

CITY OF CORNELIA
CORNELIA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017

CITY OF CORNELIA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017

TABLE OF CONTENTS

EXHIBITS

	Independent Auditor's Report	1-3
	BASIC FINANCIAL STATEMENTS	
	Government-Wide Financial Statements	
Exhibit 1	Statement of Net Position	4
Exhibit 2	Statement of Activities	5
	Fund Financial Statements	
	Governmental Funds Financial Statements	
Exhibit 3	Balance Sheet	6
Exhibit 3A	Reconciliation of the Balance Sheet of Governmental Funds to The Statement of Net Position.	7
Exhibit 4	Statement of Revenues, Expenditures and Changes in Fund Balances	8
Exhibit 4A	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to Statement of Activities	9
	Governmental Funds	
	Proprietary Fund Financial Statements	
Exhibit 5	Statement of Net Position	10
Exhibit 6	Statement of Revenues, Expenses and Changes in Fund Net Position	11
Exhibit 7	Statement of Cash Flows	12
	Notes to the Financial Statements	13-39
	REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS	
	Budgetary Comparison Schedules	
	General Fund	40
Schedule 1	Schedule of Changes in Net Pension Liability and Related Ratios	41
Schedule 2	Schedule of Contributions – Pensions	42
	Notes to the Required Supplementary Information	43-44

CITY OF CORNELIA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017

TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION

Combining Statements and Individual Statements and Schedules:

Schedule 3	Combining Balance Sheet-Nonmajor Governmental Funds	45
Schedule 4	Combining Statements of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	46
Genral Fund-		
Schedule 5	Comparative Balance Sheets	47
Schedule 6	Statement of Revenues, Expenditures and Changes in Fund Balance	48
Schedule 7	Budget (GAAP Basis) and Actual Comparison Schedules	49
Special Revenue Funds		
Schedule 8	Pet Friends Special Revenue Fund - Comparative Balance Sheets	50
Schedule 9	Pet Friends Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances	51
Schedule 10	Hotel/Motel Tax Special Revenue Fund - Comparative Balance Sheets	52
Schedule 11	Hotel/Motel Tax Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances	53
Capital Projects Fund		
Schedule 12	Special Purpose Local Option Sales Tax V Capital Projects Fund – Comparative Balance Sheets	54
Schedule 13	Special Purpose Local Option Sales Tax V Capital Projects Fund – Statement of Revenues, Expenditures and Changes in Fund Balance	55
Enterprise Funds		
Schedule 14	Water and Sewer Enterprise Fund – Comparative Statements of Net Position	56
Schedule 15	Water and Sewer Enterprise Fund – Comparative Statements of Revenues, Expenses and Changes in Net Position	57
Schedule 16	Water and Sewer Enterprise Fund – Comparative Statements of Cash Flows	58
Schedule 17	City of Cornelia Stormwater Fund – Comparative Statements of Net Position	59
Schedule 18	City of Cornelia Stormwater Fund – Comparative Statements of Revenues, Expenses and Changes in Net Position	60
Schedule 19	City of Cornelia Stormwater Fund – Comparative Statements of Cash Flows	61

CITY OF CORNELIA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017

TABLE OF CONTENTS

Schedule 20	City of Cornelia Water and Sewer Authority – Comparative Statements of Net Position	62
Schedule 21	City of Cornelia Water and Sewer Authority – Comparative Statements of Revenues, Expenses and Changes in Net Position	63
Schedule 22	City of Cornelia Water and Sewer Authority – Comparative Statements of Cash Flows	64

Single Audit Section

Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements performed in accordance with <i>Government Auditing Standards</i>	65-66
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	67-68
Schedule of Expenditures of Federal Awards by Grant	69
Notes to the Schedule of Expenditures of Federal Awards	70
Schedule of Findings and Questioned Costs	71-72

State Reporting

Schedule 20	Schedule of Projects Financed with Special Purpose Local Option Sales Tax	73
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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 Council
City of Cornelia
Cornelia, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund, and the aggregate remaining fund information of the City of Cornelia, Georgia, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Cornelia, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund and the remaining fund information of the City of Cornelia, Georgia, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

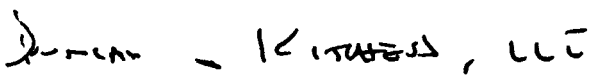
The combining and individual fund financial statements and schedules, the schedule of projects financed with special purpose local option sales tax, and the schedule of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, the special purpose local option sales tax report, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, the City of Cornelia, Georgia's basic financial statements for the year ended December 31, 2016, which are not presented with the accompanying financial statements. In our report date June 30, 2017, we expressed unmodified opinions of the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information. The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cornelia, Georgia's basic financial statements as a whole. The individual fund financial statements and schedules, related to the 2016 financial statements, are presented for purposes of additional analysis and a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2016 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 individual fund financial statements and schedules are fairly presented in all material respects in relation to the basic financial statements from which they are derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018 on our consideration of the City of Cornelia, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cornelia, Georgia's internal control over financial reporting and compliance.


Duncan & Kitchens, LLC
Certified Public Accountants
Clarksville, Georgia
June 22, 2018

BASIC FINANCIAL STATEMENTS

**CITY OF CORNELIA, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

EXHIBIT 1

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
ASSETS AND DEFERRED				
OUTFLOWS OF RESOURCES				
Current Assets				
Cash	\$ 2,281,307	\$ 11,899,382	\$ 14,180,689	\$ 95,653
Taxes Receivable	1,009,122	-	1,009,122	-
Accounts Receivable	40,782	679,741	720,523	-
Notes Receivable				-
Intergovernmental Receivable	51,552	(51,552)	-	-
Total Current Assets	<u>3,382,763</u>	<u>12,527,571</u>	<u>15,910,334</u>	<u>95,653</u>
Noncurrent Assets				
Non-Depreciable	360,005	779,593	1,139,598	-
Construction In Progress		4,749,069	4,749,069	-
Depreciable Assets, Net	5,778,973	29,227,002	35,005,975	-
Total Noncurrent Assets	<u>6,138,978</u>	<u>34,755,664</u>	<u>40,894,642</u>	<u>-</u>
TOTAL ASSETS	<u>9,521,741</u>	<u>47,283,235</u>	<u>56,804,976</u>	<u>95,653</u>
Deferred Outflows of Resources	<u>66,425</u>	<u>46,800</u>	<u>113,225</u>	
TOTAL ASSETS AND DEFERRED				
OUTFLOWS OF RESOURCES	<u>\$ 9,588,166</u>	<u>\$ 47,330,035</u>	<u>\$ 56,918,201</u>	<u>\$ 95,653</u>
LIABILITIES AND DEFERRED				
INFLOWS OF RESOURCES				
Current Liabilities				
Accounts Payable	\$ 149,215	\$ 44,346	\$ 193,561	\$ -
Accrued Payroll	30,909	21,769	52,678	-
Payroll Taxes Withheld	13,478		13,478	
Lease Payable - Current Portion	359,246	9,588	368,834	
Current Portion of Long-Term Debt	-	800,586	800,586	11,497
Total Current Liabilities	<u>552,848</u>	<u>876,289</u>	<u>1,429,137</u>	<u>11,497</u>
Noncurrent Liabilities				
Water Deposits		52,511	52,511	
Lease Payable	586,293	9,935	596,228	
Long-Term Notes Payable	-	9,446,050	9,446,050	238,391
Net Pension Obligation	753,645	530,977	1,284,622	
Total Noncurrent Liabilities	<u>1,339,938</u>	<u>10,039,473</u>	<u>11,379,411</u>	<u>238,391</u>
TOTAL LIABILITIES	<u>1,892,786</u>	<u>10,915,762</u>	<u>12,808,548</u>	<u>249,888</u>
Deferred Inflows of Resources	<u>62,736</u>	<u>44,200</u>	<u>106,936</u>	
TOTAL LIABILITIES AND DEFERRED				
INFLOWS OF RESOURCES	<u>1,955,522</u>	<u>10,959,962</u>	<u>12,915,484</u>	<u>249,888</u>
NET POSITION				
Net Investment in				
Capital Assets	5,193,439	24,489,505	29,682,944	-
Restricted for:				
Capital Projects	384,696		384,696	
Tourism	102,453		102,453	
Unrestricted Assets	1,952,056	11,880,568	13,832,624	(154,235)
TOTAL NET POSITION	<u>\$ 7,632,644</u>	<u>\$ 36,370,073</u>	<u>\$ 44,002,717</u>	<u>\$ (154,235)</u>

