CITY OF CORNELIA

CORNELIA, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2018

CITY OF CORNELIA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2018

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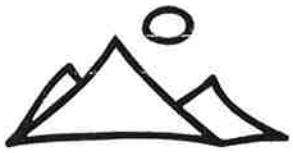
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INDEPENDENT AUDITOR'S REPORT

Joseph Duncan, CPA
Joe Kitchens, CPA



DUNCAN & KITCHENS, LLC
Certified Public Accountants

Members of
American Institute and
Georgia Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Commissioners
City of 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, each major fund and the aggregate remaining fund information of The City of Cornelia, Georgia, as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the City of Cornelia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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, based on our audit and the report of other auditors, 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, each major fund and the aggregate remaining fund information of The City of Cornelia, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America also requires that the Budget Comparison Schedule and the Schedule of Funding Progress on pages 40-44 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The City of Cornelia, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental budgetary comparison schedules, and state reporting section with the schedule of expenditures of special purpose local option sales proceeds as required by Official Code of Georgia 48-8-121, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the supplemental budgetary comparison schedules, and the state reporting section with the special purpose local option sales tax report (the supplementary information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other record used to prepare the basic financial statements. Such information have 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 financial statements and schedules, and the state reporting section with special purpose local option sales tax report are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2019 on our consideration of the City of Cornelia, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cornelia, Georgia's 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's internal control over financial reporting.

Duncan & Kitchens, CPA's LLC

Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia
June 18, 2019

BASIC FINANCIAL STATEMENTS

CITY OF CORNELIA, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

EXHIBIT 1

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash	$ 2,661,007	$ 9,701,766	$ 12,362,773	$ 53,542
Taxes Receivable	1,660,468	-	1,660,468	-
Accounts Receivable	32,955	791,809	824,764	-
Intergovernmental Receivable	49,864	(16,964)	32,900	(32,900)
Total Current Assets	4,404,294	10,476,611	14,880,905	20,642
Noncurrent Assets				
Non-Depreciable	360,005	779,593	1,139,598	-
Construction In Progress		12,269,994	12,269,994	
Depreciable Assets, Net	6,095,724	31,909,871	38,005,595	-
Total Noncurrent Assets	6,455,729	44,959,458	51,415,187	-
TOTAL ASSETS	10,860,023	55,436,069	66,296,092	20,642
Deferred Outflows of Resources	229,740	161,863	391,603	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 11,089,763	$ 55,597,932	$ 66,687,695	$ 20,642
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current Liabilities				
Accounts Payable	$ 166,027	$ 46,602	$ 212,629	$ -
Accrued Payroll	33,771	28,436	62,207	-
Payroll Taxes Withheld	20,086		20,086	
Lease Payable - Current Portion	47,677	9,935	57,612	
Current Portion of Long-Term Debt	-	818,052	818,052	236,884
Total Current Liabilities	267,561	903,025	1,170,586	236,884
Noncurrent Liabilities				
Water Deposits		49,011	49,011	
Lease Payable	671,039	-	671,039	
Long-Term Notes Payable	-	15,135,298	15,135,298	-
Net Pension Obligation	812,401	572,373	1,384,774	
Total Noncurrent Liabilities	1,483,440	15,756,682	17,240,122	-
TOTAL LIABILITIES	1,751,001	16,659,707	18,410,708	236,884
Deferred Inflows of Resources	148,881	104,893	253,774	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,899,882	16,764,600	18,664,482	236,884
NET POSITION				
Net Investment in Capital Assets	5,737,013	28,996,173	34,733,186	-
Restricted for:				
Capital Projects	755,321		755,321	
Tourism	76,638		76,638	
Unrestricted Assets	2,620,909	9,837,159	12,458,068	(216,242)
TOTAL NET POSITION	$ 9,189,881	$ 38,833,332	$ 48,023,213	$ (216,242)

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

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	$ 478,674	$ 166,334	$	$ 118,646	$ (193,694)
City Manager	242,129				(242,129)
Human Resources	107,925				(107,925)
Police	1,563,560	336,439		178,484	(1,048,637)
Fire	1,198,451	64,294		387,681	(746,476)
Streets & Sanitation	678,548	362,923		542,854	227,229
Public Buildings	7,301			145,399	138,098
Recreation Department	63,464	14,868			(48,596)
Planning Department	148,163	50,205			(97,958)
Interest on long-term debt	17,554				(17,554)
Total Governmental Activities	4,505,769	995,063		1,373,064	(2,137,642)
Business-type Activities					
Water and Sewer Fund	6,206,345	7,529,230		815,325	2,138,210
Storwater Fund	5,139	284,773			279,634
Water and Sewer Authority	332,486	908,381			575,895
Total Business-type Activities	6,543,970	8,722,384		815,325	2,993,739
Total Primary Government	11,049,739	9,717,447		2,188,389	856,097
Component Unit					
Downtown Development Authority	75,489	13,482			(62,007)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Change in Net Position				
Net (expense) revenue	$ (2,137,642)	$ 2,993,739	$ 856,097	$ (62,007)
General Revenues:				
Taxes:				
Property	1,863,786		1,863,786	
Franchise	464,097		464,097	
Motel Tax	278,045		278,045	
Beer and Wine	185,768		185,768	
Insurance Premium	299,100		299,100	
Unrestricted Investment Earnings	2,974	6,803	9,777	-
Gain (Loss) on Sale of Assets	121,215		121,215	-
Miscellaneous	6,508		6,508	
Donations	5,643		5,643	-
Transfers	508,540	(508,540)	0	
Total General Revenues and Transfers	3,735,676	(501,737)	3,233,939	0
Change in net position	1,598,034	2,492,002	4,090,036	(62,007)
Net Position - Beginning of Year - as previously reported	7,632,644	36,370,073	44,002,717	(154,235)
Prior Period Adjustment	(40,797)	(28,743)	(69,540)	
Net Position - Beginning of Year as restated	7,591,847	36,341,330	43,933,177	(154,235)
Net Position - End of Year as Restated	$ 9,189,881	$ 38,833,332	$ 48,023,213	$ (216,242)

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

EXHIBIT 3

	GENERAL FUND	SPLOST VI CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	$ 1,973,639	$ 605,307	$ 82,061	$ 2,661,007
Taxes Receivable	1,515,877	144,591		1,660,468
Accounts Receivable	32,955			32,955
Due from Other Funds	49,864			49,864
TOTAL ASSETS	$ 3,572,335	$ 749,898	$ 82,061	$ 4,404,294
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 166,027	$	$	$ 166,027
Accrued Payroll	33,771			33,771
Payroll Taxes Withheld and Accrued	20,086			20,086
TOTAL LIABILITIES	219,884			219,884
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue -property taxes	216,627			216,627
FUND BALANCE				
Restricted for:				
Capital Outlay Projects		749,898	5,423	755,321
Tourism and Promotion			76,638	76,638
Unassigned	3,135,824			3,135,824
TOTAL FUND BALANCE	3,135,824	749,898	82,061	3,967,783
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	$ 3,572,335	$ 749,898	$ 82,061	$ 4,404,294

