

**CITY OF CORNELIA**  
**CORNELIA, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2019**



CITY OF CORNELIA, GEORGIA  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED  
 DECEMBER 31, 2019

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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

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of The City of Cornelia, Georgia, as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the City of Cornelia's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

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**HABERSHAM COUNTY**

P.O. Box 1330 • 327 Monroe Street, Suite D  
Clarkeville, 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

## Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of The City of Cornelia, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America also requires that the Budget Comparison Schedule and the Schedule of Funding Progress on pages 37-43 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The City of Cornelia, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental budgetary comparison schedules, and state reporting section with the schedule of expenditures of special purpose local option sales proceeds as required by Official Code of Georgia 48-8-121, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The 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 nonmajor fund financial statements and the supplemental budgetary comparison schedules, and the state reporting section with the special purpose local option sales tax report (the supplementary information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other record used to prepare the basic financial statements. Such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual financial statements and schedules, and the state reporting section with special purpose local option sales tax report are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2020 on our consideration of the City of Cornelia, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cornelia, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The City of Cornelia's internal control over financial reporting.

*Duncan & Kitchens, LLC*

Duncan & Kitchens, LLC  
Certified Public Accountants  
Clarksville, Georgia  
June 18, 2020



## BASIC FINANCIAL STATEMENTS

CITY OF CORNELIA, GEORGIA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019

EXHIBIT 1

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
<b>ASSETS AND DEFERRED</b>				
<b>OUTFLOWS OF RESOURCES</b>				
Current Assets				
Cash	\$ 10,423,020	\$ 9,093,692	\$ 19,516,712	\$ 14,598
Taxes Receivable	1,793,361	-	1,793,361	-
Accounts Receivable	43,498	880,511	924,009	-
Grants Receivable		160,531	160,531	
Due From Component Units		32,900	32,900	
Intergovernmental Receivable	-		-	-
Total Current Assets	<u>12,259,879</u>	<u>10,167,634</u>	<u>22,427,513</u>	<u>14,598</u>
Noncurrent Assets				
Non-Depreciable	4,972,161	779,593	5,751,754	-
Construction In Progress		20,319,940	20,319,940	
Depreciable Assets, Net	<u>6,153,051</u>	<u>35,146,665</u>	<u>41,299,716</u>	-
Total Noncurrent Assets	<u>11,125,212</u>	<u>56,246,198</u>	<u>67,371,410</u>	-
TOTAL ASSETS	<u>23,385,091</u>	<u>66,413,832</u>	<u>89,798,923</u>	<u>14,598</u>
Deferred Outflows of Resources	<u>250,420</u>	<u>176,432</u>	<u>426,852</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 23,635,511</u>	<u>\$ 66,590,264</u>	<u>\$ 90,225,775</u>	<u>\$ 14,598</u>
<b>LIABILITIES AND DEFERRED</b>				
<b>INFLOWS OF RESOURCES</b>				
Current Liabilities				
Accounts Payable	\$ 146,227	\$ 569,834	\$ 716,061	\$ -
Accrued Payroll	48,459	39,843	88,302	-
Payroll Taxes Withheld	19,621		19,621	
Lease Payable - Current Portion Due to Primary Government	150,350	-	150,350	32,900
Current Portion of Long-Term Debt	-	655,870	655,870	-
Total Current Liabilities	<u>364,657</u>	<u>1,265,547</u>	<u>1,630,204</u>	<u>32,900</u>
Noncurrent Liabilities				
Water Deposits		15,715	15,715	
Lease Payable	150,324	-	150,324	
Bonds Payable	11,525,430		11,525,430	
Long-Term Notes Payable	-	22,003,495	22,003,495	-
Net Pension Obligation	<u>990,554</u>	<u>697,876</u>	<u>1,688,430</u>	
Total Noncurrent Liabilities	<u>12,666,308</u>	<u>22,717,086</u>	<u>35,383,394</u>	-
TOTAL LIABILITIES	<u>13,030,965</u>	<u>23,982,633</u>	<u>37,013,598</u>	<u>32,900</u>
Deferred Inflows of Resources	<u>54,359</u>	<u>38,299</u>	<u>92,658</u>	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>13,085,324</u>	<u>24,020,932</u>	<u>37,106,256</u>	<u>32,900</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	(700,892)	33,586,833	32,885,941	-
Restricted for:				
Capital Projects	7,887,496		7,887,496	
Tourism	46,913		46,913	
Unrestricted Assets	<u>3,316,670</u>	<u>8,982,499</u>	<u>12,299,169</u>	<u>(18,302)</u>
TOTAL NET POSITION	<u>\$ 10,550,187</u>	<u>\$ 42,569,332</u>	<u>\$ 53,119,519</u>	<u>\$ (18,302)</u>

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The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

EXHIBIT 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>					
Governmental Activities					
General Government	\$ 488,776	\$ 176,716	\$ 23,349	\$ 114,025	\$ (174,686)
City Manager	299,743				(299,743)
Human Resources	123,507				(123,507)
Police	1,779,522	251,740		97,601	(1,430,181)
Fire	1,142,155	59,133		92,097	(990,925)
Streets & Sanitation	537,820	361,515		500,953	324,648
Public Buildings				156,249	156,249
Recreation Department	64,978	29,632			(35,346)
Planning Department	107,937	83,265			(24,672)
Interest on long-term debt	229,752				(229,752)
Total Governmental Activities	<u>4,774,190</u>	<u>962,001</u>	<u>23,349</u>	<u>960,925</u>	<u>(2,827,915)</u>
Business-type Activities					
Water and Sewer Fund	6,273,461	8,073,334		2,058,062	3,857,935
Stormwater Fund		272,904			272,904
Water and Sewer Authority	280,508	756,443			475,935
Total Business-type Activities	<u>6,553,969</u>	<u>9,102,681</u>		<u>2,058,062</u>	<u>4,606,774</u>
Total Primary Government	<u>11,328,159</u>	<u>10,064,682</u>		<u>3,018,987</u>	<u>1,755,510</u>
<b>Component Unit</b>					
Downtown Development Authority					
	<u>5,372</u>			<u>188,691</u>	<u>183,319</u>
<b>Primary Government</b>					
		<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Change in Net Position</b>					
Net (expense) revenue		<u>\$ (2,827,915)</u>	<u>\$ 4,606,774</u>	<u>\$ 1,778,859</u>	<u>\$ 183,319</u>
<b>General Revenues:</b>					
Taxes:					
Property		1,895,107		1,895,107	
Franchise		497,720		497,720	
Motel Tax		295,255		295,255	
Beer and Wine		191,596		191,596	
Insurance Premium		320,071		320,071	
Unrestricted Investment Earnings		145,832	117,917	263,749	
Gain (Loss) on Sale of Assets		4,310		4,310	
Miscellaneous		38,330		38,330	
Donations					14,621
Capital Grants to Component Unit			(188,691)	(188,691)	
Transfers		800,000	(800,000)		
Total General Revenues and Transfers		<u>4,188,221</u>	<u>(870,774)</u>	<u>3,317,447</u>	<u>14,621</u>
Change in net position		1,360,306	3,736,000	5,096,306	197,940
Net Position - Beginning of Year		9,189,881	38,833,332	48,023,213	(216,242)
Net Position - End of Year as		<u>\$ 10,550,187</u>	<u>\$ 42,569,332</u>	<u>\$ 53,119,519</u>	<u>\$ (18,302)</u>

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

EXHIBIT 3

	GENERAL FUND	MUNICIPAL COMPLEX CAPITAL PROJECTS	SPLOST VI CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash	\$ 2,644,956	\$ 7,014,288	\$ 711,439	\$ 52,337	\$ 10,423,020
Taxes Receivable	1,637,017		156,345		1,793,362
Accounts Receivable	43,498				43,498
<b>TOTAL ASSETS</b>	<u>\$ 4,325,471</u>	<u>\$ 7,014,288</u>	<u>\$ 867,784</u>	<u>\$ 52,337</u>	<u>\$ 12,259,880</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 146,227	\$	\$	\$	\$ 146,227
Accrued Payroll	48,459				48,459
Payroll Taxes Withheld and Accrued	19,621				19,621
<b>TOTAL LIABILITIES</b>	<u>214,307</u>				<u>214,307</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue -property taxes	235,117				235,117
<b>FUND BALANCE</b>					
Restricted for:					
Capital Outlay Projects		7,014,288	867,784	5,424	7,887,496
Tourism and Promotion				46,913	46,913
Unassigned	3,876,047				3,876,047
<b>TOTAL FUND BALANCE</b>	<u>3,876,047</u>	<u>7,014,288</u>	<u>867,784</u>	<u>52,337</u>	<u>11,810,456</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 4,325,471</u>	<u>\$ 7,014,288</u>	<u>\$ 867,784</u>	<u>\$ 52,337</u>	<u>\$ 12,259,880</u>

The accompanying notes are an integral part of this statement.