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities					
General Government	\$ 495,227	\$ 158,233	\$	\$ 274	\$ (336,720)
City Manager	292,630				(292,630)
Human Resources	109,961				(109,961)
Police	1,891,524	291,914		217,897	(1,381,713)
Fire	1,035,833	67,909		106,762	(861,162)
Streets & Sanitation	1,320,135	346,236		991,533	17,634
Public Buildings	249,749			249,749	0
Recreation Department	55,399	22,995			(32,404)
Planning Department	88,607	92,450			3,843
Maintenance	(10,941)				10,941
Interest on long-term debt	19,848				(19,848)
Total Governmental Activities	<u>5,547,972</u>	<u>979,737</u>		<u>1,566,215</u>	<u>(3,002,020)</u>
Business-type Activities					
Water and Sewer Fund	6,290,503	6,663,758		1,024,730	1,397,985
Storwater Fund	44,624	269,241			224,617
Water and Sewer Authority	339,219	908,381			569,162
Total Business-type Activities	<u>6,674,346</u>	<u>7,841,380</u>		<u>1,024,730</u>	<u>2,191,764</u>
Total Primary Government	<u>12,222,318</u>	<u>8,821,117</u>		<u>2,590,945</u>	<u>(810,256)</u>
Component Unit					
Downtown Development Authority					
	<u>38,856</u>	<u>10,450</u>		<u>30,000</u>	<u>1,594</u>
Primary Government					
		Governmental Activities	Business-Type Activities	Total	Component Unit
Change in Net Position					
Net (expense) revenue		\$ (3,002,020)	\$ 2,191,764	\$ (810,256)	\$ 1,594
General Revenues:					
Taxes:					
Property		1,485,173		1,485,173	
Franchise		476,748		476,748	
Motel Tax		299,740		299,740	
Beer and Wine		187,612		187,612	
Insurance Premium		277,342		277,342	
Unrestricted Investment Earnings		190	7,477	7,667	-
Gain (Loss) on Sale of Assets				0	(177,525)
Miscellaneous		13,132		13,132	
Donations		130		130	3,765
Transfers		500,000	(500,000)		
Total General Revenues and Transfers		<u>3,240,067</u>	<u>(492,523)</u>	<u>2,747,544</u>	<u>(173,760)</u>
Change in net position		238,047	1,699,241	1,937,288	(172,166)
Net Position - Beginning of Year - as previously reported					
		7,435,394	34,699,575	42,134,969	17,931
Prior Period Adjustment		(40,797)	(28,743)	(69,540)	
Net Position - Beginning of Year as restated		<u>7,394,597</u>	<u>34,670,832</u>	<u>42,065,429</u>	<u>17,931</u>
Net Position - End of Year as Restated	\$	<u>7,632,644</u>	<u>\$ 36,370,073</u>	<u>\$ 44,002,717</u>	<u>\$ (154,235)</u>

The accompanying notes are an integral part of this statement.

**CITY OF CORNELIA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

EXHIBIT 3

	GENERAL FUND	SPLOST VI CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 1,925,183	\$ 251,399	\$ 104,725	\$ 2,281,307
Taxes Receivable	875,825	133,297		1,009,122
Accounts Receivable	40,782			40,782
Due from Other Funds	51,552			51,552
TOTAL ASSETS	\$ 2,893,342	\$ 384,696	\$ 104,725	\$ 3,382,763
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 149,215	\$	\$	\$ 149,215
Accrued Payroll	30,909			30,909
Payroll Taxes Withheld and Accrued	13,478			13,478
TOTAL LIABILITIES	193,602			193,602
 DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue -property taxes	61,650			61,650
 FUND BALANCE				
Restricted for:				
Capital Outlay Projects		384,696	0	384,696
Tourism and Promotion			102,453	102,453
Assigned				
Pet Friends			2,272	2,272
Unassigned	2,638,090			2,638,090
TOTAL FUND BALANCE	2,638,090	384,696	104,725	3,127,511
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 2,893,342	\$ 384,696	\$ 104,725	\$ 3,382,763

The accompanying notes are an integral part of this statement.

**CITY OF CORNELIA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

EXHIBIT 3A

Adjustments to the Statement of Net Position

Fund Balance	\$	3,127,511
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds		6,138,978
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds		
Property Taxes		61,650
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		(945,539)
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		66,425
Deferred Inflows - Pensions		(62,736)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(753,645)</u>
Net Position of Governmental Activities (Exhibit "1")	\$	<u><u>7,632,644</u></u>

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, 2017

EXHIBIT 4

	GENERAL FUND	SPLOST VI CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes				
Property	\$ 1,551,447	\$	\$	\$ 1,551,447
Franchise	476,748			476,748
Motel			299,740	299,740
Beer and Wine	187,612			187,612
Insurance Premium	277,342			277,342
License and Permits	158,233			158,233
Charges for Services	641,237			641,237
Fines and Forfeitures	180,267			180,267
Interest Income	4	274	186	464
Intergovernmental	315,104	742,102		1,057,206
Grants	508,735			508,735
Donations			130	130
Miscellaneous	13,132			13,132
TOTAL REVENUE	4,309,861	742,376	300,056	5,352,293
EXPENDITURES				
Current:				
General Government	163,721		224,116	387,837
City Manager	295,610			295,610
Human Resources	111,451			111,451
Police Department	1,589,854	217,897		1,807,751
Fire Department	862,969	106,762		969,731
Streets and Sanitation	937,217	186,681	125,125	1,249,023
Public Buildings and Library		249,749		249,749
Recreation Department	55,399			55,399
Planning Department	91,587			91,587
Maintenance and Mechanical	2,468			2,468
Debt Service				
Principal Retirement	353,326			353,326
Interest and Fiscal Charges	19,848			19,848
TOTAL EXPENDITURES	4,483,450	761,089	349,241	5,593,780
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(173,589)	(18,713)	(49,185)	(241,487)
OTHER FINANCING SOURCES (USES)				
Lease Proceeds				
Interfund Transfers	622,758		(122,758)	500,000
TOTAL OTHER FINANCING SOURCES (USES)	622,758		(122,758)	500,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	449,169	(18,713)	(171,943)	258,513
FUND BALANCE	2,188,921	403,409	276,668	2,868,998
FUND BALANCE - END OF YEAR	\$ 2,638,090	\$ 384,696	\$ 104,725	3,127,511

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, 2017

EXHIBIT 4A

Adjustments to the Statement of Activities		
Net Change in Fund Balance		\$ 258,513
	Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (373,075) exceeded capital outlays (0)	(373,075)
	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(66,273)
	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 (\$353,326) exceed proceeds of (\$0).	353,326
	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	<u>65,556</u>
	Change in net position of governmental activities (Exhibit 2)	<u>\$ 238,047</u>

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

EXHIBIT 5

	<u>WATER AND SEWER FUND</u>	<u>STORMWATER FUND</u>	<u>CORNELIA WATER AND SEWER AUTHORITY</u>	<u>TOTAL</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 11,641,739	\$ 199,254	\$ 58,389	\$ 11,899,382
Accounts Receivable	654,289	25,452		679,741
Total Current Assets	<u>12,296,028</u>	<u>224,706</u>	<u>58,389</u>	<u>12,354,417</u>
NON-CURRENT ASSETS				
Capital Assets				
Assets not being depreciated	779,593.00			779,593
Construction In Progress	4,749,069.00			4,749,069
Asset being depreciated	35,338,485		11,103,212	46,441,697
Accumulated Depreciation	<u>(15,491,485)</u>		<u>(1,723,210)</u>	<u>(17,214,695)</u>
Total Non-Current Assets	<u>25,375,662</u>		<u>9,380,002</u>	<u>34,755,664</u>
Total Assets	<u>37,671,690</u>	<u>224,706</u>	<u>9,438,391</u>	<u>47,334,787</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>46,800</u>			<u>46,800</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 37,718,490</u>	<u>\$ 224,706</u>	<u>\$ 9,438,391</u>	<u>\$ 47,381,587</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES				
Accounts Payable	\$ 44,346	\$	\$	\$ 44,346
Accrued Payroll	21,769			21,769
Due to General Fund	51,552			51,552
Current Portion of Leases	9,588			9,588
Current Portion of Notes Payable			800,586	800,586
Total Current Liabilities	<u>127,255</u>		<u>800,586</u>	<u>927,841</u>
NON-CURRENT LIABILITIES				
Water Deposits	52,511			52,511
Lease Payable	9,935			9,935
Long-term Notes Payable	6,136,910		3,309,140	9,446,050
Net Pension Liability	<u>530,977</u>			<u>530,977</u>
Total Non-current Liabilities	<u>6,730,333</u>		<u>3,309,140</u>	<u>10,039,473</u>
Total Liabilities	<u>6,857,588</u>		<u>4,109,726</u>	<u>10,967,314</u>
DEFERRED INFLOWS OF RESOURCES	<u>44,200</u>			<u>44,200</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,901,788</u>		<u>4,109,726</u>	<u>11,011,514</u>
NET POSITION				
Net Investment in Capital Assets	19,219,229		5,270,276	24,489,505
Unrestricted	<u>11,597,473</u>	<u>224,706</u>	<u>58,389</u>	<u>11,880,568</u>
Net Position	<u>\$ 30,816,702</u>	<u>\$ 224,706</u>	<u>\$ 5,328,665</u>	<u>\$ 36,370,073</u>