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

EXHIBIT 3A

Adjustments to the Statement of Net Position		
Fund Balance	$	3,967,783
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds		6,455,729
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds		
Property Taxes		216,627
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		(812,401)
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		229,740
Deferred Inflows - Pensions		(148,881)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		(718,716)
Net Position of Governmental Activities (Exhibit "1")	$	9,189,881

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, 2018

EXHIBIT 4

	GENERAL FUND	SPLOST VI CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes				
Property	$ 1,708,809	$	$	$ 1,708,809
Franchise	464,097			464,097
Motel			278,045	278,045
Beer and Wine	185,768			185,768
Insurance Premium	299,100			299,100
License and Permits	166,334			166,334
Charges for Services	638,229			638,229
Fines and Forfeitures	190,497			190,497
Interest Income	332	2,470	172	2,974
Intergovernmental	314,518	806,102		1,120,620
Grants	252,446			252,446
Donations			5,643	5,643
Miscellaneous	6,508			6,508
TOTAL REVENUE	4,226,638	808,572	283,860	5,319,070
EXPENDITURES				
Current:				
General Government	154,399		207,397	361,796
City Manager	244,820			244,820
Human Resources	109,271			109,271
Police Department	1,532,705			1,532,705
Fire Department	1,052,617	301,979		1,354,596
Streets and Sanitation	893,168	134,090		1,027,258
Public Buildings and Library		7,301		7,301
Recreation Department	66,155			66,155
Planning Department	160,274			160,274
Debt Service				
Principal Retirement	378,773			378,773
Interest and Fiscal Charges	17,554			17,554
TOTAL EXPENDITURES	4,609,736	443,370	207,397	5,260,503
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(383,098)	365,202	76,463	58,567
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	151,950			151,950
Sale of Equipment	121,215			121,215
Interfund Transfers	607,667		(99,127)	508,540
TOTAL OTHER FINANCING SOURCES (USES)	880,832		(99,127)	781,705
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	497,734	365,202	(22,664)	840,272
FUND BALANCE	2,638,090	384,696	104,725	3,127,511
FUND BALANCE - END OF YEAR	$ 3,135,824	$ 749,898	$ 82,061	$ 3,967,783

The accompanying notes are an integral part of this statement.

Adjustments to the Statement of Activities		
Net Change in Fund Balance	$	840,272
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 (722,787) exceeded depreciation (406,036)		316,751
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		154,976
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 repayments ($378,773) exceed proceeds of ($151,950).		226,823
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		59,212
Change in net position of governmental activities (Exhibit 2)	$	1,598,034

CITY OF CORNELIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

EXHIBIT 5

	WATER AND SEWER FUND	STORMWATER FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	$ 9,277,617	$ 377,845	$ 46,304	$ 9,701,76
Accounts Receivable	759,859	31,950		791,8
Due From Other Funds	32,900			32,9
Total Current Assets	10,070,376	409,795	46,304	10,526,47
NON-CURRENT ASSETS				
Capital Assets				
Assets not being depreciated	779,593.00			779,59
Construction In Progress	12,269,994.00			12,269,99
Asset being depreciated	39,111,434		11,103,212	50,214,64
Accumulated Depreciation	(16,359,501)		(1,945,274)	(18,304,77
Total Non-Current Assets	35,801,520		9,157,938	44,959,45
Total Assets	45,871,896	409,795	9,204,242	55,485,93
DEFERRED OUTFLOWS OF RESOURCES	161,863			161,86
Total Assets and Deferred Outflows of Resources	$ 46,033,759	$ 409,795	$ 9,204,242	$ 55,647,79
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES				
Accounts Payable	$ 46,602	$	$	$ 46,60
Accrued Payroll	28,436			28,43
Due to General Fund	49,864			49,86
Current Portion of Leases	9,935			9,93
Current Portion of Notes Payable			818,052	818,05
Total Current Liabilities	134,837		818,052	952,88
NON-CURRENT LIABILITIES				
Water Deposits	49,011			49,01
Long-term Notes Payable	12,653,668		2,481,630	15,135,29
Net Pension Liability	572,373			572,37
Total Non-current Liabilities	13,275,052		2,481,630	15,756,68
Total Liabilities	13,409,889		3,299,682	16,709,57
DEFERRED INFLOWS OF RESOURCES	104,893			104,89
Total Liabilities and Deferred Inflows of Resources	13,514,782		3,299,682	16,814,46
NET POSITION				
Net Investment in Capital Assets	23,137,917		5,858,256	28,996,17
Unrestricted	9,381,060	409,795	46,304	9,837,15
Net Position	$ 32,518,977	$ 409,795	$ 5,904,560	$ 38,833,33

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA EXHIBIT 6
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	WATER AND SEWER FUND	STORMWATER FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
OPERATING REVENUES				
Water Sales	$ 3,522,935	$	$	$ 3,522,93
Sewer Fees	3,703,632			3,703,63
Fines and Surcharges	167,161	284,773		451,93
Water and Sewer Taps	125,451			125,45
Rent			908,381	908,38
Miscellaneous Receipts	10,051			10,05
TOTAL OPERATING REVENUES	7,529,230	284,773	908,381	8,722,38
OPERATING EXPENSES - By Department				
Administration	425,468	5,139		430,60
Water Plant	1,087,964			1,087,96
Disposal Plant	2,071,427			2,071,42
Water & Sewer System - Crew	805,827			805,82
Maintenance and Mechanical	947,643			947,64
Depreciation	868,016		222,064	1,090,08
TOTAL OPERATING EXPENSES	6,206,345	5,139	222,064	6,433,54
OPERATING INCOME	1,322,885	279,634	686,317	2,288,83
NON-OPERATING REVENUES (EXPENSE)				
Interest Income	5,242	1,561		6,80
Interest Expense	0		(110,422)	(110,42
TOTAL NON-OPERATING INCOME (EXPENSE)	5,242	1,561	(110,422)	(103,61
INCOME BEFORE CONTRIBUTIONS AND TRANSFE	1,328,127	281,195	575,895	2,185,21
Tansfers In (Out)	(412,434)	(96,106)		(508,54
Capital Grants	413,325			413,32
Capital Contributions	402,000			402,00
CHANGE IN NET POSITION	1,731,018	185,089	575,895	2,492,00
NET POSITION - BEGINNING OF YEAR - as previously reported	30,816,702	224,706	5,328,665	36,370,07
Prior Period Adjustment	(28,743)			(28,74
NET POSITION - BEGINNING OF YEAR - as restated	30,787,959	224,706	5,328,665	36,341,33
NET POSITION - END OF YEAR	$ 32,518,977	$ 409,795	$ 5,904,560	$ 38,833,33