CITY OF CORNELIA, GEORGIA  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2019

EXHIBIT 3A

Adjustments to the Statement of Net Position

Fund Balance	\$ 11,810,456
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	11,125,212
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds	
Property Taxes	235,116
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	(990,554)
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	250,420
Deferred Inflows - Pensions	(54,359)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Net Position of Governmental Activities (Exhibit "1")	<u>(11,826,104)</u>
	<u>\$ 10,550,187</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, 2019

EXHIBIT 4

	GENERAL FUND	MUNICIPAL COMPLEX CAPITAL PROJECTS	SPLOST VI CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes					
Property	\$ 1,876,617	\$	\$	\$	\$ 1,876,617
Franchise	497,720				497,720
Motel				295,255	295,255
Beer and Wine	191,596				191,596
Insurance Premium	320,071				320,071
License and Permits	176,716				176,716
Charges for Services	598,588				598,588
Fines and Forfeitures	186,696				186,696
Interest Income	2,101	143,188	5,504	543	151,336
Intergovernmental			866,253		866,253
Grants	112,518				112,518
Miscellaneous	38,330				38,330
<b>TOTAL REVENUE</b>	<u>4,000,953</u>	<u>143,188</u>	<u>871,757</u>	<u>295,798</u>	<u>5,311,696</u>
<b>EXPENDITURES</b>					
Current:					
General Government	125,463			228,731	354,194
City Manager	296,880				296,880
Human Resources	122,077				122,077
Police Department	1,618,480		97,540		1,716,020
Fire Department	1,023,045	42,171	30,965		1,096,181
Streets and Sanitation	570,803		225,471		796,274
Public Buildings and Library		4,612,157			4,612,157
Recreation Department	62,117				62,117
Planning Department	95,065				95,065
Debt Service					
Principal Retirement	117,946		399,895		517,841
Interest and Fiscal Charges	229,752				229,752
<b>TOTAL EXPENDITURES</b>	<u>4,261,628</u>	<u>4,654,328</u>	<u>753,871</u>	<u>228,731</u>	<u>9,898,558</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(260,675)</u>	<u>(4,511,140)</u>	<u>117,886</u>	<u>67,067</u>	<u>(4,586,862)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt Proceeds	99,797				99,797
Sale of Assets	4,310	11,525,428			11,625,225
Interfund Transfers	896,791			(96,791)	800,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,000,898</u>	<u>11,525,428</u>		<u>(96,791)</u>	<u>12,429,535</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<u>740,223</u>	<u>7,014,288</u>	<u>117,886</u>	<u>(29,724)</u>	<u>7,842,673</u>
<b>FUND BALANCE</b>	3,135,824		749,898	82,061	3,967,783
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 3,876,047</u>	<u>\$ 7,014,288</u>	<u>\$ 867,784</u>	<u>\$ 52,337</u>	<u>\$ 11,810,456</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, 2019

Adjustments to the Statement of Activities	
Net Change in Fund Balance	\$ 7,842,673
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (5,137,001) exceeded depreciation (467,540)	4,669,461
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	18,490
The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt repayments (\$378,773) exceed proceeds of (\$151,950).	(11,107,384)
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>(62,934)</u>
Change in net position of governmental activities (Exhibit 2)	<u>\$ 1,360,306</u>

The accompanying notes are an integral part of this statement.

**CITY OF CORNELIA, GEORGIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2019**

**EXHIBIT 5**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>WATER AND SEWER FUND</b>	<b>STORMWATER FUND</b>	<b>CORNELIA WATER AND SEWER AUTHORITY</b>	<b>TOTAL</b>
<b>CURRENT ASSETS</b>				
Cash	\$ 8,530,598	\$ 516,789	\$ 46,305	\$ 9,093,692
Accounts Receivable	867,902	12,609		880,511
Grants Receivable	160,531			160,531
Due from Component Unit	32,900			32,900
<b>Total Current Assets</b>	<b>9,591,931</b>	<b>529,398</b>	<b>46,305</b>	<b>10,167,634</b>
<b>NON-CURRENT ASSETS</b>				
<b>Capital Assets</b>				
Assets not being depreciated	779,593.00			779,593
Construction In Progress	20,319,940.00			20,319,940
Asset being depreciated	43,449,240		11,103,212	54,552,452
Accumulated Depreciation	(17,238,449)		(2,167,338)	(19,405,787)
<b>Total Non-Current Assets</b>	<b>47,310,324</b>		<b>8,935,874</b>	<b>56,246,198</b>
<b>Total Assets</b>	<b>56,902,255</b>	<b>529,398</b>	<b>8,982,179</b>	<b>66,413,832</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>176,432</b>			<b>176,432</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 57,078,687</b>	<b>\$ 529,398</b>	<b>\$ 8,982,179</b>	<b>\$ 66,590,264</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 569,834	\$	\$	\$ 569,834
Accrued Payroll	39,843			39,843
Current Portion of Notes Payable			655,870	655,870
<b>Total Current Liabilities</b>	<b>609,677</b>		<b>655,870</b>	<b>1,265,547</b>
<b>NON-CURRENT LIABILITIES</b>				
Water Deposits	15,715			15,715
Long-term Notes Payable	20,593,405		1,410,090	22,003,495
Net Pension Liability	697,876			697,876
<b>Total Non-current Liabilities</b>	<b>21,306,996</b>		<b>1,410,090</b>	<b>22,717,086</b>
<b>Total Liabilities</b>	<b>21,916,673</b>		<b>2,065,960</b>	<b>23,982,633</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>38,299</b>			<b>38,299</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>21,954,972</b>		<b>2,065,960</b>	<b>24,020,932</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	26,716,919		6,869,914	33,586,833
Unrestricted	8,406,796	529,398	46,305	8,982,499
<b>Net Position</b>	<b>\$ 35,123,715</b>	<b>\$ 529,398</b>	<b>\$ 6,916,219</b>	<b>\$ 42,569,332</b>

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA EXHIBIT 6  
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	WATER AND SEWER FUND	STORMWATER FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
<b>OPERATING REVENUES</b>				
Water Sales	\$ 4,064,819	\$	\$	\$ 4,064,819
Sewer Fees	3,883,831			3,883,831
Fines and Surcharges	43,276	272,904		316,180
Water and Sewer Taps	59,229			59,229
Rent			756,443	756,443
Miscellaneous Receipts	22,179			22,179
<b>TOTAL OPERATING REVENUES</b>	<b>8,073,334</b>	<b>272,904</b>	<b>756,443</b>	<b>9,102,681</b>
 <b>OPERATING EXPENSES - By Department</b>				
Administration	375,125			375,125
Water Plant	1,027,514			1,027,514
Disposal Plant	1,961,026			1,961,026
Water & Sewer System - Crew	832,578			832,578
Maintenance and Mechanical	1,192,111			1,192,111
Depreciation	878,948		222,064	1,101,012
<b>TOTAL OPERATING EXPENSES</b>	<b>6,267,302</b>		<b>222,064</b>	<b>6,489,366</b>
 <b>OPERATING INCOME</b>	<b>1,806,032</b>	<b>272,904</b>	<b>534,379</b>	<b>2,613,315</b>
 <b>NON-OPERATING REVENUES (EXPENSE)</b>				
Interest Income	113,693	4,224		117,917
Interest Expense	(6,159)		(58,444)	(64,603)
<b>TOTAL NON-OPERATING INCOME (EXPENSE)</b>	<b>107,534</b>	<b>4,224</b>	<b>(58,444)</b>	<b>53,314</b>
 <b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>1,913,566</b>	<b>277,128</b>	<b>475,935</b>	<b>2,666,629</b>
Transfers In (Out)	(1,178,199)	(157,525)	535,724	(800,000)
Capital Grant to Component Unit	(188,691)			(188,691)
Capital Grants	1,656,062			1,656,062
Capital Contributions	402,000			402,000
 <b>CHANGE IN NET POSITION</b>	<b>2,604,738</b>	<b>119,603</b>	<b>1,011,659</b>	<b>3,736,000</b>
 <b>NET POSITION - BEGINNING OF</b>	<b>32,518,977</b>	<b>409,795</b>	<b>5,904,560</b>	<b>38,833,332</b>
 <b>NET POSITION - END OF YEAR</b>	<b>\$ 35,123,715</b>	<b>\$ 529,398</b>	<b>\$ 6,916,219</b>	<b>\$ 42,569,332</b>