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT 6

	<u>WATER AND SEWER FUND</u>	<u>STORMWATER FUND</u>	<u>CORNELIA WATER AND SEWER AUTHORITY</u>	<u>TOTAL</u>
OPERATING REVENUES				
Water Sales	\$ 3,182,534	\$	\$	\$ 3,182,534
Sewer Fees	3,402,573			3,402,573
Fines and Surcharges	26,132	269,241		295,373
Water and Sewer Taps	42,991			42,991
Rent			908,381	908,381
Miscellaneous Receipts	9,528			9,528
TOTAL OPERATING REVENUES	<u>6,663,758</u>	<u>269,241</u>	<u>908,381</u>	<u>7,841,380</u>
 OPERATING EXPENSES - By Department				
Administration	388,507	44,624		433,131
Water Plant	1,110,118			1,110,118
Disposal Plant	2,156,970			2,156,970
Water & Sewer System - Crew	800,858			800,858
Maintenance and Mechanical	932,470			932,470
Depreciation	815,870		222,064	1,037,934
 TOTAL OPERATING EXPENSES	<u>6,204,793</u>	<u>44,624</u>	<u>222,064</u>	<u>6,471,481</u>
 OPERATING INCOME	<u>458,965</u>	<u>224,617</u>	<u>686,317</u>	<u>1,369,899</u>
 NON-OPERATING REVENUES (EXPENSE)				
Interest Income	7,388	89		7,477
Interest Expense	(85,710)		(117,155)	(202,865)
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>(78,322)</u>	<u>89</u>	<u>(117,155)</u>	<u>(195,388)</u>
 INCOME BEFORE CONTRIBUTIONS AND TRANSFE	380,643	224,706	569,162	1,174,511
 Transfers In (Out)	(500,000)			(500,000)
Capital Grants	622,730			622,730
Capital Contributions	402,000			402,000
 CHANGE IN NET POSITION	905,373	224,706	569,162	1,699,241
 NET POSITION - BEGINNING OF YEAR - as previously reported	29,940,072		4,759,503	34,699,575
Prior Period Adjustment	(28,743)			(28,743)
NET POSITION - BEGINNING OF YEAR - as restated	<u>29,911,329</u>		<u>4,759,503</u>	<u>34,670,832</u>
 NET POSITION - END OF YEAR	<u>\$ 30,816,702</u>	<u>\$ 224,706</u>	<u>\$ 5,328,665</u>	<u>\$ 36,370,073</u>

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, 2017**

EXHIBIT 7

	WATER AND SEWER FUND	STORMWATER FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 6,663,758	\$ 243,789	\$ 908,381	\$ 7,815,928
Payments to Suppliers	(4,730,084)	(44,624)		(4,774,708)
Payments to Employees	(1,386,851)			(1,386,851)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>546,823</u>	<u>199,165</u>	<u>908,381</u>	<u>1,654,369</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer(To) From other funds	(500,000)			(500,000)
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>(500,000)</u>			<u>(500,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Grants	622,730			622,730
Proceeds from Fieldale Farms, Inc.	402,000			402,000
Note Proceeds	4,593,698			4,593,698
Principal Paid on Notes	(9,253)		(779,139)	(788,392)
Interest Paid	(85,710)		(117,155)	(202,865)
Acquisition Of Capital Assets	(5,693,694)			(5,693,694)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(170,229)</u>		<u>(896,294)</u>	<u>(1,066,523)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Earned	7,388	89		7,477
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>7,388</u>	<u>89</u>		<u>7,477</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(116,018)	199,254	12,087	95,323
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>11,757,757</u>		<u>46,302</u>	<u>11,804,059</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 11,641,739</u>	<u>\$ 199,254</u>	<u>\$ 58,389</u>	<u>\$ 11,899,382</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 458,965	\$ 224,617	\$ 686,317	\$ 1,369,899
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities				
Depreciation	\$ 815,870		\$ 222,064	\$ 1,037,934
(Increase) Decrease in Accounts Receivable	(6,954)	(25,452)		(32,406)
(Increase) Decrease in Deferred Outflows	53,921			53,921
Increase (Decrease) in Customer Deposits	(8,189)			(8,189)
Increase (Decrease) in Due to General Fund	(348,663)			(348,663)
Increase (Decrease) in Accounts Payable	(323,459)			(323,459)
Increase (Decrease) in Accrued Payroll	5,442			5,442
Increase (Decrease) in Net Pension Liability	(138,599)			(138,599)
Increase (Decrease) in Deferred Inflows	38,489			38,489
TOTAL ADJUSTMENTS	<u>87,858</u>	<u>(25,452)</u>	<u>222,064</u>	<u>284,470</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 546,823</u>	<u>\$ 199,165</u>	<u>\$ 908,381</u>	<u>\$ 1,654,369</u>

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 form 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.

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 2017.

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 2016 vacation time taken in 2016 could not be reasonably estimated but it deemed to be immaterial. Sick pay benefits are nonvesting accumulating rights and are not accrued as allowed by FASB-43 (Accounting for Compensated Absences).

6. *Accrued Liabilities and Long-term Obligations*

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

7. *Fund Equity*

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

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

- ***Nonspendable*** – Fund balances are reported as nonspendable when the amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash like inventories and prepaid items) or (b) legally or contractually required to be maintained intact.
- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the Board of Commissioners must adopt another resolution.
- ***Assigned*** – Fund balances are reported as assigned when the amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Commissioners has authorized the City's finance director to assign fund balances.

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017 consisted of the following:

Major Funds	
General Fund	
Taxes	\$ 1,009,122
Service Fees	40,782
Enterprise Funds	
Water and Sewer	<u>679,471</u>
Total Primary Government	<u>\$ 1,729,375</u>

CITY OF CORNELIA, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017

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, 2017 on property values. Taxes were levied on November 8, 2017 for the 2017 tax year, and were due on January 8, 2018. All unpaid taxes levied on December 21, 2017 become delinquent as of January 9, 2018. Interest and penalties accrue after January 9, 2018.

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Sewer	<u>51,552</u>
Total		\$ <u><u>51,552</u></u>

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

INTERFUND TRANSFERS

	<u>Major Funds</u>		<u>Nonmajor Fund</u>	
	<u>General</u>	<u>Proprietary</u>	<u>Governmental</u>	<u>Combined</u>
Transfer Out To:				
Major Funds				
General	\$ -	\$ (500,000)	\$ (122,758)	\$ (622,758)
Transfer In From:				
Major Funds				
Proprietary Fund	500,000			500,000
Nonmajor Funds				
Governmental	122,758			122,758
Total	<u>\$ 622,758</u>	<u>\$ (500,000)</u>	<u>\$ (122,758)</u>	<u>\$ -</u>

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017 was as follows:

Governmental -Type Activities:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Capital Assets Not Being Depreciated				
Land	\$ 360,005	\$ -	\$ -	\$ 360,005
Depreciable Assets				
Building	3,979,710	-	-	3,979,710
Furniture & Equipment	368,489	-	-	368,489
Fire Equipment	1,618,006	-	-	1,618,006
Police Equipment	1,389,419	-	-	1,389,419
Sanitation and Streets	1,114,638	-	-	1,114,638
Streetscape Project	2,578,296	-	-	2,578,296
Total Depreciable Assets	<u>11,048,558</u>	<u>-</u>	<u>-</u>	<u>11,048,558</u>
Less: Accumulated Depreciation				
Building	1,615,817	81,864	-	1,697,681
Furniture & Equipment	210,522	14,440	-	224,962
Fire Equipment	1,030,855	97,483	-	1,128,338
Police Equipment	1,020,883	109,112	-	1,129,995
Sanitation and Streets	862,009	53,413	-	915,422
Streetscape Project	156,424	16,763	-	173,187
Total Accumulated Depreciation	<u>4,896,510</u>	<u>373,075</u>	<u>-</u>	<u>5,269,585</u>
Net Depreciable Assets	<u>6,152,048</u>	<u>(373,075)</u>	<u>-</u>	<u>5,778,973</u>
Governmental activities assets, net	<u>\$ 6,512,053</u>	<u>\$ (373,075)</u>	<u>\$ -</u>	<u>\$ 6,138,978</u>

Depreciation was charged to governmental functions as follows:

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

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 – (Continued)

