

CITY OF CORNELIA
CORNELIA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2020

CITY OF CORNELIA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Joseph Duncan, CPA
Joe Kitchens, CPA



DUNCAN & KITCHENS, LLC

Certified Public Accountants

Members of
American Institute and
Georgia Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of The City of Cornelia, Georgia, as of and for the year ended December 31, 2020, 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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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, 2020, 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual 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.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Cornelia, Georgia's basic financial statements for the year ended December 31, 2019, which are not presented with the accompanying financial statements. In our report dated, June 18, 2020, we expressed unmodified opinions on the respective 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. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cornelia, Georgia's basic financial statements as a whole. The individual fund financial statements and schedules, related to the 2019 financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, 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
Certified Public Accountants
Clarkeville, Georgia
June 29, 2021

**CITY OF CORNELIA, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

EXHIBIT 1

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
ASSETS AND DEFERRED				
OUTFLOWS OF RESOURCES				
Current Assets				
Cash	\$ 5,815,023	\$ 8,196,930	\$ 14,011,953	\$ 13,337
Taxes Receivable	1,777,757	-	1,777,757	-
Accounts Receivable	45,174	838,082	883,256	-
Insurance Receivable		161,988	161,988	-
Total Current Assets	<u>7,637,954</u>	<u>9,197,000</u>	<u>16,834,954</u>	<u>13,337</u>
Noncurrent Assets				
Non-Depreciable	360,005	779,593	1,139,598	-
Depreciable Assets, Net	<u>16,494,815</u>	<u>62,252,881</u>	<u>78,747,696</u>	<u>-</u>
Total Noncurrent Assets	<u>16,854,820</u>	<u>63,032,474</u>	<u>79,887,294</u>	<u>-</u>
TOTAL ASSETS	<u>24,492,774</u>	<u>72,229,474</u>	<u>96,722,248</u>	<u>13,337</u>
Deferred Outflows of Resources	<u>658,040</u>	<u>463,619</u>	<u>1,121,659</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 25,150,814</u>	<u>\$ 72,693,093</u>	<u>\$ 97,843,907</u>	<u>\$ 13,337</u>
LIABILITIES AND DEFERRED				
INFLOWS OF RESOURCES				
Current Liabilities				
Accounts Payable	\$ 208,893	\$ 34,850	\$ 243,743	\$ -
Accrued Payroll	60,276	49,559	109,835	-
Compensated absences	27,280	23,782	51,062	-
Payroll Taxes Withheld	25,197		25,197	-
Lease Payable- Current Portion	49,779		49,779	-
Bonds Payable-Current Portion	170,000		170,000	-
Current Portion of Long-Term Debt		753,639	753,639	-
Total Current Liabilities	<u>541,425</u>	<u>861,830</u>	<u>1,403,255</u>	<u>-</u>
Noncurrent Liabilities				
Water Deposits		13,655	13,655	-
Lease Payable	103,327		103,327	-
Bonds Payable	11,349,703		11,349,703	-
Long-Term Notes Payable		24,838,599	24,838,599	-
Net Pension Obligation	<u>1,522,487</u>	<u>1,072,662</u>	<u>2,595,149</u>	<u>-</u>
Total Noncurrent Liabilities	<u>12,975,517</u>	<u>25,924,916</u>	<u>38,900,433</u>	<u>-</u>
TOTAL LIABILITIES	<u>13,516,942</u>	<u>26,786,746</u>	<u>40,303,688</u>	<u>-</u>
Deferred Inflows of Resources	<u>37,593</u>	<u>26,486</u>	<u>64,079</u>	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>13,554,535</u>	<u>26,813,232</u>	<u>40,367,767</u>	<u>-</u>
NET POSITION				
Net Investment in				
Capital Assets	5,182,011	37,440,236	42,622,247	-
Restricted for:				
Capital Projects	3,401,658		3,401,658	-
Tourism	42,964		42,964	-
Unrestricted Assets	<u>2,969,646</u>	<u>8,439,625</u>	<u>11,409,271</u>	<u>13,337</u>
TOTAL NET POSITION	<u>\$ 11,596,279</u>	<u>\$ 45,879,861</u>	<u>\$ 57,476,140</u>	<u>\$ 13,337</u>

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
DECEMBER OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