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, 2019**

EXHIBIT 7

	<b>WATER AND SEWER FUND</b>	<b>STORMWATER FUND</b>	<b>CORNELIA WATER AND SEWER AUTHORITY</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 8,073,334	\$ 292,245	\$ 756,443	\$ 9,122,022
Payments to Suppliers	(3,796,280)			(3,796,280)
Payments to Employees	(1,364,829)			(1,364,829)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,912,225</u>	<u>292,245</u>	<u>756,443</u>	<u>3,960,913</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer(To) From other funds	(1,178,199)	(157,525)	535,724	(800,000)
<b>NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,178,199)</u>	<u>(157,525)</u>	<u>535,724</u>	<u>(800,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Grants	1,656,062			1,656,062
Capital Grant to Component Unit	(188,691)			(188,691)
Proceeds from Fieldale Farms, Inc.	402,000			402,000
Note Proceeds	7,988,458			7,988,458
Principal Paid on Notes	(58,655)		(1,233,722)	(1,292,377)
Interest Paid	(6,159)		(58,444)	(64,603)
Acquisition Of Capital Assets	(12,387,753)			(12,387,753)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(2,594,738)</u>		<u>(1,292,166)</u>	<u>(3,886,904)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Earned	113,693	4,224		117,917
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>113,693</u>	<u>4,224</u>		<u>117,917</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(747,019)</u>	<u>138,944</u>	<u>1</u>	<u>(608,074)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>9,277,617</u>	<u>377,845</u>	<u>46,304</u>	<u>9,701,766</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 8,530,598</u>	<u>\$ 516,789</u>	<u>\$ 46,305</u>	<u>\$ 9,093,692</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 1,806,032	\$ 272,904	\$ 534,379	\$ 2,613,315
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities				
Depreciation	\$ 878,948		\$ 222,064	\$ 1,101,012
(Increase) Decrease in Accounts Receivable	(108,043)	19,341		(88,702)
(Increase) Decrease in Grants Receivable	(160,531)			
(Increase) Decrease in Deferred Outflows	(14,569)			(14,569)
Increase (Decrease) in Customer Deposits	(33,296)			(33,296)
Increase (Decrease) in Due to General Fund	(49,864)			(49,864)
Increase (Decrease) in Accounts Payable	523,232			523,232
Increase (Decrease) in Accrued Payroll	11,407			11,407
Increase (Decrease) in Net Pension Liability	125,503			125,503
Increase (Decrease) in Deferred Inflows	(66,594)			(66,594)
<b>TOTAL ADJUSTMENTS</b>	<u>1,106,193</u>	<u>19,341</u>	<u>222,064</u>	<u>1,347,598</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 2,912,225</u>	<u>\$ 292,245</u>	<u>\$ 756,443</u>	<u>\$ 3,960,913</u>

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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.

The *Urban Redevelopment Agency of the City of Cornelia* (the "URA") is a blended presented component unit of the City. The three members of the Board of Directors of the URA are appointed by the City Commission. The City has the ability to impose its will on the URA as the City Commission can remove appointed members of the Board of Directors at will and has the ability to hire and dismiss the personnel responsible for the daily operations of the URA. The Urban Redevelopment Agency of the City of Cornelia provides a means to issue revenue bonds with the City. Although it is legally separate from the City, the URA is reported as if it were part of the primary government because all of the URA's debt is expected to be repaid by the City. The URA's financial information is maintained by the City's Finance Department. However separate financial statements are not prepared.

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.

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 – (Continued)

*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.

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*.



CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 – (Continued)

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.

**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.

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 – (Continued)

**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

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.

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 – (Continued)

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

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

**D. Assets, Liabilities and Equity**

*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

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 – (Continued)

historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

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

Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. No interest was capitalized during 2018

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

**5. *Compensated Absences***

The City's policy does not allow the accumulation of vacation pay beyond a six-month period subsequent to year-end. Vacation taken subsequent to year-end requires approval of the department head and the Mayor and is lost if not taken by the end of the six-month period. The amount of 2018 vacation time taken in 2018 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.

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 – (Continued)

- *Assigned*- Fund balances are reported as assigned when the amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Commissioners has authorized the City's finance director to assign fund balances.
- *Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

*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, 2019

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 31<sup>st</sup> 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, 2019

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. On December 31, 2019 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 on December 31, 2019 consisted of the following:

<b>Major Funds</b>	
<b>General Fund</b>	
Taxes	\$ 1,793,362
Service Fees	43,498
<b>Enterprise Funds</b>	
Water and Sewer	880,511
	<hr/>
<b>Total Primary Government</b>	<b>\$ 2,717,371</b>
	<hr/> <hr/>





CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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, 2019 was as follows:

**Governmental -Type Activities:**

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 360,005	\$ -	\$ -	\$ 360,005
Consturction in Progress	-	4,612,156	-	4,612,156
	<u>360,005</u>	<u>4,612,156</u>	<u>-</u>	<u>4,972,161</u>
<b>Depreciable Assets</b>				
Building	4,058,881	-	-	4,058,881
Furniture & Equipment	368,489	-	-	368,489
Fire Equipment	1,769,978	73,137	-	1,843,115
Police Equipment	1,454,428	97,540	-	1,551,968
Sanitation and Streets	1,114,638	-	-	1,114,638
Streets	3,004,953	354,168	-	3,359,121
Total Depreciable Assets	<u>11,771,367</u>	<u>524,845</u>	<u>-</u>	<u>12,296,212</u>
<b>Less: Accumulated Depreciation</b>				
Building	1,786,777	102,592	-	1,889,369
Furniture & Equipment	240,678	18,097	-	258,775
Fire Equipment	1,234,434	122,167	-	1,356,601
Police Equipment	1,248,747	136,740	-	1,385,487
Sanitation and Streets	973,554	66,937	-	1,040,491
Streetscape Project	191,431	21,007	-	212,438
Total Accumulated Depreciation	<u>5,675,621</u>	<u>467,540</u>	<u>-</u>	<u>6,143,161</u>
Net Depreciable Assets	<u>6,095,746</u>	<u>57,305</u>	<u>-</u>	<u>6,153,051</u>
Governmental activities assets, net	<u>\$ 6,455,751</u>	<u>\$ 4,669,461</u>	<u>\$ -</u>	<u>\$ 11,125,212</u>

Depreciation was charged to governmental functions as follows:

General Government Administration	\$ 134,582
Police	136,727
Fire	103,378
Streets and Sanitation	<u>98,253</u>
Total	<u>\$ 467,540</u>

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 6 – (Continued)

**Enterprise Activities**

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
<b>Capital Assets Not Being</b>				
<b>Depreciated</b>				
Land	\$ 779,593	\$ -	\$ -	\$ 779,593
Construction in Progress	12,269,994	8,049,946		20,319,940
	<u>13,049,587</u>	<u>8,049,946</u>		<u>21,099,533</u>
<b>Depreciable Assets</b>				
Building	756,907	94,656		851,563
Equipment	2,960,589	570,374		3,530,963
Water Plant	11,269,718	-		11,269,718
Sewer Plant	14,525,169	-		14,525,169
Water and Sewer System	20,702,261	3,672,777		24,375,038
Total Depreciable Assets	<u>50,214,644</u>	<u>4,337,807</u>	<u>-</u>	<u>54,552,451</u>
<b>Less: Accumulated Depreciation</b>				
Building	105,826	10,801		116,627
Equipment	1,779,674	110,310		1,889,984
Water Plant	3,338,524	143,133		3,481,657
Sewer Plant	6,747,631	429,394		7,177,025
Water and Sewer System	6,333,119	407,374		6,740,493
Total Accumulated Depreciation	<u>18,304,774</u>	<u>1,101,012</u>		<u>19,405,786</u>
Net Depreciable Assets	<u>31,909,870</u>	<u>3,236,795</u>	<u>-</u>	<u>35,146,665</u>
Enterprise activities assets, net	<u>\$ 44,959,457</u>	<u>\$ 11,286,741</u>	<u>\$ -</u>	<u>\$ 56,246,198</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, 2019

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	17,268,373	75,651,984
Accumulated Depreciation	<u>(6,143,161)</u>	<u>(19,405,786)</u>
Book Value	11,125,212	56,246,198
Capital Related Debt	<u>(11,826,104)</u>	<u>(22,659,365)</u>
Total	<u>\$ (700,892) \$</u>	<u>\$ 33,586,833</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, 2019:

Primary Government

	<u>Balance 12/31/2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/2019</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
2019 Bonds Payable	\$	\$ 11,325,000	\$	\$ 11,325,000	\$
2019 Premium on Bonds Obligations Under		200,430		200,430	
Capital Lease	718,718	99,797	517,841	300,674	150,350
Net Pension Liability	<u>812,401</u>	<u>178,153</u>	<u>-</u>	<u>990,554</u>	<u>-</u>
<b>Total Debt</b>	<u>\$ 1,531,119</u>	<u>\$ 11,803,380</u>	<u>\$ 517,841</u>	<u>\$ 12,816,658</u>	<u>\$ 150,350</u>
<b>Enterprise Activities</b>					
Notes Payable	\$ 15,953,349	\$ 7,988,458	\$ 1,282,442	\$ 22,659,365	\$ 655,870
Obligations Under		-			
Capital Lease	9,935	-	9,935	-	-
Net Pension Liability	<u>572,373</u>	<u>125,503</u>	<u>-</u>	<u>697,876</u>	<u>-</u>
<b>Total Debt</b>	<u>\$ 16,535,657</u>	<u>\$ 8,113,961</u>	<u>\$ 1,292,377</u>	<u>\$ 23,357,241</u>	<u>\$ 655,870</u>

The amount of interest expense for the year in the General Fund was \$ 229,752. The amount of interest expense for the year in the Enterprise activities was \$84,124

For governmental funds, the net pension liability and claims and judgements are liquidated by the General Fund. For business-type activities, the net pension liability is liquidated by the Water Fund.