Enterprise Activities

	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2017</u>
Capital Assets Not Being Depreciated				
Land	\$ 779,593	\$ -	\$ -	\$ 779,593
Construction in Progress		4,749,069		4,749,069
	<u>779,593</u>	<u>4,749,069</u>		<u>5,528,662</u>
Depreciable Assets				
Building	149,858	9,794		159,652
Equipment	2,461,142	266,252		2,727,394
Water Plant	8,327,219	-		8,327,219
Sewer Plant	13,856,591	668,578		14,525,169
Water and Sewer System	20,702,261	-		20,702,261
Total Depreciable Assets	<u>45,497,071</u>	<u>944,624</u>	<u>-</u>	<u>46,441,695</u>
Less: Accumulated Depreciation				
Building	84,949	10,183		95,132
Equipment	1,566,469	103,990		1,670,459
Water Plant	3,061,879	134,933		3,196,812
Sewer Plant	5,917,706	404,794		6,322,500
Water and Sewer System	5,545,757	384,034		5,929,791
Total Accumulated Depreciation	<u>16,176,760</u>	<u>1,037,934</u>		<u>17,214,694</u>
Net Depreciable Assets	<u>29,320,311</u>	<u>(93,310)</u>	<u>-</u>	<u>29,227,001</u>
Enterprise activities assets, net	<u>\$ 30,099,904</u>	<u>\$ 4,655,759</u>	<u>\$ -</u>	<u>\$ 34,755,663</u>

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

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 – (Continued)

Invested in Capital Assets, Net of Related Debt

	Governmental Activities	Enterprise Fund
	\$	\$
Invested in Capital Assets, net of related debt:		
Cost of Capital Assets	11,408,563	51,970,359
Accumulated Depreciation	<u>(5,269,585)</u>	<u>(17,214,694)</u>
Book Value	6,138,978	34,755,665
Capital Related Debt	<u>(945,539)</u>	<u>(10,266,160)</u>
Total	<u>\$ 5,193,439</u>	<u>\$ 24,489,505</u>

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, 2017:

Primary Government

	Balance 12/31/2016	Additions	Payments	Balance 12/31/2017	Due Within One Year
Governmental Activities					
Obligations Under					
Capital Lease	\$ 1,298,865	\$ -	\$ 353,326	\$ 945,539	\$ 359,246
Net Pension Liability	<u>950,366</u>	<u>-</u>	<u>196,721</u>	<u>753,645</u>	<u>-</u>
Total Debt	<u>\$ 2,249,231</u>	<u>\$ -</u>	<u>\$ 550,047</u>	<u>\$ 1,699,184</u>	<u>\$ 359,246</u>
Enterprise Activities					
Notes Payable	\$ 6,432,078	\$ 4,593,698	\$ 779,139	\$ 10,246,637	\$ 800,586
Obligations Under					
Capital Lease	28,776	-	9,253	19,523	9,588
Net Pension Liability	<u>699,576</u>	<u>-</u>	<u>168,599</u>	<u>530,977</u>	<u>-</u>
Total Debt	<u>\$ 7,160,430</u>	<u>\$ 4,593,698</u>	<u>\$ 956,991</u>	<u>\$ 10,797,137</u>	<u>\$ 810,174</u>

The amount of interest expense for the year in the General Fund was \$ 19,848. The amount of interest expense for the year in the Business-Type activities was \$85,710

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 106,532.86	\$ 38,481.50	\$ 145,014.36
2019	110,096.75	34,917.61	145,014.36
2020	113,687.97	31,326.39	145,014.36
2021	117,583.18	27,431.18	145,014.36
2022	121,516.75	23,497.61	145,014.36
2023-2027	647,143.75	53,806.42	700,950.17
Total	<u>\$ 1,216,561.26</u>	<u>\$ 209,460.71</u>	<u>\$ 1,281,007.61</u>

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7 – (Continued)

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

Amortization of this loan is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 509,863.70	\$ 50,918.02	\$ 560,781.72
2019	523,437.71	37,344.01	560,781.72
2020	537,303.14	23,478.58	560,781.72
2021	551,557.99	9,104.08	560,662.07
	<u>\$ 2,122,162.54</u>	<u>\$ 120,844.69</u>	<u>\$ 2,243,007.23</u>

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

Amortization of this loan is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 184,189.50	\$ 18,394.50	\$ 202,584.00
2019	189,093.16	13,490.84	202,584.00
2020	194,102.07	8,481.93	202,584.00
2021	203,617.44	3,289.10	206,906.54
Total	<u>\$ 771,002.17</u>	<u>\$ 43,656.37</u>	<u>\$ 814,658.54</u>

CITY OF CORNELIA, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE 7 – (Continued)

Notes Payable – Georgia Environmental Facilities Authority (GEFA)

The City entered into an agreement with the Georgia Environmental Facilities Authority (GEFA) in the amount of \$975,000 for Sewer system improvements which is in progress at December 31, 2017. The city has drawn \$642,231 on this agreement. Monthly installments of principal and interest are due beginning the on the first day of the calendar month following the date the loan is fully disbursed (the Amortization Commencement Date). This loan was not in repayment status as of December 31, 2017.

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 \$5,494,679.45 as of December 31, 2017. Monthly installments of principal and interest are due beginning the on the first day of the calendar month following the date the loan is fully disbursed (the Amortization Commencement Date). This loan was not in repayment status as of December 31, 2017.

Component Unit

Cornelia Downtown Development Authority

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

Payable December 31, 2016	\$	363,552
New Debt		
Debt Retired		<u>(113,664)</u>
Payable December 31, 2017	\$	<u>249,888</u>

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.

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7 – (Continued)

Amortization of this loan is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 11,496.89	\$ 5,075.71	\$ 16,572.60
2019	238,391.06	3,541.13	241,932.19
Total	<u>\$ 249,887.95</u>	<u>\$ 8,616.84</u>	<u>\$ 258,504.79</u>

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:

	<u>Governmental Activities</u>	<u>Proprietary Fund</u>
Equipment	\$ 1,623,001	\$ 37,705
Less: Accumulated Depreciation	<u>(125,362)</u>	<u>(37,705)</u>
Net Value	<u>\$ 1,497,639</u>	<u>\$ 0</u>

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

<u>Year ending December 31</u>	<u>Governmental Activities</u>	<u>Proprietary Funds</u>
2018	\$ 373,175.08	\$ 10,294.60
2019	368,996.76	10,294.60
2020	<u>227,751.91</u>	<u>-</u>
	969,923.75	20,589.20
Less Interest	<u>(24,384.98)</u>	<u>(1,066.38)</u>
	<u>\$ 945,538.77</u>	<u>\$ 19,522.82</u>

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 12,705.26	\$ 904.93	\$ 13,610.19
2019	13,149.95	460.24	13,610.19
Total	<u>\$ 25,855.21</u>	<u>\$ 1,365.17</u>	<u>\$ 27,220.38</u>

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, 2017:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 10,218.04	\$ 605.36	\$ 10,823.40
2019	6,530.31	114.76	6,645.07
Total	<u>\$ 16,748.35</u>	<u>\$ 720.12</u>	<u>\$ 17,468.47</u>

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 235,658.60	\$ 6,320.56	\$ 241,979.16
2019	238,735.19	3,243.97	241,979.16
2020	120,531.33	458.25	120,989.58
Total	<u>\$ 594,925.12</u>	<u>\$ 10,022.78</u>	<u>\$ 604,947.90</u>

Georgia Municipal Association/BB&T Governmental Finance

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

The 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, 2017:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	100,663.73	6,098.60	106,762.33
2019	102,656.88	4,105.46	106,762.34
2020	104,689.48	2,072.85	106,762.33
Total	<u>\$ 308,010.09</u>	<u>\$ 12,276.91</u>	<u>\$ 320,287.00</u>

CITY OF CORNELIA, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE 8 – (Continued)

Georgia Municipal Association/BB&T Governmental Finance

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 9,587.87	\$ 706.73	\$ 10,294.60
2019	9,934.95	359.65	10,294.60
Total	<u>\$ 19,522.82</u>	<u>\$ 1,066.38</u>	<u>\$ 20,589.20</u>

NOTE 9 - EMPLOYEE RETIREMENT PLAN

PLAN DESCRIPTION

The City, by ordinance, on August 1, 1972 established a retirement plan for its employees to be funded through the Georgia Municipal Employees Benefit System (GMEBS), an agent, multiple-employer type defined benefit pension plan. The Georgia Municipal Employees Benefit System issues a stand-alone

financial report that included a schedule of member net assets, listing the net assets held by the City of Cornelia. That report may be obtained by writing to the Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303. The City is required to contribute at an actuarially determined rate. The actuarial valuation date was July 1, 2016.