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, 2018

EXHIBIT 7

	WATER AND SEWER FUND	STORMWATER FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$ 7,529,230	$ 278,275	$ 908,381	$ 8,715,886
Payments to Suppliers	(4,117,930)	(5,139)		(4,123,069
Payments to Employees	(1,396,852)			(1,396,852
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,014,448	273,136	908,381	3,195,965
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer(To) From other funds	(412,434)	(96,106)		(508,540
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(412,434)	(96,106)		(508,540
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Grants	413,325			413,325
Proceeds from Fieldale Farms, Inc.	402,000			402,000
Note Proceeds	7,241,640			7,241,640
Principal Paid on Notes	(734,469)		(810,044)	(1,544,513
Interest Paid	0		(110,422)	(110,422
Acquisition Of Capital Assets	(11,293,874)			(11,293,874
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(3,971,378)		(920,466)	(4,891,844
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Earned	5,242	1,561		6,803
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,242	1,561		6,803
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,364,122)	178,591	(12,085)	(2,197,616
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,641,739	199,254	58,389	11,899,382
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 9,277,617	$ 377,845	$ 46,304	$ 9,701,766
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	$ 1,322,885	$ 279,634	$ 686,317	$ 2,288,836
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities				
Depreciation	$ 868,016	$	$ 222,064	$ 1,090,080
(Increase) Decrease in Accounts Receivable	(105,570)	(6,498)		(112,068
(Increase) Decrease in Due from Other Funds	(32,900)			
(Increase) Decrease in Deferred Outflows	(143,807)			(143,807
Increase (Decrease) in Customer Deposits	(3,500)			(3,500
Increase (Decrease) in Due to General Fund	(1,688)			(1,688
Increase (Decrease) in Accounts Payable	2,256			2,256
Increase (Decrease) in Accrued Payroll	6,667			6,667
Increase (Decrease) in Net Pension Liability	41,396			41,396
Increase (Decrease) in Deferred Inflows	60,693			60,693
TOTAL ADJUSTMENTS	691,563	(6,498)	222,064	907,129
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,014,448	$ 273,136	$ 908,381	$ 3,195,965

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 2018

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 2018vacation time taken in 2018 could not be 7reasonably 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.

During the fiscal year ended December 31, 2018, the City incurred expenditures in the following General Fund departments that were materially in excess of the amounts appropriated.

Department	Budget	Actual	Variance
Debt Service	$ 150,000	$ 378,773	$ (228,773)

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, 2017 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, 2018 consisted of the following:	
Major Funds	
General Fund	
Taxes	$ 1,660,468
Service Fees	32,955
Enterprise Funds	
Water and Sewer	791,809
Total Primary Government	$ 2,485,232

NOTE 4 – (Continued)

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, 2018 on property values. Taxes were levied on December 7, 2018 for the 2018 tax year, and were due on February 11, 2019. All unpaid taxes levied on December 21, 2018 become delinquent as of February 11, 2019. Interest and penalties accrue after February 11, 2019.

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

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

NOTE 5 – INTERFUND BALANCES

DUE TO - FROM OTHER FUNDS

Receivable Fund	Payable Fund	Amount
General	Water and Sewer	49,864
Water and Sewer	Downtown Development Authority	32,900

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

INTERFUND TRANSFERS

	Major Funds		Nonmajor Fund	
	General	Proprietary	Governmental	Combined
Transfer Out To:				
Major Funds				
General	$ -	$ (508,540)	$ (99,127)	$ (607,667)
Transfer In From:				
Major Funds				
Proprietary Fund	508,540			508,540
Nonmajor Funds				
Governmental	99,127			99,127
Total	$ 607,667	$ (508,540)	$ (99,127)	$ -

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, 2018 was as follows:

Governmental -Type Activities:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Capital Assets Not Being Depreciated				
Land	$ 360,005	$ -	$ -	$ 360,005
Depreciable Assets				
Building	3,979,710	79,171	-	4,058,881
Furniture & Equipment	368,489	-	-	368,489
Fire Equipment	1,618,006	151,950	-	1,769,956
Police Equipment	1,389,419	65,009	-	1,454,428
Sanitation and Streets	1,114,638	-	-	1,114,638
Streets	2,578,296	426,657	-	3,004,953
Total Depreciable Assets	11,048,558	722,787	-	11,771,345
Less: Accumulated Depreciation				
Building	1,697,681	89,096	-	1,786,777
Furniture & Equipment	224,962	15,716	-	240,678
Fire Equipment	1,128,338	106,096	-	1,234,434
Police Equipment	1,129,995	118,752	-	1,248,747
Sanitation and Streets	915,422	58,132	-	973,554
Streetscape Project	173,187	18,244	-	191,431
Total Accumulated Depreciation	5,269,585	406,036	-	5,675,621
Net Depreciable Assets	5,778,973	316,751	-	6,095,724
Governmental activities assets, net	$ 6,138,978	$ 316,751	$ -	$ 6,455,729

Depreciation was charged to governmental functions as follows:

General Government Administration	$ 116,878
Police	118,741
Fire	89,779
Streets and Sanitation	80,638
Total	$ 406,036

NOTE 6 – (Continued)

Enterprise Activities

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Capital Assets Not Being Depreciated				
Land	$ 779,593	$ -	$	$ 779,593
Construction in Progress	4,749,069	7,520,925		12,269,994
	5,528,662	7,520,925		13,049,587
Depreciable Assets				
Building	159,652	597,255		756,907
Equipment	2,727,394	233,195		2,960,589
Water Plant	8,327,219	2,942,499		11,269,718
Sewer Plant	14,525,169	-		14,525,169
Water and Sewer System	20,702,261	-		20,702,261
Total Depreciable Assets	46,441,695	3,772,949	-	50,214,644
Less: Accumulated Depreciation				
Building	95,132	10,694		105,826
Equipment	1,670,459	109,215		1,779,674
Water Plant	3,196,812	141,712		3,338,524
Sewer Plant	6,322,500	425,131		6,747,631
Water and Sewer System	5,929,791	403,328		6,333,119
Total Accumulated Depreciation	17,214,694	1,090,080		18,304,774
Net Depreciable Assets	29,227,001	2,682,869	-	31,909,870
Enterprise activities assets, net	$ 34,755,663	$ 10,203,794	$ -	$ 44,959,457

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	12,131,350	63,264,231
Accumulated Depreciation	(5,675,621)	(18,304,774)
Book Value	6,455,729	44,959,457
Capital Related Debt	(718,716)	(15,963,284)
Total	$ 5,737,013	$ 28,996,173

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, 2018:

Primary Government

	Balance 12/31/2017	Additions	Payments	Balance 12/31/2018	Due Within One Year
Governmental Activities					
Obligations Under					
Capital Lease	$ 945,539	$ 151,950	$ 378,773	$ 718,716	$ 47,67
Net Pension Liability	753,645	58,756	-	812,401	-
Total Debt	$ 1,699,184	$ 210,706	$ 378,773	$ 1,531,117	$ 47,67
Enterprise Activities					
Notes Payable	$ 10,246,637	$ 7,241,640	$ 1,534,925	$ 15,953,352	$ 818,05
Obligations Under		-			
Capital Lease	19,523	-	9,588	9,935	9,93
Net Pension Liability	530,977	41,396	-	572,373	-
Total Debt	$ 10,797,137	$ 7,283,036	$ 1,544,513	$ 16,535,660	$ 827,98

The amount of interest expense for the year in the General Fund was $ 17,554. The amount of interest expense for the year in the Business-Type activities was $110,421

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
2019	$ 105,521.07	$ 27,408.76	$ 132,929.83
2020	118,286.76	26,727.60	145,014.36
2021	121,690.16	23,324.20	145,014.36
2022	125,191.51	19,822.85	145,014.36
2023	128,793.58	16220.74	145,014.32
2024-2027	501,087.82	26,950.94	528,038.76
Total	$ 1,100,570.90	$ 140,455.09	$ 1,241,025.99

NOTE 7 – (Continued)

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 $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
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
	$ 1,612,298.84	$ 69,926.67	$ 1,682,225.51

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 $1,618,347.50. 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	Principal	Interest	Total
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	$ 586,812.67	$ 25,261.87	$ 612,074.54

NOTE 7 – (Continued)

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, 2017. The city has drawn $12,653,668 as of December 31, 2018. Monthly installments of principal and interest are due beginning the on the first day of the calendar month following the date the loans are fully disbursed (the Amortization Commencement Date). This loan was not in repayment status as of December 31, 2018.

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, 2018

Payable December 31, 2017	$	249,888
New Debt		
Debt Retired		(13,004)
Payable December 31, 2018	$	236,884

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. This property was sold during the year ended 2017 and the debt was paid down. The Downtown Development Authority refinanced the remaining note. The note bears interest at 2.25% per annum.

NOTE 7 – (Continued)

Amortization of this loan is as follows:

Year Ending	Principal	Interest	Total
	$	$	$ -
2019	236,884.00	125.36	237,009.36
Total	$ 236,884.00	$ 125.36	$ 237,009.36

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	(125,362)	(37,705)
Net Value	$ 1,497,639	$ 0

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018 were as follows:

Year ending December 31	Governmental Activities	Proprietary Funds
2019	401,499.80	10,294.60
2020	261,127.39	-
2021	33,375.48	
2022	33,375.48	
2023	11,125.16	
	740,503.31	10,294.60
Less Interest	(21,787.12)	(359.65)
	$ 718,716.19	$ 9,934.95

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 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, 2018:

Year Ending	Principal	Interest	Total
2019	13,149.95	460.24	13,610.19
Total	$ 13,149.95	$ 460.24	$ 13,610.19

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 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, 2018:

Year Ending	Principal	Interest	Total
2019	5,657.87	114.76	5,772.63
Total	$ 5,657.87	$ 114.76	$ 5,772.63

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 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, 2018:

Year Ending	Principal	Interest	Total
2019	238,735.19	3,243.97	241,979.16
2020	120,531.33	458.25	120,989.58
Total	$ 359,266.52	$ 3,702.22	$ 362,968.74

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 Durango, 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 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, 2018:

Year Ending	Principal	Interest	Total
2019	102,656.88	4,105.46	106,762.34
2020	104,689.48	2,072.85	106,762.33
Total	$ 207,346.36	$ 6,178.31	$ 213,524.67

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 a 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.

Year Ending	Principal	Interest	Total
2019	$ 9,934.95	359.65	10,294.60
Total	$ 9,934.95	$ 359.65	$ 10,294.60

Georgia Municipal Association/Magnolia Leasing

On January 19, 2014 the City entered into a Capital Lease with the Georgia Municipal Association/Magnolia Leasing for the acquisition of Self Contained Breathing Apparatus 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 $ 151,950000. The lease calls for sixty (60) monthly payments of $2,781.29 beginning May 10, 2018. This lease has interest rate of 3.75% per annum. The asset is recorded in the General Fund.

Year Ending	Principal	Interest	Total
2019	28,869.58	4,505.90	33,375.48
2020	29,971.02	3,404.46	33,375.48
2021	31,114.49	2,260.99	33,375.48
2022	32,301.61	1,073.87	33,375.48
2023	11,038.79	86.37	11,125.16
Total	$ 133,295.49	$ 11,331.59	$ 144,627.08

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, 2018.

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 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	40
Number of vested former participants	15
Number of active vested employees	33
Total number of participants	88

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 10.61% of annual covered payroll. The prior year contribution rate was 9.41%. The new rate is an increase of 1.20% 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.

NOTE 9 – (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions
As of December 31, 2018, the City reported a net pension liability of $1,384,774. The net pension liability was measured on March 31, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2018. For the fiscal year ended December 31, 2018 , the City recognized a pension expense in the amount of $276.436.

At December 31, 2018, 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	$ 251,562	$ (72,832.00)
Changes in assumptions	70,500	(6,908)
Net difference between projected and actual earnings on pension plan investments		(174,034)
Total	$ 322,062	$ (253,774)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Net Amount
2019	$ 14,183
2020	27,826
2021	(31,156)
2022	(688)
2023	58,123
	$ 68,288

NOTE 9 – (Continued)

Actuarial Assumptions
The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions as applied to all periods included in the measurement:

Inflation	2.75% per year
Cost of Living Adjustment	0% per year
Investment Return:	7.50% per year
Future Salary Increases:	3.25% per year with an age based scale as follows:

Years of Service	Annual Rate (%)
0-1	8.25
2	5.25
3	5.00
4	4.75
5	4.50
6	4.25
7	4.00
8	3.75
9	3.50
10 or more	3.25

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.

The mortality assumptions used in the July 1, 2018 actuarial report were based on a five-year review of mortality experience for the period January 1, 2010 to June 30, 2016.

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, 2017 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	6.71%
International Equity	20%	7.71%
Real Estate	10%	5.21%
Global Fixed Income	5%	3.36%
Domestic Fixed Income	20%	2.11%
Cash	0%	
Total	100%	

NOTE 9 – (Continued)

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 these 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.

Changes in Net Pension Liability:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (a)-(b)
Balances at March 31, 2017	$ 5,596,110	$ 4,311,488	$ 1,284,622
Changes for the year:			
Service Cost	123,705	-	123,705
Interest	420,470	-	420,470
Difference between actual and expected experience	264,136	-	264,136
Employer contributions	-	276,436	(276,436)
Employee contributions	-	-	-
Net investment income	-	533,956	(533,956)
Benefit payments	(341,379)	(341,379)	-
Administrative expense	-	(17,633)	17,633
Other	84,600	-	84,600
Net Changes	551,532	451,380	100,152
Balances at March 31, 2018	$ 6,147,642	$ 4,762,868	$ 1,384,774

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 7.50%. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.50%	2,162,074
Current discount rate	7.50%	1,384,774
1% increase	8.50%	737,862

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 2018 were $ 1,580,339.