EXHIBIT 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities					
General Government	\$ 649,910	\$ 178,712	\$ 262,248	\$ 376,191	\$ 167,241
City Manager	290,844				(290,844)
Human Resources	126,592				(126,592)
Police	1,846,886	164,949		107,713	(1,574,224)
Fire	1,180,626	75,655		153,835	(951,136)
Streets & Sanitation	536,570	358,465		568,586	390,481
Recreation Department	108,711	17,150			(91,561)
Planning Department	126,488	90,647			(35,841)
Interest on long-term debt	482,437				(482,437)
Total Governmental Activities	<u>5,349,064</u>	<u>885,578</u>	<u>262,248</u>	<u>1,206,325</u>	<u>(2,994,913)</u>
Business-type Activities					
Water and Sewer Fund	7,400,172	9,192,222		1,444,805	3,236,855
Stormwater Fund	6,761	300,824			294,063
Water and Sewer Authority	271,990	705,797			433,807
Total Business-type Activities	<u>7,678,923</u>	<u>10,198,843</u>		<u>1,444,805</u>	<u>3,964,725</u>
Total Primary Government	<u>13,027,987</u>	<u>11,084,421</u>		<u>2,651,130</u>	<u>707,564</u>
Component Unit					
Downtown Development Authority					
	<u>6,525</u>	<u>2,167</u>			<u>(4,358)</u>
Primary Government					
		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Change in Net Position					
Net (expense) revenue		\$ (2,994,913)	\$ 3,964,725	\$ 969,812	\$ (4,358)
General Revenues:					
Taxes:					
Property		1,848,075		1,848,075	
Franchise		516,777		516,777	
Motel Tax		261,886		261,886	
Beer and Wine		199,873		199,873	
Insurance Premium		336,987		336,987	
Unrestricted Investment Earnings		66,835	49,553	116,388	
Gain (Loss) on Sale of Assets		109,252		109,252	22,730
Miscellaneous		42,410		42,410	
Donations					13,097
Transfers		682,639	(682,809)	(170)	170
Total General Revenues and Transfers		<u>4,064,734</u>	<u>(633,256)</u>	<u>3,431,478</u>	<u>35,997</u>
Change in net position		1,069,821	3,331,469	4,401,290	31,639
Net Position Beginning (as originally stated)		10,550,188	42,569,332	53,119,520	(18,302)
Prior Period Adjustment		(23,730)	(20,940)	(44,670)	
Net Position Beginning (restated)		<u>10,526,458</u>	<u>42,548,392</u>	<u>53,074,850</u>	<u>(18,302)</u>
Net Position - End of Year as		<u>\$ 11,596,279</u>	<u>\$ 45,879,861</u>	<u>\$ 57,476,140</u>	<u>\$ 13,337</u>

The accompanying notes are an integral part of this statement.

EXHIBIT 3

CITY OF CORNELIA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	GENERAL FUND	MUNICIPAL COMPLEX CAPITAL PROJECTS	SPLOST VI CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash	\$ 2,545,765	\$ 1,977,612	\$ 1,243,259	\$ 48,388	\$ 5,815,024
Taxes Receivable	1,602,394		175,363		1,777,757
Accounts Receivable	45,174				45,174
TOTAL ASSETS	<u>\$ 4,193,333</u>	<u>\$ 1,977,612</u>	<u>\$ 1,418,622</u>	<u>\$ 48,388</u>	<u>\$ 7,637,955</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 208,893	\$	\$	\$	\$ 208,893
Accrued Payroll	60,276				60,276
Payroll Taxes Withheld and Accrued	25,197				25,197
TOTAL LIABILITIES	<u>294,366</u>				<u>294,366</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue -property taxes	285,479				285,479
FUND BALANCE					
Restricted for:					
Capital Outlay Projects		1,977,612	1,418,622	5,424	3,401,658
Tourism and Promotion				42,964	42,964
Unassigned	3,613,488				3,613,488
TOTAL FUND BALANCE	<u>3,613,488</u>	<u>1,977,612</u>	<u>1,418,622</u>	<u>48,388</u>	<u>7,058,110</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	<u>\$ 4,193,333</u>	<u>\$ 1,977,612</u>	<u>\$ 1,418,622</u>	<u>\$ 48,388</u>	<u>\$ 7,637,955</u>

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

EXHIBIT 3A

Adjustments to the Statement of Net Position	
Fund Balance	\$ 7,058,110
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	16,854,820
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds Property Taxes	285,479
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 Compensated Absences	(1,522,487) (27,280)
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 Deferred Inflows - Pensions	658,040 (37,593)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(11,672,810)</u>
Net Position of Governmental Activities (Exhibit "1")	<u>\$ 11,596,279</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, 2020