CITY OF CORNELIA, GEORGIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

NOTE 7 – (Continued)

**Governmental Activities**

Revenue Bonds

The City, by resolution adopted on January 8, 2019, approved the Urban Renewal Development Plan and the urban development project. The Revenue Bonds (City of Cornelia Project), Series 2019, in the amount of \$11,325,000 were issued in April of 2019 by the Urban Renewal Redevelopment Agency of the City of Cornelia (the “URA”). The purpose of the bond issue was to finance the costs of acquiring, constructing, and installing a new municipal complex, including city hall, a municipal courtroom, the police department, and a fire station to be sold by the Issuer to the City of Cornelia pursuant to an agreement of sale. The bonds are special limited obligations of the URA, payable solely from and secured by pledged revenues under the contract by which the City is required to make installment payments to the URA in amounts sufficient to pay the principal and interest on the bonds. Interest rates range from 3.0% to 5.0% and payments are due semi-annually on April 1 and October 1, beginning October 2019.

The City’s total debt service to maturity on these bond are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 475,787.50	\$ 475,787.50
2021	170,000.00	475,787.50	645,787.50
2022	175,000.00	470,687.50	645,687.50
2023	180,000.00	465,437.50	645,437.50
2024	190,000.00	458,237.50	648,237.50
2025-2029	1,065,000.00	2,171,387.50	3,236,387.50
2030-2034	1,270,000.00	1,965,912.50	3,235,912.50
2035-2039	1,500,000.00	1,743,187.50	3,243,187.50
2040-2044	1,785,000.00	1,453,375.00	3,238,375.00
2045-2049	2,195,000.00	1,039,250.00	3,234,250.00
2050-2054	2,795,000.00	433,000.00	3,228,000.00
Total	\$ <u>11,325,000.00</u>	\$ <u>11,152,050.00</u>	\$ <u>22,477,050.00</u>

Business-Type Activities

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.

CITY OF CORNELIA, GEORGIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

NOTE 7 – (Continued)

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>
2020	\$ 118,566.70	\$ 26,447.66	\$ 145,014.36
2021	121,978.16	23,036.20	145,014.36
2022	125,487.80	19,526.56	145,014.36
2023	129,098.39	15,915.93	145,014.32
2024	132,812.91	12,201.45	145,014.36
2025-2027	357,376.29	13,563.58	370,939.87
Total	<u>\$ 985,320.25</u>	<u>\$ 110,691.38</u>	<u>\$ 1,096,011.63</u>

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

Amortization of this loan is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 537,303.14	\$ 23,478.58	\$ 560,781.72
2021	543,336.18	9,104.08	552,440.26
	<u>\$ 1,080,639.32</u>	<u>\$ 32,582.66</u>	<u>\$ 1,113,221.98</u>

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 7 – (Continued)

Notes Payable – Georgia Environmental Facilities Authority (GEFA)

The City entered into agreements with the Georgia Environmental Facilities Authority (GEFA) for Water and Sewer system improvements which are in progress on December 31, 2019. The city has drawn \$20,593,405 as of December 31, 2019. Monthly installments of principal and interest are due beginning the on the first day of the calendar month following the date the loans are fully disbursed (the Amortization Commencement Date). These loans were not in repayment status as of December 31, 2019.

NOTE 8 – LEASES

**Capital Leases**

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

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

	Governmental Activities	Proprietary Fund
Equipment	\$ 1,623,001	\$137,502
Less: Accumulated Depreciation	<u>(197,635)</u>	<u>(37,705)</u>
Net Value	\$ <u>1,425,366</u>	\$ <u>99,797</u>

Amortization of leased equipment under capital leases is included with depreciation expense.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019 were as follows:

<u>Year ending December 31</u>	Governmental Activities	Proprietary Funds
2019	\$ 156,095.48	\$ -
2020	54,788.18	-
2021	54,788.18	
2022	29,754.57	
2023	<u>21,412.70</u>	
	316,839.11	-
Less Interest	<u>(16,165.04)</u>	-
	\$ <u><u>300,674.07</u></u>	\$ <u><u>-</u></u>

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 8 – (Continued)

Georgia Municipal Association/BB&T Governmental Finance

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

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments on December 31, 2019:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 99,234.45	\$ 2,072.85	\$ 101,307.30
Total	\$ 99,234.45	\$ 2,072.85	\$ 101,307.30

Georgia Municipal Association/Magnolia Leasing

On January 19, 2014, the City entered into a Capital Lease with the Georgia Municipal Association/Magnolia Leasing for the acquisition of Self Contained Breathing Apparatus for the Fire Department. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The original amount of the lease was \$ 151,950,000. The lease calls for sixty (60) monthly payments of \$2,781.29 beginning May 10, 2018. This lease has interest rate of 3.75% per annum. The asset is recorded in the General Fund.

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 on December 31, 2019:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 29,971.02	\$ 3,404.46	\$ 33,375.48
2021	31,114.49	2,260.99	33,375.48
2022	32,301.61	1,073.87	33,375.48
2023	8,255.50	86.37	8,341.87
Total	\$ 101,642.62	\$ 6,825.69	\$ 108,468.31

CITY OF CORNELIA, GEORGIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

NOTE 8 – (Continued)

Georgia Municipal Association/BB&T Governmental Finance

On November 21, 2019, the City entered into a Lease Purchase Agreement with the Georgia Municipal Association/Magnolia Governmental Finance for the acquisition of one 2020 Hino Sanitation Truck, with equipment. 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 \$ 99,797. The lease calls for three annual payments of \$33,375.48 and one final payment of \$8,254.50 beginning April 20, 2020. This lease has interest rate of 3.44% 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 as of December 31, 2019:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 21,145.71	\$ 266.99	\$ 21,412.70
2021	18,664.03	2,748.67	21,412.70
2022	19,316.29	2,096.41	21,412.70
2023	19,991.35	1,421.35	21,412.70
2024	20,679.62	733.08	21,412.70
Total	<u>\$ 99,797.00</u>	<u>\$ 7,266.50</u>	<u>\$ 107,063.50</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, 2018.

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

The City's plan, City of Cornelia Retirement Plan, provides retirement and death and disability benefits for all employees effective from the date of hire.

Vested employees who have reached the age of 65 and have completed five years of credited service are eligible to receive a monthly benefit, payable for life. The benefit is equal to 1.0% of the employees' average salary up to a floating break point and 1.75% of the employee's average salary above the floating break point for the five highest



CITY OF CORNELIA, GEORGIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

NOTE 9 – (Continued)

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	42
Number of vested former participants	18
Number of active vested employees	<u>73</u>
Total number of participants	133

**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 10.45% of annual covered payroll. The prior year contribution rate was 10.61%. The new rate is and decrease of 0.16% 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, 2019, the City reported a net pension liability of \$1,688,410. The net pension liability was measured on March 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2019. For the fiscal year ended December 31, 2018 , the City recognized a pension expense in the amount of \$275,320.

On December 31, 2019, 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	\$ 195,302	\$ (89,204.00)
Changes in assumptions	56,400	(3,454)
City contributions made subsequent to the measurement period	168,229	
Net difference between projected and actual earnings on pension plan investments	6,921	-
Total	<u>\$ 426,852</u>	<u>\$ (92,658)</u>

CITY OF CORNELIA, GEORGIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

NOTE 9 – (Continued)

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

Year Ending 31-Dec	<u>Net Amount</u>
2020	\$ 115,040.00
2021	(2,924.00)
2022	60,276.00
2023	175,634.00
2024	<u>(13,832.00)</u>
Total	<u>\$ 334,194.00</u>

**Actuarial Assumptions**

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions as applied to all periods included in the measurement:

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

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

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

CITY OF CORNELIA, GEORGIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

NOTE 9 – (Continued)

The mortality assumptions used in the July 1, 2019 actuarial report were based on a five-year review of mortality experience for the period January 1, 2010 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net 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, 2019 are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	45%	6.40%
International Equity	20%	7.40%
Real Estate	10%	5.10%
Global Fixed Income	5%	3.03%
Domestic Fixed Income	20%	1.75%
Cash	0%	
Total	<u>100%</u>	

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from employer will be made at the contractually required rates, actuarially determined. Based on these assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the net pension liability.