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, 2018. No provisions have been made in the financial statements for the year ended December 31, 2018 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, 2018, the City paid $4,670 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	$ 278,045	100%
Habersham Chamber of Commerce	$ 64,291	
Cornelia Hospitality and Tourism Board	61,594	
	$ 125,885	45%

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Governmental Activities

A prior period adjustment has been made to correct the net pension liability at December 31, 2018. The adjustment was caused by different expectations of return. This amount was not available in the prior period. This adjustment decreased the beginning net position by $40,797.

Business Type Activities

A prior period adjustment has been made to correct the net pension liability at December 31, 2018. The adjustment was caused by different expectations of return. This amount was not available in the prior period. This adjustment decreased the beginning net position by $28,743.

NOTE 16 – SUBSEQUENT EVENTS

The Highland, Skyland, & Chenocetah Water & Sewer project is one of the largest projects that we have done. This project replaced 10,500 linear feet of water mains, 3,600 linear feet of sewer mains, and 250 linear feet of storm culvert piping. The project was completed in early 2019 at a cost of $1,481,823. This project was funded with water and sewer revenue, no grant funds, and no GEFA loan proceeds were used for this project.

A substantial amount of progress was made on the water plant and reservoir project in 2018 despite the unusually high amount of rainfall. The project is slightly off schedule but should be finished by the end of 2019. This project will double our raw water storage and greatly improve our water treatment process. The total cost for this project will be $21 million funded with 3 separate GEFA loans. The interest rate on each of these loans is 1.4%, 2 of the loans have 20 year paybacks and 1 has a 30 year payback. One of the loans does have Principal Forgiveness in the amount of $500,000.

Working with our architects and engineers we completed the plans for our new Municipal Complex. The contractor broke ground in April 2019 and the project will be completed in April 2020. The cost of the project will be $11 million and is being funded through revenue bonds that were issued to the Cornelia Urban Redevelopment Agency. The annual debt service will be $647,000 with a 35 year payback. Because the city does not own the property or the buildings (we are purchasing them from the Urban Redevelopment Agency) we will be able to allocate future SPLOST proceeds towards the bond payments.

REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

CITY OF CORNELIA, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED
REVENUES				
Taxes				
Property	$ 1,406,744	$ 1,406,744	$ 1,708,809	$ 302,06
Franchise	510,000	510,000	464,097	(45,90
Beer and Wine	191,500	191,500	185,768	(5,73
Insurance Premium	260,000	260,000	299,100	39,10
License and Permits	170,000	170,000	166,334	(3,66
Charges for Services	636,000	636,000	638,229	2,22
Fines and Forfeitures	205,200	205,200	190,497	(14,70
Interest Income	200	200	332	13
Intergovernmental	260,000	260,000	314,518	54,51
Grants	109,766	109,766	252,446	142,68
Miscellaneous	2,000	2,000	6,508	4,50
TOTAL REVENUE	3,751,410	3,751,410	4,226,638	475,22
EXPENDITURES				
Current:				
General Government	253,600	253,600	154,399	99,20
City Manager	312,292	312,292	244,820	67,47
Human Resources	142,130	142,130	109,271	32,85
Police Department	1,582,361	1,582,361	1,532,705	49,65
Fire Department	1,086,685	1,086,685	1,052,617	34,06
Streets and Sanitation	904,663	904,663	893,168	11,49
Recreation Department	92,500	92,500	66,155	26,34
Planning Department	169,247	169,247	160,274	8,97
Debt Service				
Principal Retirement	150,000	150,000	378,773	(228,77
Interest and Fiscal Charges	20,000	20,000	17,554	2,44
TOTAL EXPENDITURES	4,713,478	4,713,478	4,609,736	103,74
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(962,068)	(962,068)	(383,098)	578,97
OTHER FINANCING SOURCES (USES)				
Prior Year Fund Balance	312,068	312,068		(312,06
Lease Proceeds	150,000	150,000	151,950	
Sale of Equipment			121,215	
Interfund Transfers	500,000	500,000	607,667	107,66
TOTAL OTHER FINANCING SOURCES (USES)	962,068	962,068	880,832	(204,40
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURE	$ -	$ -	$ 497,734	$ 374,56

SCHEDULE 1

CITY OF DEMOREST
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
DECEMBER 31, 2018
(Unaudited)

		2018	2017
Total Pension Liability as of the beginning of year (1)	$	5,596,110	5,476,646
Service Cost		123,705	119,441
Interest on Total Pension Liability		420,470	412,683
Difference between expected and actual experience		264,136	(109,247)
Change of assumptions		-	-
Changes of benefit terms		-	-
Benefits Payments, including refunds of employee contributions		(341,379)	(303,413)
Other		84,600	
Total Pension Liability as of March 31, 2015 (2)	$	6,147,642	5,598,127
Fiduciary Net Position as of beginning of year (3)	$	4,311,488	3,856,704
Employer Contributions		276,436	292,183
Employee Contributions		-	-
Net Investment Income		533,956	484,930
Benefit Payments		(341,379)	(303,413)
Administrative Expense		(17,633)	(18,916)
Other		-	-
Fiduciary Net Position as of End of Year (4)	$	4,762,868	4,311,488
Net pension liability as of beginning of year (1)-(3)	$	1,284,622	1,619,942
Net Pension liability as of end of year (2) - (4)	$	1,384,774	1,286,639
Fiduciary Net Position as a % of Total Pension Liability (4)/(2)		77.47%	77.02%
Covered-employee payroll	$	2,769,374	2,769,374
Net pension liability as a % of covered-employee payroll		50.00%	46.46%

** 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, 2018
(Unaudited)

	FISCAL YEAR END 2018	FISCAL YEAR END 2017
Actuarially determined contribution	-*	278876
Contributions in relation to the actuarially determined contribution	-*	279976
Contribution deficiency (excess)	-	(1,100)
Covered-employee payroll	-*	2769374
Contributions as a percentage of covered-employee payroll	-*	10.11

** 2018 information will be determined after fiscal year end and will be included in the 2019 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, 2018, 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, 2018.