	GENERAL FUND	MUNICIPAL COMPLEX CAPITAL PROJECTS	SPLOST VI CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes					
Property	\$ 1,797,713	\$	\$	\$	\$ 1,797,713
Franchise	516,777				516,777
Motel				261,886	261,886
Beer and Wine	199,873				199,873
Insurance Premium	336,987				336,987
License and Permits	178,712				178,712
Charges for Services	552,401				552,401
Fines and Forfeitures	154,465				154,465
Interest Income	315	63,540	2,842	138	66,835
Intergovernmental	60,000		1,013,418		1,073,418
Grants	395,155				395,155
Miscellaneous	42,410				42,410
TOTAL REVENUE	<u>4,234,808</u>	<u>63,540</u>	<u>1,016,260</u>	<u>262,024</u>	<u>5,576,632</u>
EXPENDITURES					
Current:					
General Government	104,338		56,425	158,875	319,638
City Manager	285,753				285,753
Human Resources	123,980				123,980
Police Department	1,609,929				1,609,929
Fire Department	1,059,618		21,220		1,080,838
Streets and Sanitation	798,879		327,777		1,126,656
Public Buildings and Library	12,111	5,724,504			5,736,615
Recreation Department	103,822				103,822
Planning Department	103,633				103,633
Debt Service	0				
Principal Retirement	87,568		60,000		147,568
Interest and Fiscal Charges	6,063	476,374			482,437
TOTAL EXPENDITURES	<u>4,295,694</u>	<u>6,200,878</u>	<u>465,422</u>	<u>158,875</u>	<u>11,120,869</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(60,886)</u>	<u>(6,137,338)</u>	<u>550,838</u>	<u>103,149</u>	<u>(5,544,237)</u>
OTHER FINANCING SOURCES (USES)					
Sale of Assets	109,252				109,252
Interfund Transfers	142,737	647,000		(107,098)	682,639
TOTAL OTHER FINANCING SOURCES (USES)	<u>251,989</u>	<u>647,000</u>		<u>(107,098)</u>	<u>791,891</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	<u>191,103</u>	<u>(5,490,338)</u>	<u>550,838</u>	<u>(3,949)</u>	<u>(4,752,346)</u>
FUND BALANCE (as originally stated)	3,876,047	7,014,288	867,784	52,337	11,810,456
Prior Period Adjustment	(453,662)	453,662			
FUND BALANCE (resated)	<u>3,422,385</u>	<u>7,467,950</u>	<u>867,784</u>	<u>52,337</u>	<u>11,810,456</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,613,488</u>	<u>\$ 1,977,612</u>	<u>\$ 1,418,622</u>	<u>\$ 48,388</u>	<u>\$ 7,058,110</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, 2020

EXHIBIT 4

Adjustments to the Statement of Activities	
Net Change in Fund Balance	\$ (4,752,346)
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 (\$6,396,394) exceeded depreciation (\$661,240)	5,735,354
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	50,362
Repayment of debt principal is an expenditure in the governmental funds, but the repayment 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	147,568
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	(107,567)
Compensated Absences	<u>(3,550)</u>
Change in net position of governmental activities (Exhibit 2)	<u>\$ 1,069,821</u>

The accompanying notes are an integral part of this statement.

**CITY OF CORNELIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020**

EXHIBIT 5

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	WATER AND SEWER FUND	STORMWATER FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
CURRENT ASSETS				
Cash	\$ 7,843,252	\$ 307,372	\$ 46,306	\$ 8,196,930
Accounts Receivable	817,079	21,003		838,082
Insurance Receivable	161,988			
Total Current Assets	<u>8,822,319</u>	<u>328,375</u>	<u>46,306</u>	<u>9,035,012</u>
NON-CURRENT ASSETS				
Capital Assets				
Assets not being depreciated	779,593			779,593
Asset being depreciated	71,867,455	503,585	11,103,212	83,474,252
Accumulated Depreciation	<u>(18,825,208)</u>	<u>(6,761)</u>	<u>(2,389,402)</u>	<u>(21,221,371)</u>
Total Non-Current Assets	<u>53,821,840</u>	<u>496,824</u>	<u>8,713,810</u>	<u>63,032,474</u>
Total Assets	<u>62,644,159</u>	<u>825,199</u>	<u>8,760,116</u>	<u>72,229,474</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>463,619</u>			<u>463,619</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 63,107,778</u>	<u>\$ 825,199</u>	<u>\$ 8,760,116</u>	<u>\$ 72,693,093</u>
 LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES				
Accounts Payable	\$ 34,850	\$	\$	\$ 34,850
Accrued Payroll	49,559			49,559
Compensated Absences	23,782			23,782
Current Portion of Notes Payable	88,325		665,314	753,639
Total Current Liabilities	<u>196,516</u>		<u>665,314</u>	<u>861,830</u>
NON-CURRENT LIABILITIES				
Water Deposits	13,655			13,655
Long-term Notes Payable	24,093,823		744,776	24,838,599
Net Pension Liability	1,072,662			1,072,662
Total Non-current Liabilities	<u>25,180,140</u>		<u>744,776</u>	<u>25,924,916</u>
Total Liabilities	<u>25,376,656</u>		<u>1,410,090</u>	<u>26,786,746</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>26,486</u>			<u>26,486</u>
Total Liabilities and Deferred Inflows of Resources	<u>25,403,142</u>		<u>1,410,090</u>	<u>26,813,232</u>
 NET POSITION				
Net Investment in Capital Assets	30,136,516		7,303,720	37,440,236
Unrestricted	7,568,120	825,199	46,306	8,439,625
Net Position	<u>\$ 37,704,636</u>	<u>\$ 825,199</u>	<u>\$ 7,350,026</u>	<u>\$ 45,879,861</u>