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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, 2017	\$ <u>6,147,642</u>	\$ <u>4,762,868</u>	\$ <u>1,384,774</u>
Changes for the year:			
Service Cost	116,244	-	116,244
Interest	455,367	-	455,367
Difference between actual and expected experience	(41,497)	-	(41,497)
Employer contributions	-	275,320	(275,320)
Employee contributions	-	-	-
Net investment income	-	169,435	(169,435)
Benefit payments	(384,660)	(384,660)	-
Administrative expense	-	(16,848)	16,848
Other	201,429	-	201,429
Net Changes	<u>346,883</u>	<u>43,247</u>	<u>303,636</u>
Balances at March 31, 2018	\$ <u>6,494,525</u>	\$ <u>4,806,115</u>	\$ <u>1,688,410</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 7.50%. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.50%	2,496,292
Current discount rate	7.50%	1,688,410
1% increase	8.50%	1,015,684

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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 2019 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 on December 31, 2019. No provisions have been made in the financial statements for the year ended December 31, 2019 for any estimate of unpaid claims.

CITY OF CORNELIA, GEORGIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

NOTE 12-- (Continued)

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

NOTE 13-- GEORGIA MOUNTAIN REGIONAL COMMISSION

The City of Cornelia , in conjunction with cities and counties in the Northeast Georgia area, is a member of the Georgia Mountains Commission. Membership in a Regional Commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the Commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the Commission During its year ended December 31, 2018, the City paid \$4,670 in such dues. The Commission Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County Board members and municipal Board members from the same county elect one member of the Board who is a resident ( but not an elected or appointed official or employee of the county or municipality) to serve as the non-public Board member from a County. Separate financial statements can be obtained from:

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

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

NOTE 14 – HOTEL MOTEL TAX

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

	Amount	Percent
Collections	\$ <u>295,255</u>	100%
Habersham Chamber of Commerce	65,598	
Cornelia Hospitality and Tourism Board	<u>62,616</u>	
	<u>128,214</u>	43%

REQUIRED SUPPLEMENTARY INFORMATION  
(unaudited)

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





**CITY OF CORNELIA, GEORGIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>ORIGINAL BUDGET</u>	<u>BUDGET AS AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE FROM AMENDED</u>
<b>REVENUES</b>				
Taxes				
Property	\$ 1,728,910	\$ 1,738,410	\$ 1,876,617	\$ 138,207
Franchise	510,000	500,000	497,720	(2,280)
Beer and Wine	191,500	191,500	191,596	96
Insurance Premium	270,000	270,000	320,071	50,071
License and Permits	179,000	179,000	176,716	(2,284)
Charges for Services	621,945	621,945	598,588	(23,357)
Fines and Forfeitures	226,000	226,500	186,696	(39,804)
Interest Income	200	200	2,101	1,901
Intergovernmental	290,000	290,000	-	(290,000)
Grants	100,492	100,492	112,518	12,026
Miscellaneous	2,000	2,000	38,330	36,330
<b>TOTAL REVENUE</b>	<u>4,120,047</u>	<u>4,120,047</u>	<u>4,000,953</u>	<u>(119,094)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	871,600	441,600	125,463	316,137
City Manager	301,783	301,783	296,880	4,903
Human Resources	136,105	136,105	122,077	14,028
Police Department	1,749,984	1,749,984	1,618,480	131,504
Fire Department	985,119	1,035,119	1,023,045	12,074
Streets and Sanitation	702,190	702,190	570,803	131,387
Recreation Department	90,200	90,200	62,117	28,083
Planning Department	103,566	103,566	95,065	8,501
Debt Service				
Principal Retirement	0	150,000	117,946	32,054
Interest and Fiscal Charges	0	230,000	229,752	248
<b>TOTAL EXPENDITURES</b>	<u>4,940,547</u>	<u>4,940,547</u>	<u>4,261,628</u>	<u>678,919</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(820,500)</u>	<u>(820,500)</u>	<u>(260,675)</u>	<u>559,825</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Prior Year Fund Balance	20,500	20,500		(20,500)
Debt Proceeds			99,797	99,797
Sale of Equipment			4,310	4,310
Interfund Transfers	800,000	800,000	896,791	96,791
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>820,500</u>	<u>820,500</u>	<u>1,000,898</u>	<u>180,398</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 740,223</u>	<u>\$ 740,223</u>

**CITY OF CORNELIA**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**LAST TEN FISCAL YEARS**  
**DECEMBER 31, 2019**  
**(Unaudited)**

	<b>FISCAL YEAR END</b>	
	<b>2019</b>	<b>2018</b>
Total Pension Liability as of the beginning of year (1)	\$ 6,147,642	\$ 5,596,110
Service Cost	116,244	123,705
Interest on Total Pension Liability	455,367	420,470
Difference between expected and actual experience	(41,497)	264,136
Change of assumptions	-	-
Changes of benefit terms	201,429	-
Benefits Payments, including refunds of employee contributions	(384,660)	(341,379)
Other	-	84,600
Total Pension Liability as of March 31, 2015 (2)	<u>\$ 6,494,525</u>	<u>\$ 6,147,642</u>
Fiduciary Net Position as of beginning of year (3)	\$ 4,762,868	\$ 4,311,488
Employer Contributions	275,320	276,436
Employee Contributions	-	-
Net Investment Income	169,435	533,956
Benefit Payments	(384,660)	(341,379)
Administrative Expense	(16,848)	(17,633)
Other	-	-
Fiduciary Net Position as of End of Year (4)	<u>\$ 4,806,115</u>	<u>\$ 4,762,868</u>
Net pension liability as of beginning of year (1)-(3)	<u>\$ 1,384,774</u>	<u>\$ 1,284,622</u>
Net Pension liability as of end of year (2) - (4)	<u>\$ 1,688,410</u>	<u>\$ 1,384,774</u>
Fiduciary Net Position as a % of Total Pension Liability (4)/(2)	74.00%	77.47%
Covered-employee payroll	\$ 2,963,878	\$ 2,811,394
Net pension liability as a % of covered-employee payroll	56.97%	49.26%

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

SCHEDULE 1

FISCAL YEAR END			
	2017	2016	2015
\$	5,476,646	5,200,997	4,968,312
	119,441	132,015	135,964
	412,683	391,838	373,883
	(109,247)	41,837	31,586
	-	-	(20,722)
	-	-	-
	(303,413)	(290,041)	(288,026)
	-	-	-
\$	<u>5,598,127</u>	<u>5,476,646</u>	<u>5,200,997</u>
\$	3,856,704	3,843,088	3,521,323
	292,183	303,520	280,513
	-	-	-
	484,930	12,041	340,398
	(303,413)	(290,041)	(288,026)
	(18,916)	(11,904)	(11,120)
	-	-	-
\$	<u>4,311,488</u>	<u>3,856,704</u>	<u>3,843,088</u>
\$	<u>1,619,942</u>	<u>1,357,909</u>	<u>1,446,989</u>
\$	<u>1,286,639</u>	<u>1,619,942</u>	<u>1,357,909</u>
	77.02%	70.42%	73.89%
\$	2,769,374	2,819,555	2,672,333
	46.46%	57.45%	50.81%

**CITY OF CORNELIA**  
**SCHEDULE OF CHANGES IN THE NET POSITION LIABILITY AND RELATED**  
**RATIOS LAST TEN FISCAL YEARS**  
**DECEMBER 31, 2019**  
**(Unaudited)**

	FISCAL YEAR END	
	2019	2018
Actuarially determined contribution	\$ *	\$ 264,717
Contributions in relation to the actuarially determined contribution	*	265,917
Contribution deficiency (excess)	\$ *	\$ (1,200)
Covered - employee payroll	\$ *	\$ 2,811,394
Contributions as a percentage of covered-employee payroll	*	9.46%

\* 2019 information will be determined after fiscal year end and will be included in the 2020 valuation report.

SCHEDULE 2

FISCAL YEAR END		
<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 278,876	\$ 295,186	\$ 280,513
<u>279,976</u>	<u>296,261</u>	<u>281,968</u>
\$ <u>(1,100)</u>	\$ <u>(1,075)</u>	\$ <u>(1,455)</u>
\$ 2,769,374	\$ 2,819,555	\$ 2,672,333
10.11%	10.51%	10.55%

**CITY OF CORNELIA, GEORGIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2019**

**BUDGETARY ACCOUNTING AND CONTROL**

The City Commission annually adopts budgets for the General Fund of the Primary Government. All appropriations are legally controlled at the departmental level for the General Fund. There were no budget amendments made during the year. The budgets are integrated into the accounting compare the expenditures with actual budgets.

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

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

**PENSIONS**

1. Valuation Date

The actuarially determined contribution rate was determined as of July 1, 2019, 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, 2019.