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 = 7.50%
- 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 2018 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, 2018

SCHEDULE

	HOTEL/ MOTEL TAX	ADA PLAYGROUND EQUIPMENT	TOTAL
ASSETS			
Cash	$ 76,638	$ 5,423	$ 82,061
TOTAL ASSETS	$ 76,638	$ 5,423	$ 82,061
LIABILITIES	$ -	$ -	$ -
TOTAL LIABILITIES	-	-	-
FUND BALANCES			
Restricted for:			
Tourism and Promotion	76,638		76,638
Capital Outlay Projects		5,423	5,423
TOTAL FUND BALANCES	76,638	5,423	82,061
TOTAL LIABILITIES AND FUND BALANCE	$ 76,638	$ 5,423	$ 82,061

CITY OF CORNELIA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE

REVENUES	PET FRIENDS	HOTEL/ MOTEL TAX	ADA PLAYGROUND EQUIPMENT	TOTAL
Hotel/Motel Tax	$	$ 278,045	$	$ 278,045
Donations	220		5,423	5,643
Interest	-	172	-	172
	220	278,217	5,423	283,860
EXPENDITURES				
Public Safety				-
Streets				-
Recreation				-
Tourism and Promotion		207,397		207,397
	-	207,397	-	207,397
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	220	70,820	5,423	76,463
OTHER FINANCING SOURCES(USES)				
Operating Transfers In(Out)	(2,492)	(96,635)	-	(99,127)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,272)	(25,815)	5,423	(22,664)
FUND BALANCES BEGINNING OF YEAR -	2,272	102,453	-	104,725
FUND BALANCES END OF YEAR	$ -	$ 76,638	$ 5,423	$ 82,061

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, 2018 AND 2017

SCHEDULE 5

	2018	2017
ASSETS		
Cash	$ 1,973,639	$ 1,925,183
Taxes Receivable	1,515,877	875,825
Accounts Receivable	32,955	40,782
Due from Other Funds	49,864	51,552
TOTAL ASSETS	$ 3,572,335	$ 2,893,342
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 166,027	$ 149,215
Accrued Payroll	33,771	30,909
Payroll Taxes Withheld and Accrued	20,086	13,478
TOTAL LIABILITIES	219,884	193,602
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue -property taxes	216,627	61,650
FUND BALANCE		
Unassigned	3,135,824	2,638,090
TOTAL FUND BALANCE	3,135,824	2,638,090
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 3,572,335	$ 2,893,342

CITY OF CORNELIA, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES INF FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

SCHEDULE 6

	2018	2017
REVENUES		
Taxes		
Property	$ 1,708,809	$ 1,551,447
Franchise	464,097	476,748
Beer and Wine	185,768	187,612
Insurance Premium	299,100	277,342
License and Permits	166,334	158,233
Charges for Services	638,229	641,237
Fines and Forfeitures	190,497	180,267
Interest Income	332	4
Intergovernmental	314,518	315,104
Grants	252,446	508,735
Miscellaneous	6,508	13,132
TOTAL REVENUE	4,226,638	4,309,861
EXPENDITURES		
Current:		
General Government	154,399	163,721
City Manager	244,820	295,610
Human Resources	109,271	111,451
Police Department	1,532,705	1,589,854
Fire Department	1,052,617	862,969
Streets and Sanitation	893,168	937,217
Public Buildings and Library	-	-
Recreation Department	66,155	55,399
Planning Department	160,274	91,587
Maintenance and Mechanical	-	2,468
Debt Service		
Principal Retirement	378,773	353,326
Interest and Fiscal Charges	17,554	19,848
TOTAL EXPENDITURES	4,609,736	4,483,450
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(383,098)	(173,589)
OTHER FINANCING SOURCES (USES)		
Sale of Equipment	121,215	-
Lease Proceeds	151,950	-
Interfund Transfers	607,667	622,758
TOTAL OTHER FINANCING SOURCES (USES)	880,832	622,758
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	497,734	449,169
FUND BALANCE - Beginning of Year as Previously Reported	2,638,090	2,188,921
FUND BALANCE - END OF YEAR	$ 3,135,824	$ 2,638,090

CITY OF CORNELIA, GEORGIA
BUDGETARY COMPARISON SCHEDULE
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018			2017
	FINAL BUDGET	ACTUAL	VARIANCE	ACTUAL
REVENUES				
Taxes				
Property	$ 1,406,744	$ 1,708,809	$ 302,065	$ 1,551,4
Franchise	510,000	464,097	(45,903)	476,7
Beer and Wine	191,500	185,768	(5,732)	187,6
Insurance Premium	260,000	299,100	39,100	277,3
License and Permits	170,000	166,334	(3,666)	158,2
Charges for Services	636,000	638,229	2,229	641,2
Fines and Forfeitures	205,200	190,497	(14,703)	180,2
Interest Income	200	332	132	
Intergovernmental	260,000	314,518	54,518	315,1
Grants	109,766	252,446	142,680	508,7
Miscellaneous	2,000	6,508	4,508	13,1
TOTAL REVENUE	3,751,410	4,226,638	475,228	4,309,8
EXPENDITURES				
Current:				
General Government	253,600	154,399	99,201	163,7
City Manager	312,292	244,820	67,472	295,6
Human Resources	142,130	109,271	32,859	111,4
Police Department	1,582,361	1,532,705	49,656	1,589,8
Fire Department	1,086,685	1,052,617	34,068	862,9
Streets and Sanitation	904,663	893,168	11,495	937,2
Recreation Department	92,500	66,155	26,345	55,3
Planning Department	169,247	160,274	8,973	91,5
Maintenance and Mechanical			-	2,4
Debt Service				
Principal Retirement	150,000	378,773	(228,773)	353,3
Interest and Fiscal Charges	20,000	17,554	2,446	19,8
TOTAL EXPENDITURES	4,713,478	4,609,736	103,742	4,483,4
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(962,068)	(383,098)	578,970	(173,5
OTHER FINANCING SOURCES (USES)				
Sale of Equipment		121,215	121,215	-
Lease Proceeds	150,000	151,950	1,950	
Prior Year Fund Balance	312,068	0	(312,068)	
Interfund Transfers	500,000	607,667	107,667	622,7
TOTAL OTHER FINANCING SOURCES (USES)	962,068	880,832	(81,236)	622,7
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	$ -	$ 497,734	$ 497,734	$ 449,1

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.

ADA Playground Equipment Fund

This fund is used to collect donations which are to be used to acquire playground equipment for parks 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, 2018 AND 2017

	2018	2017
ASSETS		
Cash	$ -	$ 2,272
TOTAL ASSETS	$ 0	$ 2,272
LIABILITIES	$	$
TOTAL LIABILITIES		
FUND BALANCES		
Assigned for:		
Pet Friends	0	2,272
TOTAL FUND BALANCES	0	2,272
TOTAL LIABILITIES AND FUND BALANCE	$ 0	$ 2,272

CITY OF CORNELIA, GEORGIA
PET FRIENDS SPECIAL REVENUE FUND
SCHEUDLE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

SCHEDULE 9

	2018	2017
REVENUES		
Donations	$ 220	$ 160
TOTAL REVENUE	220	160
EXPENDITURES		
Supplies	-	220
TOTAL EXPENDITURES	-	220
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	220	(60)
OTHER FINANCING SOURCES(USES)		
Operating Transfers In(Out)	(2,492)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,272)	-
FUND BALANCES BEGINNING OF YEAR	2,272	2,332
FUND BALANCES END OF YEAR	$ -	$ 2,272