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, 2020

	WATER AND SEWER FUND	STORMWATER FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
OPERATING REVENUES				
Water Sales	\$ 4,238,381	\$	\$	\$ 4,238,381
Sewer Fees	4,683,153			4,683,153
Fines and Surcharges	23,032	300,824		323,856
Water and Sewer Taps	208,048			208,048
Rent			705,797	705,797
Miscellaneous Receipts	39,608			39,608
TOTAL OPERATING REVENUES	9,192,222	300,824	705,797	10,198,843
 OPERATING EXPENSES - By Department				
Administration	401,375			401,375
Water Plant	1,201,160			1,201,160
Disposal Plant	2,174,012			2,174,012
Water & Sewer System - Crew	796,222			796,222
Maintenance and Mechanical	1,240,644			1,240,644
Depreciation	1,586,759	6,761	222,064	1,815,584
 TOTAL OPERATING EXPENSES	7,400,172	6,761	222,064	7,628,997
 OPERATING INCOME	1,792,050	294,063	483,733	2,569,846
 NON-OPERATING REVENUES (EXPENSE)				
Interest Income	47,815	1,738		49,553
Interest Expense			(49,926)	(49,926)
TOTAL NON-OPERATING INCOME (EXPENSE)	47,815	1,738	(49,926)	(373)
 INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,839,865	295,801	433,807	2,569,473
Transfers In (Out)	(682,809)			(682,809)
Capital Grants	1,086,882			1,086,882
Capital Contributions	357,923			357,923
 CHANGE IN NET POSITION	2,601,861	295,801	433,807	3,331,469
NET POSITION - BEGINNING OF YEAR (as originally stated)	35,123,715	529,398	6,916,219	42,569,332
Prior period adjustment	(20,940)			(20,940)
NET POSITION - BEGINNING OF YEAR (restated)	35,102,775	529,398	6,916,219	42,548,392
 NET POSITION - END OF YEAR	\$ 37,704,636	\$ 825,199	\$ 7,350,026	\$ 45,879,861

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, 2020**

EXHIBIT 7

	WATER AND SEWER FUND	STORMWATER FUND	CORNELIA WATER AND SEWER AUTHORITY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 9,192,222	\$ 292,430	\$ 705,797	\$ 10,190,449
Payments to Suppliers	(4,461,609)			(4,461,609)
Payments to Employees	(1,718,238)			(1,718,238)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,012,375</u>	<u>292,430</u>	<u>705,797</u>	<u>4,010,602</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer(To) From other funds	(682,809)			(682,809)
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>(682,809)</u>			<u>(682,809)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Grants	1,086,882			1,086,882
Proceeds from Fieldale Farms, Inc.	301,500			301,500
Intergovernmental	56,423			
Note Proceeds	3,617,940			3,617,940
Principal Paid on Notes	(29,197)		(655,870)	(685,067)
Interest Paid			(49,926)	(49,926)
Acquisition Of Capital Assets	(8,098,275)	(503,585)		(8,601,860)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,064,727)</u>	<u>(503,585)</u>	<u>(705,796)</u>	<u>(4,274,108)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Earned	47,815	1,738		49,553
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>47,815</u>	<u>1,738</u>		<u>49,553</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(687,346)	(209,417)	1	(896,762)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,530,598</u>	<u>516,789</u>	<u>46,305</u>	<u>9,093,692</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,843,252</u>	<u>\$ 307,372</u>	<u>\$ 46,306</u>	<u>\$ 8,196,930</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 1,792,050	\$ 294,063	\$ 483,733	\$ 2,569,846
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities				
Depreciation	\$ 1,586,759	\$ 6,761	\$ 222,064	\$ 1,815,584
(Increase) Decrease in Accounts Receivable	50,823	(8,394)		42,429
(Increase) Decrease in Grants Receivable	160,531			
(Increase) Decrease in Other Receivable	(161,988)			
(Increase) Decrease in Deferred Outflows	(287,187)			(287,187)
(Increase) Decrease in Due from Component Unit	32,900			
Increase (Decrease) in Customer Deposits	(2,060)			(2,060)
Increase (Decrease) in Accounts Payable	(534,984)			(534,984)
Increase (Decrease) in Accrued Payroll	9,716			9,716
Increase (Decrease) in Compensated absences	2,842			2,842
Increase (Decrease) in Net Pension Liability	374,786			374,786
Increase (Decrease) in Deferred Inflows	(11,813)			(11,813)
TOTAL ADJUSTMENTS	<u>1,220,325</u>	<u>(1,633)</u>	<u>222,064</u>	<u>1,440,756</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,012,375</u>	<u>\$ 292,430</u>	<u>\$ 705,797</u>	<u>\$ 4,010,602</u>