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

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 9 – (Continued)

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	37
Number of vested former participants	10
Number of active vested employees	<u>28</u>
Total number of participants	75

Funding Policy

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

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As of December 31, 2017, the City reported a net pension liability of \$1,284,622. The net pension liability was measured on March 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2017. For the fiscal year ended December 31, 2017, the City recognized a pension expense in the amount of \$290,167.

CITY OF CORNELIA, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE 9 – (Continued)

At December 31, 2017, 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	\$ 113,225	\$ (91,040.00)
Changes in assumptions		(10,362)
Net difference between projected and actual earnings on pension plan investments		(5,534)
Total	\$ 113,225	\$ (106,936)

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions as applied to all periods included in the measurement:

Inflation	3.25% per year
Cost of Living Adjustment	0% per year
Investment Return:	7.75% per year
Future Salary Increases:	3.25% per year with an age based scale as follows:
Years of Service	Annual Rate (%)
0-1	8.75
2	5.75
3	5.50
4	5.25
5	5.00
6	4.75
7	4.50
8	4.25
9	4.00
10 or more	3.75

CITY OF CORNELIA, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE 9 – (Continued)

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, 2017 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:

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

Discount Rate:

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

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 9 – (Continued)

Changes in Net Pension Liability:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (a)-(b)
Balances at March 31, 2016	\$ <u>5,476,646</u>	\$ <u>3,856,704</u>	\$ <u>1,619,942</u>
Changes for the year:			
Service Cost	119,441	-	119,441
Interest	412,683	-	412,683
Difference between actual and expected experience	(109,247)	-	(109,247)
Employer contributions	-	292,183	(292,183)
Employee contributions	-	-	-
Net investment income	-	484,930	(484,930)
Benefit payments	(303,413)	(303,413)	-
Administrative expense	-	(18,916)	18,916
Other	-	-	-
Net Changes	<u>119,464</u>	<u>454,784</u>	<u>(335,320)</u>
Balances at March 31, 2017	\$ <u><u>5,596,110</u></u>	\$ <u><u>4,311,488</u></u>	\$ <u><u>1,284,622</u></u>

Sensitivity of the Net Pension Asset/Liability to Changes in the Discount Rate.

The discount rate used to measure the total net pension liability was 7.75%. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.75%	1,981,032
Current discount rate	7.75%	1,284,622
1% increase	8.75%	704,223

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 2017 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, 2016. No provisions have been made in the financial statements for the year ended December 31, 2016 for any estimate of unpaid claims.

CITY OF CORNELIA, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017

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, 2017, the City paid \$4,609 in such dues. The Commission Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County Board members and municipal Board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the non-public Board member from a County. Separate financial statements can be obtained from:

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

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

NOTE 14 – HOTEL MOTEL TAX

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

	<u>Amount</u>	<u>Amount</u> <u>Percent</u>	
Collections	\$ 299,740	<u>299,740</u>	100%
Habersham Chamber of Commerce	\$ 59,625	59,625	
Cornelia Hospitality and Tourism Board	<u>62,534</u>	<u>62,534</u>	
	\$ 122,159	<u>122,159</u>	41%

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Governmental Activities

A prior period adjustment has been made to correct the net pension liability at December 31, 2016. 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, 2016. 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.

REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

IN ACCORDANCE WITH THE GOVERNMENT FINANCIAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34,
THE FOLLOWING INFORMATION IS A REQUIRED PART OF THE FINANCIAL STATEMENTS

**CITY OF CORNELIA, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>ORIGINAL BUDGET</u>	<u>BUDGET AS AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE FROM AMENDED</u>
REVENUES				
Taxes				
Property	\$ 1,306,947	\$ 1,306,947	\$ 1,551,447	\$ 244,500
Franchise	490,000	490,000	476,748	(13,252)
Beer and Wine	180,000	180,000	187,612	7,612
Insurance Premium	240,000	240,000	277,342	37,342
License and Permits	163,000	163,000	158,233	(4,767)
Charges for Services	632,000	632,000	641,237	9,237
Fines and Forfeitures	155,200	155,200	180,267	25,067
Interest Income	1,000	1,000	4	(996)
Intergovernmental Grants	240,000 400,800	240,000 400,800	315,104 508,735	75,104 107,935
Miscellaneous	2,050	2,050	13,132	11,082
TOTAL REVENUE	<u>3,810,997</u>	<u>3,810,997</u>	<u>4,309,861</u>	<u>498,864</u>
EXPENDITURES				
Current:				
General Government	316,300	316,300	163,721	152,579
City Manager	296,259	296,259	295,610	649
Human Resources	117,186	117,186	111,451	5,735
Police Department	1,596,636	1,596,636	1,589,854	6,782
Fire Department	867,591	867,591	862,969	4,622
Streets and Sanitation	957,447	957,447	937,217	20,230
Recreation Department	83,500	83,500	55,399	28,101
Planning Department	94,101	94,101	94,055	46
Debt Service				
Principal Retirement	150,000	150,000	353,326	(203,326)
Interest and Fiscal Charges	20,000	20,000	19,848	152
TOTAL EXPENDITURES	<u>4,499,020</u>	<u>4,499,020</u>	<u>4,483,450</u>	<u>15,570</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(688,023)</u>	<u>(688,023)</u>	<u>(173,589)</u>	<u>514,434</u>
OTHER FINANCING SOURCES (USES)				
Prior Year Fund Balance	188,023	188,023		(188,023)
Interfund Transfers	500,000	500,000	622,758	122,758
TOTAL OTHER FINANCING SOURCES (USES)	<u>688,023</u>	<u>688,023</u>	<u>622,758</u>	<u>(65,265)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURE:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,169</u>	<u>\$ 449,169</u>

SCHEDULE 1

CITY OF DEMOREST
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
 AND RELATED RATIOS
 LAST TEN FISCAL YEARS
 DECEMBER 31, 2017
 (Unaudited)

	2017	2016
Total Pension Liability as of the beginning of year (1)	\$ 5,476,646	5,200,997
Service Cost	119,441	132,015
Interest on Total Pension Liability	412,683	391,838
Difference between expected and actual experience	(109,247)	41,837
Change of assumptions	-	-
Changes of benefit terms	-	-
Benefits Payments, including refunds of employee contributions	(303,413)	(290,041)
Total Pension Liability as of March 31, 2015 (2)	<u>\$ 5,596,110</u>	<u>5,476,646</u>
Fiduciary Net Position as of beginning of year (3)	\$ 3,856,704	3,843,088
Employer Contributions	292,183	303,520
Employee Contributions	-	-
Net Investment Income	484,930	12,041
Benefit Payments	(303,413)	(290,041)
Administrative Expense	(18,916)	(11,904)
Other	-	-
Fiduciary Net Position as of End of Year (4)	<u>\$ 4,311,488</u>	<u>3,856,704</u>
Net pension liability as of beginning of year (1)-(3)	<u>\$ 1,619,942</u>	<u>1,357,909</u>
Net Pension liability as of end of year (2) - (4)	<u>\$ 1,284,622</u>	<u>1,619,942</u>
Fiduciary Net Position as a % of Total Pension Liability (4)/(2)	77.04%	70.42%
Covered-employee payroll	\$ 2,769,374	2,819,555
Net pension liability as a % of covered-employee payroll	46.39%	57.45%

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

SCHEDULE 2

CITY OF CORNELIA
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED
 RATIOS LAST TEN FISCAL YEARS
 DECEMBER 31, 2017
 (Unaudited)

	FISCAL YEAR END 2017	FISCAL YEAR END 2016
Actuarially determined contribution	-*	295,186
Contributions in relation to the actuarially determined contribution	-*	-*
Contribution deficiency (excess)	-	296,261
Covered-employee payroll	-*	(1,075)
Contributions as a percentage of covered-employee payroll	-*	2,819,555
		10.51%

* 2017 information will be determined after fiscal year end and will be included in the 2018 valuation report.

CITY OF DEMOREST, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016

BUDGETARY ACCOUNTING AND CONTROL

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

All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the 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 Demorest.