2. Methods and Assumptions Used to Determine Contribution Rates:

- Actuarial cost method = Projected unit credit
- Amortization method = Closed level dollar for remaining unfunded liability
- Remaining amortization period = Remaining amortization period varies for the bases, with a net effective amortization period of 24 years
- Asset valuation method = Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
- Net investment rate of return = 7.50%
- Projected salary increases = 2.75% 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 CORNELIA, GEORGIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2019**

3. Changes in Benefits

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

4. Changes of Assumptions

Amounts reported for the fiscal year ending in 2018 and later reflect the following assumption changes based on the results of an actuarial experience study covering the period of January 1, 2010 to June 30, 2014:

- The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.
- The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.
- The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.
- The inflation adjustment assumption was decreased from 3.25% to 2.75%.
- 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, 2019**

**SCHEDULE 3**

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
	<u>HOTEL/ MOTEL TAX</u>	<u>ADA PLAYGROUND EQUIPMENT</u>	<u>Total Non-major Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 46,913	\$ 5,424	\$ 52,337
<b>TOTAL ASSETS</b>	<u>\$ 46,913</u>	<u>\$ 5,424</u>	<u>\$ 52,337</u>
<b>LIABILITIES</b>	\$ _____	\$ _____	\$ _____
<b>TOTAL LIABILITIES</b>	<u>          -</u>	<u>          -</u>	<u>          -</u>
<b>FUND BALANCES</b>			
Restricted for:			
Tourism and Promotion	46,913		46,913
Capital Outlay Projects		5,424	5,424
<b>TOTAL FUND BALANCES</b>	<u>46,913</u>	<u>5,424</u>	<u>52,337</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 46,913</u>	<u>\$ 5,424</u>	<u>\$ 52,337</u>

CITY OF CORNELIA, GEORGIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE 4

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Non-major</u>
	<u>HOTEL/ MOTEL TAX</u>	<u>ADA PLAYGROUND EQUIPMENT</u>	<u>Governmental Funds</u>
<b>REVENUES</b>			
Hotel/Motel Tax	\$ 295,255	\$	\$ 295,255
Donations		-	-
Interest	542	1	543
	295,797	1	295,798
 <b>EXPENDITURES</b>			
Tourism and Promotion	228,731		228,731
	228,731	-	228,731
 <b>EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES</b>	67,066	1	67,067
 <b>OTHER FINANCING SOURCES(USES)</b>			
Operating Transfers In(Out)	(96,791)	-	(96,791)
	(96,791)	-	(96,791)
 <b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(29,725)	1	(29,724)
 <b>FUND BALANCES BEGINNING OF YEAR -</b>	76,638	5,423	82,061
	76,638	5,423	82,061
 <b>FUND BALANCES END OF YEAR</b>	\$ 46,913	\$ 5,424	\$ 52,337
	\$ 46,913	\$ 5,424	\$ 52,337



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, 2019 AND 2018**

**SCHEDULE 5**

	2019	2018
<b>ASSETS</b>		
Cash	\$ 2,644,956	\$ 1,973,639
Taxes Receivable	1,637,017	1,515,877
Accounts Receivable	43,498	32,955
Due from Other Funds	—	49,864
<b>TOTAL ASSETS</b>	<b>\$ 4,325,471</b>	<b>\$ 3,572,335</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 146,227	\$ 166,027
Accrued Payroll	48,459	33,771
Payroll Taxes Withheld and Accrued	19,621	20,086
<b>TOTAL LIABILITIES</b>	<b>214,307</b>	<b>219,884</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue -property taxes	235,117	216,627
 <b>FUND BALANCE</b>		
Unassigned	3,876,047	3,135,824
<b>TOTAL FUND BALANCE</b>	<b>3,876,047</b>	<b>3,135,824</b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 4,325,471</b>	<b>\$ 3,572,335</b>



## GENERAL FUND

## COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES

## AND CHANGES IN FUND BALANCES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Taxes		
Property	\$ 1,876,617	\$ 1,708,809
Franchise	497,720	464,097
Beer and Wine	191,596	185,768
Insurance Premium	320,071	299,100
License and Permits	176,716	166,334
Charges for Services	598,588	638,229
Fines and Forfeitures	186,696	190,497
Interest Income	2,101	332
Intergovernmental	-	314,518
Grants	112,518	252,446
Miscellaneous	38,330	6,508
<b>TOTAL REVENUE</b>	<u>4,000,953</u>	<u>4,226,638</u>
<b>EXPENDITURES</b>		
Current:		
General Government	125,463	154,399
City Manager	296,880	244,820
Human Resources	122,077	109,271
Police Department	1,618,480	1,532,705
Fire Department	1,023,045	1,052,617
Streets and Sanitation	570,803	893,168
Public Buildings and Library	-	-
Recreation Department	62,117	66,155
Planning Department	95,065	160,274
Maintenance and Mechanical	-	-
Debt Service		
Principal Retirement	117,946	378,773
Interest and Fiscal Charges	229,752	17,554
<b>TOTAL EXPENDITURES</b>	<u>4,261,628</u>	<u>4,609,736</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(260,675)</u>	<u>(383,098)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Sale of Equipment	4,310	121,215
Lease Proceeds	99,797	151,950
Interfund Transfers	896,791	607,667
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,000,898</u>	<u>880,832</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<u>740,223</u>	<u>497,734</u>
<b>FUND BALANCE - Beginning of Year as Previously Reported</b>	3,135,824	<u>2,638,090</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 3,876,047</u>	<u>\$ 3,135,824</u>

## BUDGETARY COMPARISON SCHEDULE

## BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2019

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019			2018
	FINAL BUDGET	ACTUAL	VARIANCE	ACTUAL
<b>REVENUES</b>				
Taxes				
Property	\$ 1,738,410	\$ 1,876,617	\$ 138,207	\$ 1,708,809
Franchise	500,000	497,720	(2,280)	464,097
Beer and Wine	191,500	191,596	96	185,768
Insurance Premium	270,000	320,071	50,071	299,100
License and Permits	179,000	176,716	(2,284)	166,334
Charges for Services	621,945	598,588	(23,357)	638,229
Fines and Forfeitures	226,500	186,696	(39,804)	190,497
Interest Income	200	2,101	1,901	332
Intergovernmental	290,000	-	(290,000)	314,518
Grants	100,492	112,518	12,026	252,446
Miscellaneous	2,000	38,330	36,330	6,508
<b>TOTAL REVENUE</b>	<u>4,120,047</u>	<u>4,000,953</u>	<u>(119,094)</u>	<u>4,226,638</u>
<b>EXPENDITURES</b>				
Current:				
General Government	441,600	125,463	316,137	154,399
City Manager	301,783	296,880	4,903	244,820
Human Resources	136,105	122,077	14,028	109,271
Police Department	1,749,984	1,618,480	131,504	1,532,705
Fire Department	1,035,119	1,023,045	12,074	1,052,617
Streets and Sanitation	702,190	570,803	131,387	893,168
Recreation Department	90,200	62,117	28,083	66,155
Planning Department	103,566	95,065	8,501	160,274
Maintenance and Mechanical			-	
Debt Service				
Principal Retirement	150,000	117,946	32,054	378,773
Interest and Fiscal Charges	230,000	229,752	248	17,554
<b>TOTAL EXPENDITURES</b>	<u>4,940,547</u>	<u>4,261,628</u>	<u>678,919</u>	<u>4,609,736</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(820,500)</u>	<u>(260,675)</u>	<u>559,825</u>	<u>(383,098)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Equipment		4,310	4,310	121,215
Lease Proceeds		99,797	99,797	151,950
Prior Year Fund Balance	20,500		(20,500)	
Interfund Transfers	800,000	896,791	96,791	607,667
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>820,500</u>	<u>1,000,898</u>	<u>180,398</u>	<u>880,832</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ 740,223</u>	<u>\$ 740,223</u>	<u>\$ 497,734</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.*

### Hotel/Motel Tax Fund

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

### ADA Playground Equipment Fund

This fund is used to collect donations which are to be used to acquire playground equipment for parks in the City of Cornelia.

CITY OF CORNELIA, GEORGIA  
HOTEL / MOTEL TAX SPECIAL REVENUE FUND  
COMPARATIVE BALANCE SHEETS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

SCHEDULE 8

	2019	2018
<b>ASSETS</b>		
Cash	\$ 46,913	\$ 76,638
TOTAL ASSETS	\$ 46,913	\$ 76,638
 <b>LIABILITIES</b>	\$	\$
TOTAL LIABILITIES		
 <b>FUND BALANCES</b>		
Restricted for:		
Tourism and Promotion	46,913	76,638
Assigned for:		
Pet Friends		
TOTAL FUND BALANCES	46,913	76,638
TOTAL LIABILITIES AND FUND BALANCE	\$ 46,913	\$ 76,638

**CITY OF CORNELIA, GEORGIA  
HOTEL/MOTEL TAX SPECIAL REVENUE FUND  
SCHEUDLE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**SCHEDULE 9**

<b>REVENUES</b>	<u>2019</u>	<u>2018</u>
Hotel/Motel Tax	\$ 295,255	\$ 278,045
Donations		
Interest	542	172
	<u>295,797</u>	<u>278,217</u>
<b>EXPENDITURES</b>		
Tourism and Promotion	228,731	207,397
	<u>228,731</u>	<u>207,397</u>
<b>EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES</b>	67,066	70,820
<b>OTHER FINANCING SOURCES(USES)</b>		
Operating Transfers In(Out)	(96,791)	(96,635)
	<u>(96,791)</u>	<u>(96,635)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(29,725)	(25,815)
<b>FUND BALANCES BEGINNING OF YEAR</b>	<u>76,638</u>	<u>102,453</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$ 46,913</u>	<u>\$ 76,638</u>