SCHEDULE 10

CITY OF CORNELIA, GEORGIA
HOTEL / MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash	$ 76,638	$ 102,453
TOTAL ASSETS	$ 76,638	$ 102,453
LIABILITIES	$	$
TOTAL LIABILITIES		
FUND BALANCES		
Restricted for:		
Tourism and Promotion	76,638	102,453
Assigned for:		
Pet Friends		
TOTAL FUND BALANCES	76,638	102,453
TOTAL LIABILITIES AND FUND BALANCE	$ 76,638	$ 102,453

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, 2018 AND 2017

SCHEDULE 11

	2018	2017
REVENUES		
Hotel/Motel Tax	$ 278,045	$ 299,740
Donations		
Interest	172	132
	278,217	299,872
EXPENDITURES		
Tourism and Promotion	207,397	224,116
	207,397	224,116
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	70,820	75,756
OTHER FINANCING SOURCES(USES)		
Operating Transfers In(Out)	(96,635)	(122,758)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(25,815)	(47,002)
FUND BALANCES BEGINNING OF YEAR	102,453	149,455
FUND BALANCES END OF YEAR	$ 76,638	$ 102,453

SCHEDULE 12

CITY OF CORNELIA, GEORGIA
ADA PLAYGROUND EQUIPMENT
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash	$ 5,423	
TOTAL ASSETS	$ 5,423	$
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES	$	$
DEFERRED INFLOWS OF RESOURCES		
FUND BALANCE		
Restricted for:		
Capital Outlay Projects	5,423	
TOTAL FUND BALANCE	5,423	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 5,423	$

CITY OF CORNELIA, GEORGIA
ADA PLAYGROUND EQUIPMENT
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES		
Interest Income	$ -	$ -
Donations	5,423	-
TOTAL REVENUE	5,423	-
EXPENDITURES		
Capital		
Recreation Department		-
TOTAL EXPENDITURES	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,423	-
FUND BALANCE - BEGINNING OF YEAR	-	-
FUND BALANCE - END OF YEAR	$ 5,423	$ -

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 Stormwater Fund

This fund is used to account for the fees generated from the City's assessment of Stormwater Runoff charges for in town customers.

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, 2018 AND 2017

SCHEDULE 14

	2018	2017
ASSETS		
Current Assets:		
Cash	$ 9,277,617	$ 11,641,739
Accounts Receivable	759,859	654,289
Due from Other Funds	32,900	
Total Current Assets	10,070,376	12,296,028
NON-CURRENT ASSETS		
Capital Assets		
Assets not being depreciated	779,593	779,593
Construction in Progress	12,269,994	4,749,069
Asset being depreciated	39,111,434	35,338,485
Accumulated Depreciation	(16,359,501)	(15,491,485)
Total Non-current Assets	35,801,520	25,375,662
Total Assets	45,871,896	37,671,690
DEFERRED OUTFLOWS OF RESOURCES	161,863	46,800
Total Assets and Deferred Outflows of Resources	$ 46,033,759	$ 37,718,490
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 46,602	$ 44,346
Accrued Payroll	28,436	21,769
Due to General Fund	49,864	51,552
Current Portion of Capital Lease	9,935	9,588
Current Portion of Notes Payable	-	
Total Current Liabilities	134,837	127,255
NON-CURRENT LIABILITIES		
Water Deposits	49,011	52,511
Long-term Notes Payable	12,653,668	6,146,845
Net Pension Liabilty	572,373	530,977
Total Non-current Liabilities	13,275,052	6,730,333
TOTAL LIABILITIES	13,409,889	6,857,588
DEFERRED INFLOWS OF RESOURCES	104,893	44,200
Total Liabilities and Deferred Inflows of Resources	13,514,782	6,901,788
NET POSITION		
Net Investment in Capital Assets	23,137,917	19,219,229
Unrestricted	9,381,060	11,597,473
TOTAL NET POSITION	$ 32,518,977	$ 30,816,702

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, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Water Sales	$ 3,522,935	$ 3,182,534
Sewer Fees	3,703,632	3,402,573
Fines and Surcharges	167,161	26,132
Water and Sewer Taps	125,451	42,991
Rent	0	0
Miscellaneous Receipts	10,051	9,528
TOTAL OPERATING REVENUES	7,529,230	6,663,758
OPERATING EXPENSES - By Department		
Administration	425,468	388,507
Water Plant	1,087,964	1,110,118
Disposal Plant	2,071,427	2,156,970
Water & Sewer System - Crew	805,827	800,858
Maintenance and Mechanical	947,643	932,470
Depreciation	868,016	815,870
TOTAL OPERATING EXPENSES	6,206,345	6,204,793
OPERATING INCOME	1,322,885	458,965
NON-OPERATING REVENUES (EXPENSE)		
Capital Grants	413,325	622,730
Interest Income	5,242	7,388
Interest Expense	0	(85,710)
TOTAL NON-OPERATING INCOME (EXPENSE)	418,567	544,408
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,741,452	1,003,373
Tansfers In (Out)	(412,434)	(500,000)
Capital Contributions	402,000	402,000
CHANGE IN NET POSITION	1,731,018	905,373
NET POSITION-BEGINNING OF YEAR -as previously reported	30,816,702	29,940,072
Prior Period Adjustment	(28,743)	(28,743)
NET POSITION-BEGINNING OF YEAR -as restated	30,787,959	29,911,329
NET POSITION - END OF YEAR	$ 32,518,977	$ 30,816,702

CITY OF CORNELIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 7,529,230	$ 6,663,758
Payments to Suppliers	(4,117,930)	(4,730,084)
Payments to Employees	(1,396,852)	(1,386,851)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,014,448	546,823
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer(To) From other funds	(412,434)	(500,000)
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(412,434)	(500,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	413,325	622,730
Proceeds from Fieldale Farms, Inc.	402,000	402,000
Note Proceeds	7,241,640	4,593,698
Principal Paid on Notes	(734,469)	(9,253)
Interest Paid	0	(85,710)
Acquisition Of Capital Assets	(11,293,874)	(5,693,694)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(3,971,378)	(170,229)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earned	5,242	7,388
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,242	7,388
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,364,122)	(116,018)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,641,739	11,757,757
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 9,277,617	$ 11,641,739
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ 1,322,885	$ 458,965
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation	$ 868,016	$ 815,870
(Increase) Decrease in Accounts Receivable	(105,570)	(6,954)
(Increase) Decrease in Due From Other Funds	(32,900)	
(Increase) Decrease in Deferred Outflows	(143,807)	53,921
Increase (Decrease) in Customer Deposits	(3,500)	(8,189)
Increase (Decrease) in Due to General Fund	(1,688)	(348,663)
Increase (Decrease) in Accounts Payable	2,256	(323,459)
Increase (Decrease) in Accrued Payroll	6,667	5,442
Increase (Decrease) in Net Pension Liability	41,396	(138,599)
Increase (Decrease) in Deferred Inflows	60,693	38,489
TOTAL ADJUSTMENTS	691,563	87,858
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,014,448	$ 546,823