PENSIONS

1. Valuation Date

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

2. Methods and Assumptions Used to Determine Contribution Rates:

- Actuarial cost method = Projected unit credit
- Amortization method = Closed level dollar for remaining unfunded liability
- Remaining amortization period = Remaining amortization period varies for the bases, with a net effective amortization period of 22 years
- Asset valuation method = Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
- Net investment rate of return = 7.75%
- Projected salary increases = 3.25% plus service based merit increases
- Cost of living adjustments = 0.00%
- Retirement age for inactive vested participants = 65
- Mortality = Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

CITY OF DEMOREST, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016

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 2015 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, 2017**

SCHEDULE 3

	<u>PET FRIENDS</u>	<u>HOTEL/ MOTEL TAX</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 2,272	\$ 102,453	\$ 104,725
TOTAL ASSETS	<u>\$ 2,272</u>	<u>\$ 102,453</u>	<u>\$ 104,725</u>
 LIABILITIES	 <u>\$</u>	 <u>\$</u>	 <u>\$</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCES			
Restricted for:			
Tourism and Promotion		102,453	102,453
Capital Outlay Projects			
Assigned for:			
Pet Friends	<u>2,272</u>		<u>2,272</u>
TOTAL FUND BALANCES	<u>2,272</u>	<u>102,453</u>	<u>104,725</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 2,272</u>	 <u>\$ 102,453</u>	 <u>\$ 104,725</u>

CITY OF CORNELIA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE 4

REVENUES	PET FRIENDS	HOTEL/ MOTEL TAX	SPLOST V CAPITAL OUTLAY	TOTAL
Hotel/Motel Tax	\$	\$ 299,740	\$	\$ 299,740
Donations	130			130
Interest	-	132	54	186
TOTAL REVENUE	<u>130</u>	<u>299,872</u>	<u>54</u>	<u>300,056</u>
EXPENDITURES				
Public Safety				-
Streets			125,125	125,125
Recreation				-
Tourism and Promotion		224,116		224,116
TOTAL EXPENDITURES	<u>-</u>	<u>224,116</u>	<u>125,125</u>	<u>349,241</u>
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	130	75,756	(125,071)	(49,185)
OTHER FINANCING SOURCES(USES)				
Operating Transfers In(Out)				
General Fund	-	(122,758)	-	(122,758)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	130	(47,002)	(125,071)	(171,943)
FUND BALANCES BEGINNING OF YEAR	<u>2,142</u>	<u>149,455</u>	<u>125,071</u>	<u>276,668</u>
FUND BALANCES END OF YEAR	<u>\$ 2,272</u>	<u>\$ 102,453</u>	<u>\$ -</u>	<u>\$ 104,725</u>

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, 2017 AND 2016**

SCHEDULE 5

	2017	2016
ASSETS		
Cash	\$ 1,925,183	\$ 1,186,062
Taxes Receivable	875,825	808,869
Accounts Receivable	40,782	33,390
Due from Other Funds	51,552	400,215
TOTAL ASSETS	\$ 2,893,342	\$ 2,428,536
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 149,215	\$ 74,998
Accrued Payroll	30,909	23,182
Payroll Taxes Withheld and Accrued	13,478	13,511
TOTAL LIABILITIES	193,602	111,691
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue -property taxes	61,650	127,924
 FUND BALANCE		
Unassigned	2,638,090	2,188,921
TOTAL FUND BALANCE	2,638,090	2,188,921
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,893,342	\$ 2,428,536

**CITY OF CORNELIA, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

SCHEDULE 6

	2017	2016
REVENUES		
Taxes		
Property	\$ 1,551,447	\$ 1,456,802
Franchise	476,748	491,066
Beer and Wine	187,612	188,492
Insurance Premium	277,342	260,454
License and Permits	158,233	158,561
Charges for Services	641,237	636,863
Fines and Forfeitures	180,267	150,463
Interest Income	4	100
Intergovernmental	315,104	274,023
Grants	508,735	99,496
Miscellaneous	13,132	957
TOTAL REVENUE	4,309,861	3,717,277
 EXPENDITURES		
Current:		
General Government	163,721	137,605
City Manager	295,610	243,411
Human Resources	111,451	97,387
Police Department	1,589,854	1,619,916
Fire Department	862,969	1,747,531
Streets and Sanitation	937,217	911,872
Public Buildings and Library	-	454,477
Recreation Department	55,399	71,610
Planning Department	91,587	265,999
Maintenance and Mechanical	2,468	-
Debt Service		
Principal Retirement	353,326	298,635
Interest and Fiscal Charges	19,848	34,209
TOTAL EXPENDITURES	4,483,450	5,882,652
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(173,589)	(2,165,375)
 OTHER FINANCING SOURCES (USES)		
Sale of Equipment	-	73,437
Lease Proceeds	-	1,511,793
Interfund Transfers	622,758	610,074
TOTAL OTHER FINANCING SOURCES (USES)	622,758	2,195,304
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	449,169	29,929
 FUND BALANCE - Beginning of Year as Previously Reported	2,188,921	2,379,915
Prior Period Adjustment	-	(220,923)
FUND BALANCE - as Restated	2,188,921	2,158,992
 FUND BALANCE - END OF YEAR	\$ 2,638,090	\$ 2,188,921

CITY OF CORNELIA, GEORGIA
BUDGETARY COMPARISON SCHEDULE
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016)

SCHEDULE 7

	<u>2017</u>			<u>2016</u>
	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>ACTUAL</u>
REVENUES				
Taxes				
Property	\$ 1,306,947	\$ 1,551,447	\$ 244,500	\$ 1,456,802
Franchise	490,000	476,748	(13,252)	491,066
Beer and Wine	180,000	187,612	7,612	188,492
Insurance Premium	240,000	277,342	37,342	260,454
License and Permits	163,000	158,233	(4,767)	158,561
Charges for Services	632,000	641,237	9,237	636,863
Fines and Forfeitures	155,200	180,267	25,067	150,463
Interest Income	1,000	4	(996)	100
Intergovernmental	240,000	315,104	75,104	274,023
Grants	400,800	508,735	107,935	99,496
Miscellaneous	2,050	13,132	11,082	957
TOTAL REVENUE	<u>3,810,997</u>	<u>4,309,861</u>	<u>498,864</u>	<u>3,717,277</u>
EXPENDITURES				
Current:				
General Government	323,300	163,721	159,579	137,605
City Manager	296,259	295,610	649	243,411
Human Resources	117,186	111,451	5,735	97,387
Police Department	1,616,636	1,589,854	26,782	1,619,916
Fire Department	917,591	862,969	54,622	1,747,531
Streets and Sanitation	1,057,447	937,217	120,230	911,872
Public Buildings	0	-	-	454,477
Recreation Department	83,500	55,399	28,101	71,610
Planning Department	87,101	91,587	(4,486)	265,999
Maintenance and Mechanical	0	2,468	(2,468)	-
Debt Service				
Principal Retirement	0	353,326	(353,326)	298,635
Interest and Fiscal Charges	0	19,848	(19,848)	34,209
TOTAL EXPENDITURES	<u>4,499,020</u>	<u>4,483,450</u>	<u>15,570</u>	<u>5,882,652</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(688,023)</u>	<u>(173,589)</u>	<u>514,434</u>	<u>(2,165,375)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	0	-	0	73,437
Lease Proceeds	0	0	0	1,511,793
Prior Year Fund Balance	188,023	0	(188,023)	0
Interfund Transfers	500,000	622,758	122,758	610,074
TOTAL OTHER FINANCING SOURCES (USES)	<u>688,023</u>	<u>622,758</u>	<u>(65,265)</u>	<u>2,195,304</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 449,169</u>	<u>\$ 449,169</u>	<u>\$ 29,929</u>

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.

**CITY OF CORNELIA, GEORGIA
 PET FRIENDS SPECIAL REVENUE FUND
 COMPARATIVE BALANCE SHEETS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

SCHEDULE 8

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 2,272	\$ 2,142
TOTAL ASSETS	<u>\$ 2,272</u>	<u>\$ 2,142</u>
 LIABILITIES	 \$ _____	 \$ _____
TOTAL LIABILITIES	<u>_____</u>	<u>_____</u>
 FUND BALANCES		
Assigned for:		
Pet Friends	<u>2,272</u>	<u>2,142</u>
TOTAL FUND BALANCES	<u>2,272</u>	<u>2,142</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,272</u>	<u>\$ 2,142</u>

**CITY OF CORNELIA, GEORGIA
 PET FRIENDS SPECIAL REVENUE FUND
 SCHEUDLE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

SCHEDULE 9

REVENUES	<u>2017</u>	<u>2016</u>
Donations	\$ 130	\$ 170
TOTAL REVENUE	<u>130</u>	<u>170</u>
EXPENDITURES		
Supplies	<u>360</u>	<u>360</u>
TOTAL EXPENDITURES	<u>360</u>	<u>360</u>
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	(230)	(190)
FUND BALANCES BEGINNING OF YEAR	<u>2,142</u>	<u>2,332</u>
FUND BALANCES END OF YEAR	<u><u>\$ 1,912</u></u>	<u><u>\$ 2,142</u></u>

**CITY OF CORNELIA, GEORGIA
HOTEL / MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

SCHEDULE 10

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 102,453	\$ 149,455
TOTAL ASSETS	<u>\$ 102,453</u>	<u>\$ 149,455</u>
 LIABILITIES	 \$ _____	 \$ _____
TOTAL LIABILITIES	 _____	 _____
 FUND BALANCES		
Restricted for:		
Tourism and Promotion	102,453	149,455
Assigned for:		
Pet Friends		
TOTAL FUND BALANCES	<u>102,453</u>	<u>149,455</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 102,453</u>	 <u>\$ 149,455</u>