CITY OF CORNELIA, GEORGIA  
 ADA PLAYGROUND EQUIPMENT  
 CAPITAL PROJECTS FUND  
 COMPARATIVE BALANCE SHEETS  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

SCHEDULE 10

	2019	2018
<b>ASSETS</b>		
Cash	\$ 5,424	5,423
<b>TOTAL ASSETS</b>	\$ 5,424	\$ 5,423
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>LIABILITIES</b>	\$ _____	\$ _____
<b>DEFERRED INFLOWS OF RESOURCES</b>	_____	_____
<b>FUND BALANCE</b>		
Restricted for:		
Capital Outlay Projects	5,424	5,423
<b>TOTAL FUND BALANCE</b>	5,424	5,423
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	\$ 5,424	\$ 5,423

CITY OF CORNELIA, GEORGIA  
 ADA PLAYGROUND EQUIPMENT  
 CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

SCHEDULE 11

	2019	2018
<b>REVENUES</b>		
Interest Income	\$ 1	\$ -
Donations	-	5,423
TOTAL REVENUE	1	5,423
<b>EXPENDITURES</b>		
Capital		
Recreation Department		-
TOTAL EXPENDITURES	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	1	5,423
<b>FUND BALANCE - BEGINNING OF YEAR</b>	5,423	-
<b>FUND BALANCE - END OF YEAR</b>	\$ 5,424	\$ 5,423





## ENTERPRISE FUNDS

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

### Water and Sewer Fund

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

### City of Cornelia Stormwater Fund

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

### City of Cornelia Water and Sewer Authority

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

**CITY OF CORNELIA, GEORGIA**  
**WATER AND SEWER ENTERPRISE FUND**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**SCHEDULE 12**

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
<b>Current Assets:</b>		
Cash	\$ 8,530,598	\$ 9,277,617
Accounts Receivable	867,902	759,859
Grants Receivable	160,531	
Due from Component Unit	32,900	32,900
Total Current Assets	9,591,931	10,070,376
 <b>NON-CURRENT ASSETS</b>		
<b>Capital Assets</b>		
Assets not being depreciated	779,593	779,593
Construction in Progress	20,319,940	12,269,994
Asset being depreciated	43,449,240	39,111,434
Accumulated Depreciation	(17,238,449)	(16,359,501)
Total Non-current Assets	47,310,324	35,801,520
Total Assets	56,902,255	45,871,896
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>176,432</b>	<b>161,863</b>
Total Assets and Deferred Outflows of Resources	\$ 57,078,687	\$ 46,033,759
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 569,834	\$ 46,602
Accrued Payroll	39,843	28,436
Due to General Fund		49,864
Current Portion of Capital Lease		9,935
Total Current Liabilities	609,677	134,837
 <b>NON-CURRENT LIABILITIES</b>		
Water Deposits	15,715	49,011
Long-term Notes Payable	20,593,405	12,653,668
Net Pension Liability	697,876	572,373
Total Non-current Liabilities	21,306,996	13,275,052
TOTAL LIABILITIES	21,916,673	13,409,889
 <b>DEFERRED INFLOWS OF RESOURCES</b>	<b>38,299</b>	<b>104,893</b>
Total Liabilities and Deferred Inflows of Resources	21,954,972	13,514,782
 <b>NET POSITION</b>		
Net Investment in Capital Assets	26,716,919	23,137,917
Unrestricted	8,406,796	9,381,060
TOTAL NET POSITION	\$ 35,123,715	\$ 32,518,977

**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, 2019 AND 2018**

**SCHEDULE 13**

	2019	2018
<b>OPERATING REVENUES</b>		
Water Sales	\$ 4,064,819	\$ 3,522,935
Sewer Fees	3,883,831	3,703,632
Fines and Surcharges	43,276	167,161
Water and Sewer Taps	59,229	125,451
Rent	0	0
Miscellaneous Receipts	22,179	10,051
<b>TOTAL OPERATING REVENUES</b>	<b>8,073,334</b>	<b>7,529,230</b>
 <b>OPERATING EXPENSES - By Department</b>		
Administration	375,125	425,468
Water Plant	1,027,514	1,087,964
Disposal Plant	1,961,026	2,071,427
Water & Sewer System - Crew	832,578	805,827
Maintenance and Mechanical	1,192,111	947,643
Depreciation	878,948	868,016
<b>TOTAL OPERATING EXPENSES</b>	<b>6,267,302</b>	<b>6,206,345</b>
 <b>OPERATING INCOME</b>	<b>1,806,032</b>	<b>1,322,885</b>
 <b>NON-OPERATING REVENUES (EXPENSE)</b>		
Capital Grants	1,656,062	413,325
Interest Income	113,693	5,242
Interest Expense	(6,159)	0
<b>TOTAL NON-OPERATING INCOME (EXPENSE)</b>	<b>1,763,596</b>	<b>418,567</b>
 <b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>3,569,628</b>	<b>1,741,452</b>
Transfers In (Out)	(1,178,199)	(412,434)
Capital Grant to Component Unit	(188,691)	
Capital Contributions	402,000	402,000
<b>CHANGE IN NET POSITION</b>	<b>2,604,738</b>	<b>1,731,018</b>
 <b>NET POSITION-BEGINNING OF YEAR -as previously reported</b>	<b>32,518,977</b>	<b>30,816,702</b>
Prior Period Adjustment	0	(28,743)
<b>NET POSITION-BEGINNING OF YEAR -as restated</b>	<b>32,518,977</b>	<b>30,787,959</b>
 <b>NET POSITION - END OF YEAR</b>	<b>\$ 35,123,715</b>	<b>\$ 32,518,977</b>

CITY OF CORNELIA, GEORGIA  
 WATER AND SEWER ENTERPRISE FUND  
 COMPARATIVE STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

SCHEDULE 14

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2019</u>	<u>2018</u>
Receipts from Customers	\$ 8,073,334	\$ 7,529,230
Payments to Suppliers	(3,796,280)	(4,117,930)
Payments to Employees	(1,364,829)	(1,396,852)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,912,225</u>	<u>2,014,448</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer(To) From other funds	<u>(1,178,199)</u>	<u>(412,434)</u>
<b>NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,178,199)</u>	<u>(412,434)</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Grants	1,656,062	413,325
Capital Grant to Component Unit	(188,691)	
Proceeds from Fieldale Farms, Inc.	402,000	402,000
Note Proceeds	7,988,458	7,241,640
Principal Paid on Notes	(58,665)	(734,469)
Interest Paid	(6,159)	
Acquisition Of Capital Assets	<u>(12,387,753)</u>	<u>(11,293,874)</u>
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(2,594,748)</u>	<u>(3,971,378)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Earned	<u>113,693</u>	<u>5,242</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>113,693</u>	<u>5,242</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 <u>(747,029)</u>	 <u>(2,364,122)</u>
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	 <u>9,277,617</u>	 <u>11,641,739</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	 <u>\$ 8,530,588</u>	 <u>\$ 9,277,617</u>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating Income (Loss)	\$ 1,806,032	\$ 1,322,885
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation	\$ 878,948	\$ 868,016
(Increase) Decrease in Accounts Receivable	(108,043)	(105,570)
(Increase) Decrease in Grants Receivable	(160,531)	
(Increase) Decrease in Due From Other Funds		(32,900)
(Increase) Decrease in Deferred Outflows	(14,569)	(143,807)
Increase (Decrease) in Customer Deposits	(33,296)	(3,500)
Increase (Decrease) in Due to General Fund	(49,864)	(1,688)
Increase (Decrease) in Accounts Payable	523,232	2,256
Increase (Decrease) in Accrued Payroll	11,407	6,667
Increase (Decrease) in Net Pension Liability	125,503	41,396
Increase (Decrease) in Deferred Inflows	<u>(66,594)</u>	<u>60,693</u>
<b>TOTAL ADJUSTMENTS</b>	<u>1,106,193</u>	<u>691,563</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 2,912,225</u>	<u>\$ 2,014,448</u>

CITY OF CORNELIA, GEORGIA  
 STORMWATER FUND  
 COMPARATIVE STATEMENTS OF NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

SCHEDULE 15

ASSETS	2019	2018
<b>CURRENT ASSETS</b>		
Cash	\$ 516,789	\$ 377,845
Accounts Receivable	12,609	31,950
Total Current Assets	529,398	409,795
Total Assets	\$ 529,398	\$ 409,795
 <b>NET POSITION</b>		
Unrestricted	529,398	409,795
Net Position	\$ 529,398	\$ 409,795