CITY OF CORNELIA, GEORGIA
STORMWATER FUND
COMPARATIVE STATEMENTS OF NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

SCHEDULE 17

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 377,845	$ 199,254
Accounts Receivable	31,950	25,452
Total Current Assets	409,795	224,706
Total Assets	$ 409,795	$ 224,706
NET POSITION		
Unrestricted	409,795	224,706
Net Position	$ 409,795	$ 224,706

CITY OF CORNELIA, GEORGIA
STORMWATER FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

SCHEDULE 18

	2018	2017
OPERATING REVENUES		
Charges	$ 284,773	$ 269,241
TOTAL OPERATING REVENUES	284,773	269,241
OPERATING EXPENSES - By Department		
Administration	5,139	44,624
TOTAL OPERATING EXPENSES	5,139	44,624
OPERATING INCOME	279,634	224,617
NON-OPERATING REVENUES (EXPENSE)		
Interest Income	1,561	89
TOTAL NON-OPERATING INCOME (EXPENSE)	1,561	89
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	281,195	
Transfers In (Out)	(96,106)	
CHANGE IN NET POSITION	185,089	224,706
TOTAL NET POSITION - BEGINNING OF YEAR	224,706	
TOTAL NET POSITION - END OF YEAR	$ 409,795	$ 224,706

CITY OF CORNELIA, GEORGIA
STORMWATER FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 278,275	$ 243,789
Payments to Suppliers	(5,139)	(44,624)
NET CASH PROVIDED BY OPERATING ACTIVITIES	273,136	199,165
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers (To) From Other Funds	(96,106)	
NET CASH (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(96,106)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Earned	1,561	89
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	1,561	89
NET INCREASE IN CASH AND CASH EQUIVALENTS	178,591	199,254
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	199,254	0
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 377,845	$ 199,254
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ 279,634	$ 224,617
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
(Increase) Decrease in Accounts Receivable	(6,498)	(25,452)
TOTAL ADJUSTMENTS	(6,498)	(25,452)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 273,136	$ 199,165

CITY OF CORNELIA, GEORGIA
CORNELIA WATER AND SEWER AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

SCHEDULE 20

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 46,304	$ 58,389
Total Current Assets	46,304	58,389
NON-CURRENT ASSETS		
Capital Assets		
Assets not being depreciated		
Asset being depreciated	11,103,212	11,103,212
Accumulated Depreciation	(1,945,274)	(1,723,210)
Total Non-current Assets	9,157,938	9,380,002
Total Assets	$ 9,204,242	$ 9,438,391
LIABILITIES		
Current Liabilities		
Current Portion of Long-term Notes	818,052	800,586
Total Current Liabilities	818,052	800,586
NON-CURRENT LIABILITIES		
Long-term Notes Payable	2,481,631	3,309,140
Total Non-current Liabilities	2,481,631	3,309,140
Total Liabilities	3,299,683	4,109,726
NET POSITION		
Net Investment in Capital Assets	5,858,255	5,270,276
Unrestricted	46,304	58,389
Net Position	$ 5,904,559	$ 5,328,665

SCHEDULE 21

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, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Rent	$ 908,381	$ 908,381
TOTAL OPERATING REVENUES	908,381	908,381
OPERATING EXPENSES - By Department		
Depreciation	222,064	222,064
TOTAL OPERATING EXPENSES	222,064	222,064
OPERATING INCOME	686,317	686,317
NON-OPERATING REVENUES (EXPENSE)		
Interest Expense	(110,423)	(117,155)
TOTAL NON-OPERATING INCOME (EXPENSE)	(110,423)	(117,155)
CHANGE IN NET POSITION	575,894	569,162
TOTAL NET POSITION - BEGINNING OF YEAR	5,328,665	4,759,503
TOTAL NET POSITION - END OF YEAR	$ 5,904,559	$ 5,328,665

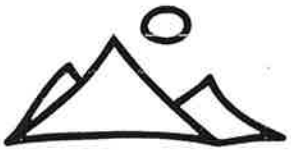
CITY OF CORNELIA, GEORGIA
CORNELIA WATER AND SEWER AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

SCHEDULE 22

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 908,381	$ 908,381
Payments to Suppliers		
NET CASH PROVIDED BY OPERATING ACTIVITIES	908,381	908,381
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Notes	(810,044)	(779,139)
Interest Paid	(110,422)	(117,155)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(920,466)	(896,294)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(12,085)	12,087
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	58,389	46,302
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 46,304	$ 58,389
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ 686,317	$ 686,317
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	$ 908,381	$ 908,381

COMPLIANCE SECTION

Joseph Duncan, CPA
Joe Kitchens, CPA



DUNCAN & KITCHENS, LLC
Certified Public Accountants

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 Commission
City of 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Cornelia'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employee, 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 significant deficiency, or 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 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.

HABERSHAM COUNTY
P.O. Box 1330 • 327 Monroe Street, Suite D
Clarkesville, GA 30523
Phone: 706.754.5814 • Fax: 706.754.9069

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Clayton, GA 30525
Phone: 706.782.7022 • Fax: 706.782.6189

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 item is reported as item 2012-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Cornelia, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The City of Cornelia, Georgia's Response to Findings

The City of Cornelia, Georgia's response to the findings identified in our audit is in the accompanying schedule of findings and questioned costs. The 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 them.

Purpose of this Report

This report is intended 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 City of Cornelia, Georgia's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia
June 18, 2019

CITY OF CORNELIA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

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:	Yes
Significant deficiencies identified Not considered material weaknesses?	None Reported
Noncompliance material to financial statements noted:	None Reported

B. FEDERAL AWARDS

An audit of federal awards was not performed for the City's year ended December 31, 2018 as the expenditures of federal awards did not exceed the $750,000 threshold.

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.

STATE REPORTING SECTION

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

CITY OF CORNELIA, GEORGIA SCHEDULE 23

SUPPLEMENTARY INFORMATION

SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX

FOR THE YEAR ENDED DECEMBER 31, 2018

	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	663,828	-	663,828
Roads and Bridges	378,477	242,444	-	242,444
Public Facilities	256,000	269,185	-	269,185
Recreation	100,000	425,125	-	425,125
	$ 3,281,196	$ 2,810,588	$ -	$ 2,810,588
Habersham County, Georgia SPLOST VI				
Streets and Sidewalks	$ 2,347,370	$ 472,235	$ 134,090	$ 606,325
Community Facilities	650,000	641,990	7,301	649,291
Water	300,000	-	-	-
Sewer	590,698	-	-	-
Public Safety	1,050,000	528,635	301,979	830,614
	$ 4,938,068	$ 1,642,860	$ 443,370	$ 2,086,230