CITY OF CORNELIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

SCHEDULE 11

REVENUES	<u>2017</u>	<u>2016</u>
Hotel/Motel Tax	\$ 299,740	\$ 289,406
Donations		
Interest	132	180
	<u>299,872</u>	<u>289,586</u>
EXPENDITURES		
Tourism and Promotion	<u>224,116</u>	<u>146,717</u>
	<u>224,116</u>	<u>146,717</u>
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	75,756	142,869
OTHER FINANCING SOURCES(USES)		
Operating Transfers In(Out)	<u>(122,758)</u>	<u>(110,074)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(47,002)	32,795
FUND BALANCES BEGINNING OF YEAR	<u>149,455</u>	<u>116,660</u>
FUND BALANCES END OF YEAR	<u>\$ 102,453</u>	<u>\$ 149,455</u>

CAPITAL PROJECTS FUNDS

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

Special Purpose Local Option Sales Tax V

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

**CITY OF CORNELIA, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX V
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

SCHEDULE 12

	2017	2016
ASSETS		
Cash	\$ _____	\$ 125,071
TOTAL ASSETS	\$ _____	\$ 125,071
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
DEFERRED INFLOWS OF RESOURCES		
FUND BALANCE		
Restricted for:		
Capital Outlay Projects	_____	125,071
TOTAL FUND BALANCE	_____	125,071
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ _____	\$ 125,071

CITY OF CORNELIA, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX V
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

SCHEDULE 13

	2017	2016
REVENUES		
Interest Income	\$ 54	\$ 159
Intergovernmental	-	-
TOTAL REVENUE	54	159
EXPENDITURES		
Capital		
Police Department		33
Fire Department		
Streets and Sanitation	125,125	3,875
Public Buildings		
Recreation Department		13,827
Maintenance and Mechanical		
Public Utilities	-	-
TOTAL EXPENDITURES	125,125	17,735
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(125,071)	(17,576)
FUND BALANCE - BEGINNING OF YEAR	125,071	142,647
FUND BALANCE - END OF YEAR	\$ -	\$ 125,071

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, 2017 AND 2016

SCHEDULE 14

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash	\$ 11,641,739	\$ 11,757,757
Accounts Receivable	654,289	647,335
Total Current Assets	<u>12,296,028</u>	<u>12,405,092</u>
 NON-CURRENT ASSETS		
Capital Assets		
Assets not being depreciated	779,593	779,593
Construction in Progress	4,749,069	
Asset being depreciated	35,338,485	34,393,860
Accumulated Depreciation	(15,491,485)	(14,675,615)
Total Non-current Assets	<u>25,375,662</u>	<u>20,497,838</u>
Total Assets	<u>37,671,690</u>	<u>32,902,930</u>
 DEFERRED OUTFLOWS OF RESOURCES		
	<u>46,800</u>	<u>129,465</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 37,718,490</u>	<u>\$ 33,032,395</u>
 LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 44,346	\$ 367,805
Accrued Payroll	21,769	16,327
Due to General Fund	51,552	400,215
Current Portion of Capital Lease	9,588	9,253
Total Current Liabilities	<u>127,255</u>	<u>793,600</u>
 NON-CURRENT LIABILITIES		
Water Deposits	52,511	60,700
Long-term Notes Payable	6,146,845	1,562,736
Net Pension Liability	530,977	669,576
Total Non-current Liabilities	<u>6,730,333</u>	<u>2,293,012</u>
TOTAL LIABILITIES	<u>6,857,588</u>	<u>3,086,612</u>
 DEFERRED INFLOWS OF RESOURCES		
	<u>44,200</u>	<u>5,711</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,901,788</u>	<u>3,092,323</u>
 NET POSITION		
Net Investment in Capital Assets	19,219,229	18,925,849
Unrestricted	11,597,473	11,014,223
TOTAL NET POSITION	<u>\$ 30,816,702</u>	<u>\$ 29,940,072</u>

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, 2017 AND 2016

SCHEDULE 15

	2017	2016
OPERATING REVENUES		
Water Sales	\$ 3,182,534	\$ 3,428,231
Sewer Fees	3,402,573	3,623,396
Fines and Surcharges	26,132	19,548
Water and Sewer Taps	42,991	31,543
Miscellaneous Receipts	9,528	12,299
TOTAL OPERATING REVENUES	6,663,758	7,115,017
 OPERATING EXPENSES - By Department		
Administration	388,507	346,846
Water Plant	1,110,118	1,138,465
Disposal Plant	2,156,970	1,962,467
Water & Sewer System - Crew	800,858	417,572
Maintenance and Mechanical	932,470	557,502
Depreciation	815,870	760,248
TOTAL OPERATING EXPENSES	6,204,793	5,183,100
 OPERATING INCOME	458,965	1,931,917
 NON-OPERATING REVENUES (EXPENSE)		
Capital Grants	622,730	1,012,024
Interest Income	7,388	10,576
Interest Expense	(85,710)	(15,850)
TOTAL NON-OPERATING INCOME (EXPENSE)	544,408	1,006,750
 INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,003,373	2,938,667
Tansfers In (Out)	(500,000)	(500,000)
Capital Contributions	402,000	402,000
 CHANGE IN NET POSITION	905,373	2,840,667
NET POSITION-BEGINNING OF YEAR -as previously reported	29,940,072	27,099,405
Prior Period Adjustment	(28,743)	
NET POSITION-BEGINNING OF YEAR -as restated	29,911,329	27,099,405
 NET POSITION - END OF YEAR	\$ 30,816,702	\$ 29,940,072

CITY OF CORNELIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

SCHEDULE 16

CASH FLOWS FROM OPERATING ACTIVITIES	2017	2016
Receipts from Customers	\$ 6,663,758	\$ 7,115,017
Payments to Suppliers	(4,730,084)	(2,843,742)
Payments to Employees	(1,386,851)	(1,389,814)
NET CASH PROVIDED BY OPERATING ACTIVITIES	546,823	2,881,461
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer(To) From other funds	(500,000)	(500,000)
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(500,000)	(500,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	622,730	1,012,024
Proceeds from Fieldale Farms, Inc.	402,000	402,000
Note Proceeds	4,593,698	1,131,186
Principal Paid on Notes	(9,253)	(8,929)
Interest Paid	(85,710)	(15,850)
Acquisition Of Capital Assets	(5,693,694)	(3,060,778)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(170,229)	(540,347)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earned	7,388	10,576
NET CASH PROVIDED BY INVESTING ACTIVITIES	7,388	10,576
NET INCREASE IN CASH AND CASH EQUIVALENTS	(116,018)	1,851,690
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,757,757	9,906,067
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 11,641,739	\$ 11,757,757
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 458,965	\$ 1,931,917
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation	\$ 815,870	\$ 760,248
(Increase) Decrease in Accounts Receivable	(6,954)	(220,594)
(Increase) Decrease in Deferred Outflows	53,921	(74,394)
Increase (Decrease) in Customer Deposits	(8,189)	43,716
Increase (Decrease) in Due to General Fund	(348,663)	(10,879)
Increase (Decrease) in Accounts Payable	(323,459)	327,073
Increase (Decrease) in Accrued Payroll	5,442	(21,905)
Increase (Decrease) in Net Pension Liability	(138,599)	167,150
Increase (Decrease) in Deferred Inflows	38,489	(20,871)
TOTAL ADJUSTMENTS	87,858	949,544
NET CASH PROVIDED BY OPERATING ACTIVITIES 58	\$ 546,823	\$ 2,881,461

**CITY OF CORNELIA, GEORGIA
 STORMWATER FUND
 COMPARATIVE STATEMENTS OF NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

SCHEDULE 17

ASSETS	2017	2016
CURRENT ASSETS		
Cash	\$ 199,254	\$
Accounts Receivable	25,452	
Total Current Assets	224,706	
Total Assets	\$ 224,706	\$
 NET POSITION		
Unrestricted	224,706	
Net Position	\$ 224,706	\$

**CITY OF CORNELIA, GEORGIA
STORMWATER FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

SCHEDULE 18

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges	\$ 269,241	\$ _____
TOTAL OPERATING REVENUES	<u>269,241</u>	<u>_____</u>
 OPERATING EXPENSES - By Department		
Administration	44,624	_____
TOTAL OPERATING EXPENSES	<u>44,624</u>	<u>_____</u>
 OPERATING INCOME	<u>224,617</u>	<u>_____</u>
 NON-OPERATING REVENUES (EXPENSE)		
Interest Income	89	_____
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>89</u>	<u>_____</u>
 CHANGE IN NET POSITION	224,706	_____
 TOTAL NET POSITION - BEGINNING OF YEAR	_____	_____
 TOTAL NET POSITION - END OF YEAR	<u>\$ 224,706</u>	<u>\$ _____</u>