## STORMWATER FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Charges	\$ 272,904	\$ 284,773
<b>TOTAL OPERATING REVENUES</b>	<u>272,904</u>	<u>284,773</u>
<b>OPERATING EXPENSES - By Department</b>		
Administration	0	5,139
<b>TOTAL OPERATING EXPENSES</b>	<u>0</u>	<u>5,139</u>
<b>OPERATING INCOME</b>	<u>272,904</u>	<u>279,634</u>
<b>NON-OPERATING REVENUES (EXPENSE)</b>		
Interest Income	4,224	1,561
<b>TOTAL NON-OPERATING INCOME (EXPENSE)</b>	<u>4,224</u>	<u>1,561</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	277,128	281,195
Transfers In (Out)	<u>(157,525)</u>	<u>(96,106)</u>
<b>CHANGE IN NET POSITION</b>	119,603	185,089
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>409,795</u>	<u>224,706</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 529,398</u>	<u>\$ 409,795</u>

**CITY OF CORNELIA, GEORGIA  
STORMWATER FUND  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

SCHEDULE 17

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2019</u>	<u>2018</u>
Receipts from Customers	\$ 292,245	\$ 278,275
Payments to Suppliers		(5,139)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>292,245</u>	<u>273,136</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers (To) From Other Funds	<u>(157,525)</u>	<u>(96,106)</u>
<b>NET CASH (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(157,525)</u>	<u>(96,106)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest Earned	<u>4,224</u>	<u>1,561</u>
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	4,224	1,561
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 138,944	 178,591
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	 <u>377,845</u>	 <u>199,254</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	 <u>\$ 516,789</u>	 <u>\$ 377,845</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 272,904	\$ 279,634
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
(Increase) Decrease in Accounts Receivable	<u>19,341</u>	<u>(6,498)</u>
<b>TOTAL ADJUSTMENTS</b>	<u>19,341</u>	<u>(6,498)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 292,245</u>	<u>\$ 273,136</u>

**CITY OF CORNELIA, GEORGIA**  
**CORNELIA WATER AND SEWER AUTHORITY**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**SCHEDULE 18**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 46,305	\$ 46,304
Total Current Assets	<u>46,305</u>	<u>46,304</u>
 <b>NON-CURRENT ASSETS</b>		
Capital Assets		
Assets not being depreciated		
Asset being depreciated	11,103,212	11,103,212
Accumulated Depreciation	<u>(2,167,338)</u>	<u>(1,945,274)</u>
Total Non-current Assets	<u>8,935,874</u>	<u>9,157,938</u>
Total Assets	<u>\$ 8,982,179</u>	<u>\$ 9,204,242</u>
 <b>LIABILITIES</b>		
Current Liabilities		
Current Portion of Long-term Notes	<u>655,870</u>	<u>818,052</u>
Total Current Liabilities	<u>655,870</u>	<u>818,052</u>
NON-CURRENT LIABILITIES		
Long-term Notes Payable	<u>1,410,090</u>	<u>2,481,631</u>
Total Non-current Liabilities	<u>1,410,090</u>	<u>2,481,631</u>
Total Liabilities	<u>2,065,960</u>	<u>3,299,683</u>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	6,869,914	5,858,255
Unrestricted	46,305	46,304
Net Position	<u>\$ 6,916,219</u>	<u>\$ 5,904,559</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, 2019 AND 2018

SCHEDULE 19

	2019	2018
<b>OPERATING REVENUES</b>		
Rent	\$ 756,443	\$ 908,381
TOTAL OPERATING REVENUES	756,443	908,381
 <b>OPERATING EXPENSES - By Department</b>		
Depreciation	222,064	222,064
TOTAL OPERATING EXPENSES	222,064	222,064
 <b>OPERATING INCOME</b>	534,379	686,317
 <b>NON-OPERATING REVENUES (EXPENSE)</b>		
Transfer In	535,724	
Interest Expense	(58,444)	(110,423)
TOTAL NON-OPERATING INCOME (EXPENSE)	477,280	(110,423)
 <b>CHANGE IN NET POSITION</b>	1,011,659	575,894
 <b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	5,904,560	5,328,665
 <b>TOTAL NET POSITION - END OF YEAR</b>	\$ 6,916,219	\$ 5,904,559

CITY OF CORNELIA, GEORGIA  
 CORNELIA WATER AND SEWER AUTHORITY  
 COMPARATIVE STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

SCHEDULE 20

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2019</u>	<u>2018</u>
Receipts from Customers	\$ 756,443	\$ 908,381
Payments to Suppliers		
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>756,443</u>	<u>908,381</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers (To) From Other Funds	<u>535,724</u>	<u>(96,106)</u>
<b>NET CASH (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>535,724</u>	<u>(96,106)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Paid on Notes	(1,233,722)	(810,044)
Interest Paid	<u>(58,444)</u>	<u>(110,422)</u>
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(1,292,166)	(920,466)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1	(12,085)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>46,304</u>	<u>58,389</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 46,305</u></u>	<u><u>\$ 46,304</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 534,379	\$ 686,317
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation	<u>222,064</u>	<u>222,064</u>
<b>TOTAL ADJUSTMENTS</b>	<u>222,064</u>	<u>222,064</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 756,443</u></u>	<u><u>\$ 908,381</u></u>

## COMPLIANCE SECTION





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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business – type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The City of Cornelia, Georgia, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 18, 2020.

**Internal Control over Financial Reporting**

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

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

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**HABERSHAM COUNTY**

P.O. Box 1330 • 327 Monroe Street, Suite D  
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

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

### Compliance and Other Matters

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

### **The City of Cornelia, Georgia's Response to Findings**

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

### **Purpose of this Report**

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

*DUNCAN & KITCHENS, LLC*

Duncan & Kitchens, LLC  
Certified Public Accountants  
Clarkesville, Georgia  
June 18, 2020



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

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

**Report on Compliance for Each Major Program**

We have audited the City of Cornelia, Georgia's compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. 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, 2019.

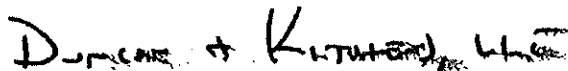
### Report on Internal Control over Compliance

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 18, 2020



## SINGLE AUDIT SECTION

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

City of Cornelia  
 Schedule of Expenditures of Federal Awards By Grant  
 For the Year Ended December 31, 2019

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor and Number	Name of Grant - Grant ID No.	Federal Expenditures(\$)
<b>United States Department of Housing and Urban Development</b>				
<i>Indirect Federal Grants:</i>				
Passed through Georgia Department of Community Affairs Community Development Block Grants/State's Program and Non-Entitlement Grants	14.228	Georgia Department of Community Affairs	17P-068-2-5930	\$ 750,000
<b>TOTAL U.S. Department of Housing and Urban Development</b>				<u>750,000</u>
<b>United States Environmental Protection Agency</b>				
<i>Indirect Federal Grants:</i>				
Passed through Georgia Environmental Facilities Authority (GEFA) Drinking Water Program Capitalization Grants for Clean Water State Revolving Funds (Loan)	66.458	GEFA,CWSRF 2017-024		\$ 1,118,445
Total Capitalization Grants for Clean Water State Revolving Funds				<u>1,118,445</u>
<b>Passed through Georgia Environmental Facilities Authority (GEFA) Drinking Water Program</b>				
Capitalization Grants for Drinking Water State Revolving Funds (Loan)	66.458	GEFA,DWSRF 15-024		\$ 19,292
Capitalization Grants for Drinking Water State Revolving Funds (Loan)	66.458	GEFA,DWSRF 12-008		159,560
Total Capitalization Grants for Drinking Water State Revolving Funds				<u>178,852</u>
<b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				<u>1,297,297</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u>\$ 2,047,297</u>

The accompanying notes are an integral part of this schedule

CITY OF CORNELIA, GEORGIA  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS BY GRANT  
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. 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	- \$666,512
66.458 - Clean Water State Revolving Loan Fund	-\$1,269,709

CITY OF CORNELIA, GEORGIA  
 SCHEDULE OF FINDINGS AND RESPONSES  
 FOR THE YEAR ENDED DECEMBER 31, 2019

I. 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:	
14.228 Community Development Block Grants/ State’s Program and Non-Entitlement Grants	
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

CITY OF CORNELIA, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

2. Financial Statement Findings

A. Current Year Audit Findings

None Reported

B. Prior Year Audit Findings Follow-Ups

**Comment 2012-1**

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

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

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

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

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

**Management Response:** The City agrees with the finding.



STATE REPORTING SECTION

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

**CITY OF CORNELIA, GEORGIA** **SCHEDULE 21**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

		<b>Expenditures</b>			
<b>Habersham County, Georgia SPLOST VI</b>					
Streets and Sidewalks	\$ 2,347,370	\$ 606,325	\$ 225,470	\$ 831,795	
Community Facilities	650,000	649,291		649,291	
Water	300,000	-	-	-	
Sewer	590,698	-	-	-	
Public Safety	<u>1,050,000</u>	<u>830,614</u>	<u>528,401</u>	<u>1,359,015</u>	
	<u>\$ 4,938,068</u>	<u>\$ 2,086,230</u>	<u>\$ 753,871</u>	<u>\$ 2,840,101</u>	