND SEWER AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Rent	$ 908,381	$ 894,318
TOTAL OPERATING REVENUES	908,381	894,318
OPERATING EXPENSES - By Department		
Administration	102	
Depreciation	222,064	222,064
TOTAL OPERATING EXPENSES	222,166	222,064
OPERATING INCOME	686,215	672,254
NON-OPERATING REVENUES (EXPENSE)		
Interest Expense	(154,911)	(170,263)
TOTAL NON-OPERATING INCOME (EXPENSE)	(154,911)	(170,263)
CHANGE IN NET POSITION	531,304	501,991
TOTAL NET POSITION - BEGINNING OF YEAR	4,228,199	3,726,208
TOTAL NET POSITION - END OF YEAR	$ 4,759,503	$ 4,228,199

CITY OF CORNELIA, GEORGIA
CORNELIA WATER AND SEWER AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

SCHEDULE 19

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 908,381	$ 894,318
Payments to Suppliers	(102)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	908,279	894,318
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Notes	(753,470)	(738,118)
Interest Paid	(154,911)	(170,263)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(908,381)	(908,381)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(102)	(14,063)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	46,404	60,468
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 46,302	$ 46,405
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ 686,215	$ 672,254
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation	222,064	222,064
TOTAL ADJUSTMENTS	222,064	222,064
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 908,279	$ 894,318

OTHER REPORTING SECTION

DUNCAN & KITCHENS, LLC
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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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cornelia, Georgia, as of and for the year ended December 31, 2016, 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 30, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. 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 from 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 accompanying schedule of findings and questioned costs. 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 and Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia
June 30, 2017

SINGLE AUDIT SECTION

This section contains reports required by Uniform Guidance and grantor agencies.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Duncan & Kitchens, CPA's, LLC

Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia
June 30, 2017

City of Cornelia
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended December 31, 2016

Federal Grantor/Program or Cluster Title	*Federal CFDA Number*	*Pass-through Grantor and Number*	*Name of Grant - Grant ID No.*	*Federal Expenditures($)*
Other Programs				
Appalachian Regional Commission				
Appalachian Area Development				
Appalachian Area Development	23.002	GEFA,GA 18234		121,080
Total Appalachian Area Development				121,080
Total Appalachian Regional Commission				121,080
United States Environmental Protection Agency				
Capitalization Grants for Clean Water State Revolving Funds				
Capitalization Grants for Clean Water State Revolving Funds	66.458	GEFA,CWSRF 15-017		519,148
Total Capitalization Grants for Clean Water State Revolving Funds				519,148
Total United States Environmental Protection Agency				519,148
Department of Housing and Urban Development				
Community Development Block Grants/Entitlement Grants				
Community Development Block Grants/Entitlement Grants	14.218	Georgia Department of Community Affairs,15q-x-068-2-5813		381,157
Total Community Development Block Grants/Entitlement Grants				381,157
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Georgia Department of Community Affairs,14p-x-068-2-5735		393,031
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Georgia Department of Community Affairs,14p-x-068-x-5657		12,927
Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				405,958
Total Department of Housing and Urban Development				405,958
Total Other Programs				1,427,343
Total Expenditures of Federal Awards				$ 1,427,343

The accompanying notes are an integral part of this schedule

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Cornelia, Georgia under programs of the federal government for the fiscal year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule 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*, or the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as a reimbursement.

NOTE 3 – *De Minimis* Indirect Cost Rate

The City of Cornelia, Georgia has elected not to use the 10 percent *de minimis* indirect cost rate allowed under Uniform Guidance.

NOTE 4 – OUTSTANDING LOAN BALANCES

The City of Cornelia Water and Sewer Enterprise fund has an outstanding balance from federal funding sources as follows:

66.458 - Drinking Water State Revolving Loan Fund - $415,318.

CITY OF CORNELIA, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2016

1. SUMMARY OF THE AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting:	
Material weaknesses identified:	None Reported
Significant deficiencies identified Not considered material weaknesses?	None Reported
Noncompliance material to financial statements noted:	None Reported

B. FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified:	None Reported
Significant deficiencies identified Not considered material weaknesses?	None Reported
Type of auditor's report issued on Compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	None Reported

Identification of major programs:
14.228 Community Development Block Grants/States Programs
66.458 Capitalization Grants for Clean Water State Revolving Funds
14.218 Community Development Block Grants/Entitlement Grants

Dollar threshold used to distinguish Between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee	No

2. Financial Statement Findings

   A. Current Year Audit Findings
      None

   B. Prior Year Audit Findings

Comment 2012-1

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.

3. Federal Award Findings and Questioned Costs

   The audit of the basic financial statements and schedule of expenditures of federal awards disclosed no audit findings or questioned costs which are required to be reported under *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

STATE REPORTING SECTION

THIS SECTION CONTAINS ADDITIONAL REPORTS
REQUIRED BY THE STATE OF GEORGIA.

CITY OF CORNELIA, GEORGIA SCHEDULE 20

SUPPLEMENTARY INFORMATION

SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX

FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Estimated Costs	Expenditures		
		Prior Years	Current Year	Total
Habersham County, Georgia SPLOST V				
Water	$ 1,146,719	$ 510,006	$ -	$ 510,006
Sewer	1,000,000	700,000	-	700,000
Public Safety	400,000	663,795	33	663,828
Roads and Bridges	378,477	113,444	3,875	117,319
Public Facilities	256,000	269,185	-	269,185
Recreation	100,000	411,298	13,827	425,125
	$ 3,281,196	$ 2,667,728	$ 17,735	$ 2,685,463
Habersham County, Georgia SPLOST VI				
Streets and Sidewalks	$ 2,347,370	$ -	$ 285,554	$ 285,554
Community Facilities	650,000	30,049	362,192	392,241
Water	300,000	-	-	-
Sewer	590,698	-	-	-
Public Safety	1,050,000	1,298	202,678	203,976
	$ 4,938,068	$ 31,347	$ 850,424	$ 881,771