**CITY OF CORNELIA, GEORGIA
STORMWATER FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

SCHEDULE 19

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2017</u>	<u>2016</u>
Receipts from Customers	\$ 243,789	\$ _____
Payments to Suppliers	(44,624)	_____
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>199,165</u>	<u>_____</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Earned	89	_____
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	89	_____
NET INCREASE IN CASH AND CASH EQUIVALENTS	199,254	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>0</u>	_____
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 199,254</u>	<u>\$ _____</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 224,617	\$ _____
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
(Increase) Decrease in Accounts Receivable	(25,452)	_____
TOTAL ADJUSTMENTS	<u>(25,452)</u>	_____
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 199,165</u>	<u>\$ _____</u>

**CITY OF CORNELIA, GEORGIA
 CORNELIA WATER AND SEWER AUTHORITY
 COMPARATIVE STATEMENTS OF NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

SCHEDULE 20

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 58,389	\$ 46,302
Total Current Assets	<u>58,389</u>	<u>46,302</u>
 NON-CURRENT ASSETS		
Capital Assets		
Assets not being depreciated		
Asset being depreciated	11,103,212	11,103,212
Accumulated Depreciation	<u>(1,723,210)</u>	<u>(1,501,146)</u>
Total Non-current Assets	<u>9,380,002</u>	<u>9,602,066</u>
Total Assets	<u>\$ 9,438,391</u>	<u>\$ 9,648,368</u>
 LIABILITIES		
Current Liabilities		
Current Portion of Long-term Notes	<u>800,586</u>	<u>779,139</u>
Total Current Liabilities	<u>800,586</u>	<u>779,139</u>
 NON-CURRENT LIABILITIES		
Long-term Notes Payable	<u>3,309,140</u>	<u>4,109,726</u>
Total Non-current Liabilities	<u>3,309,140</u>	<u>4,109,726</u>
Total Liabilities	<u>4,109,726</u>	<u>4,888,865</u>
 NET POSITION		
Net Investment in Capital Assets	5,270,276	4,713,201
Unrestricted	58,389	46,302
Net Position	<u>\$ 5,328,665</u>	<u>\$ 4,759,503</u>

**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, 2017 AND 2016**

SCHEDULE 21

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Rent	\$ 908,381	\$ 908,381
TOTAL OPERATING REVENUES	<u>908,381</u>	<u>908,381</u>
 OPERATING EXPENSES - By Department		
Depreciation	<u>222,064</u>	<u>222,064</u>
TOTAL OPERATING EXPENSES	<u>222,064</u>	<u>222,064</u>
 OPERATING INCOME	 <u>686,317</u>	 <u>686,317</u>
 NON-OPERATING REVENUES (EXPENSE)		
Interest Expense	<u>(117,155)</u>	<u>(154,911)</u>
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>(117,155)</u>	<u>(154,911)</u>
 CHANGE IN NET POSITION	 569,162	 531,406
 TOTAL NET POSITION - BEGINNING OF YEAR	 <u>4,759,503</u>	 <u>4,228,199</u>
 TOTAL NET POSITION - END OF YEAR	 \$ <u><u>5,328,665</u></u>	 \$ <u><u>4,759,605</u></u>

**CITY OF CORNELIA, GEORGIA
 CORNELIA WATER AND SEWER AUTHORITY
 COMPARATIVE STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

SCHEDULE 22

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 908,381	\$ 908,381
Payments to Suppliers		(102)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>908,381</u>	<u>908,279</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Notes	(779,139)	(753,470)
Interest Paid	(117,155)	(154,911)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(896,294)</u>	<u>(908,381)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,087	(102)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>46,302</u>	<u>46,404</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 58,389</u>	<u>\$ 46,302</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 686,317	\$ 686,215
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation	222,064	222,064
TOTAL ADJUSTMENTS	<u>222,064</u>	<u>222,064</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 908,381</u>	<u>\$ 908,279</u>

SINGLE AUDIT SECTION

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

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 Council
City of Cornelia
Cornelia, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cornelia, Georgia, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Cornelia, Georgia's basic financial statements and have issued our report thereon dated June 22, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. This is reported as item 2012-1

Compliance and Other Matters

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

HABERSHAM COUNTY

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Clarkesville, GA 30523
Phone: 706.754.5814 • Fax: 706.754.9069

RABUN COUNTY

P.O. Box 1470 • 45 South Main Street
Clayton, GA 30525
Phone: 706.782.7022 • Fax: 706.782.6189

City of Cornelia, Georgia's Response to Findings

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

Purpose of this Report

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

Duncan & Kitchens, LLC

Duncan and Kitchens, LLC
Certified Public Accountants
Clarkeville, Georgia
June 22, 2018

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 COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE

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

Report on Compliance for Each Major Program

We have audited the City of Cornelia, Georgia's compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City of Cornelia, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibilities

Our responsibility is to express an opinion on compliance for each of the City of Cornelia, Georgia's major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the City of Cornelia, Georgia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

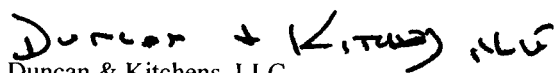
Report on Internal Control over Compliance

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

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

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

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



Duncan & Kitchens, LLC
Certified Public Accountants
Clarksville, Georgia
June 22, 2018

City of Cornelia
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended December 31, 2017

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Appalachian Regional Commission				
Appalachian Area Development				
Appalachian Area Development	23.002		GEFA,GA 18234	65,270
TOTAL APPALACHIAN REGIONAL DEVELOPMENT				65,270
United States Environmental Protection Agency				
Indirect Federal Grants:				
Passed through Georgia Environmental Facilities Authority (GEFA) Clean Water Program				
Capitalization Grants for Clean Water State Revolving Funds	66.458		GEFA,CWSRF 15-017	283,641
Total Capitalization Grants for Clean Water State Revolving Funds				283,641
Passed through Georgia Environmental Facilities Authority (GEFA) Drinking Water Program				
Capitalization Grants for Drinking Water State Revolving Funds	66.458		GEFA,DWSRF 15-024	544,900
Capitalization Grants for Drinking Water State Revolving Funds	66.458		GEFA,DWSRF 12-008	680,410
Total Capitalization Grants for Drinking Water State Revolving Funds				1,225,310
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY				1,508,951
Department of Housing and Urban Development				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		Georgia Department of Community Affairs,14p-x-068-2-5735	94,836
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		Georgia Department of Community Affairs,14p-x-068-x-5657	10,555
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		Georgia Department of Community Affairs,15q-x-068-2-5813	38,528
Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				143,919
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				143,919
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 1,718,140

CITY OF CORNELIA, GEORGIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Cornelia, Georgia under programs of the federal government for the fiscal year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as a reimbursement.

NOTE 3 – *De Minimis* Indirect Cost Rate

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

NOTE 4 – OUTSTANDING LOAN BALANCES

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

66.458 - Drinking Water State Revolving Loan Fund	- \$805,238
66.458 - Clean Water State Revolving Loan Fund	-\$642,231

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

1. SUMMARY OF THE AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

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

B. FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified:	None Reported
Significant deficiencies identified Not considered material weaknesses?	None Reported
Type of auditor's report issued on Compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	None Reported
Identification of major programs: 66.458 Capitalization Grants for Drinking Water State Revolving Loan Fund	
Dollar threshold used to distinguish Between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee	No

2. Financial Statement Findings

A. Current Year Audit Findings

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

None

B. Prior Year Audit Findings

Comment 2012-1

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

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

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

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

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

Management Response: The City agrees with the finding.

3. Federal Award Findings and Questioned Costs

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

STATE REPORTING SECTION

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

**CITY OF CORNELIA, GEORGIA
SUPPLEMENTARY INFORMATION**

SCHEDULE 23

**SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2017**

	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	117,319	125,125	242,444
Public Facilities	256,000	269,185	-	269,185
Recreation	100,000	425,125	-	425,125
	<u>\$ 3,281,196</u>	<u>\$ 2,685,463</u>	<u>\$ 125,125</u>	<u>\$ 2,810,588</u>

Habersham County, Georgia SPLOST VI

Streets and Sidewalks	\$ 2,347,370	\$ 285,554	\$ 186,681	\$ 472,235
Community Facilities	650,000	392,241	249,749	641,990
Water	300,000	-	-	-
Sewer	590,698	-	-	-
Public Safety	<u>1,050,000</u>	<u>203,976</u>	<u>324,659</u>	<u>528,635</u>
	<u>\$ 4,938,068</u>	<u>\$ 881,771</u>	<u>\$ 761,089</u>	<u>\$ 1,642,860</u>