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 October 23, 2012, 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, 2020

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, 2020

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 VI Capital Projects Fund* accounts for the funds from the City's share of the Habersham County Special Purpose Local Option Sales Tax. The SPLOST VI 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, 2020

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 fund 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, 2020

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 uncollectible, 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, 2020

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.

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

5. *Compensated Absences*

It is the City's policy to permit employees to accumulate up to 40 hours of earned but unused vacation benefits, which will be paid to employees upon separation from City service, as outlined in the employee policy manual. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The liability of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. In governmental fund types, a liability is recorded only if the liability has matured and is expected to be liquidated with expendable and available financial resources.

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, 2020

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, 2020

NOTE 1 – (Continued)

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

11. *Deferred Outflows/Inflows of Resources*

The City implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB No. 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2013. This implementation resulted primarily in changes to terminology and the elimination of reporting unamortized debt issuance costs (i.e., unamortized loan origination fees) as a deferred charge.

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

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

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

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020 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, 2020 consisted of the following:

Major Funds

General Fund

Taxes	\$ 1,777,757
Service Fees	45,174

Enterprise Funds

Water and Sewer	838,082
Insurance Receivable	<u>161,988</u>

Total Primary Government	<u>\$ 2,823,001</u>
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CITY OF CORNELIA, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 4 – (Continued)

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

Property taxes are assessed as of January 1, 2020, on property values. Taxes were levied on November 18, 2020 for the 2020 tax year, and were due on January 22, 2020. All unpaid taxes become delinquent as of January 23, 2020. Interest and penalties accrue after January 23, 2020.

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

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

NOTE 5 – INTERFUND TRANSFERS

<u>Transfers In:</u>	<u>Transfers Out:</u>	<u>Amount</u>
General	Water and Sewer Fund \$	850,000
General	Hotel/Motel Tax	107,098
Capital Projects	General Fund	647,000
Water and Sewer Fund	General Fund	29,121
Component Unit	General Fund	138,240
Water and Sewer Fund	Component Unit	138,070

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.

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 - CHANGES IN FIXED ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

Governmental -Type Activities:

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Capital Assets Not Being				
Depreciated				
Land	\$ 360,005	\$ -	\$ -	\$ 360,005
Consturction in Progress	4,612,156	-	(4,612,156)	-
	<u>4,972,161</u>	<u>-</u>	<u>(4,612,156)</u>	<u>360,005</u>
Depreciable Assets				
Building	4,058,881	10,323,129		14,382,010
Furniture & Equipment	368,489	-	-	368,489
Fire Equipment	1,843,115	73,470	-	1,916,585
Police Equipment	1,551,968	-	-	1,551,968
Sanitation and Streets	1,114,638	606,405	-	1,721,043
Streets	3,359,121	-	-	3,359,121
Total Depreciable Assets	<u>12,296,212</u>	<u>11,003,004</u>	<u>-</u>	<u>23,299,216</u>
Less: Accumulated Depreciation				
Building	1,889,369	145,095	-	2,034,464
Furniture & Equipment	258,775	25,594	-	284,369
Fire Equipment	1,356,601	172,780	-	1,529,381
Police Equipment	1,385,487	193,391	-	1,578,878
Sanitation and Streets	1,040,491	94,669	-	1,135,160
Streetscape Project	212,438	29,711	-	242,149
Total Accumulated Depreciation	<u>6,143,161</u>	<u>661,240</u>	<u>-</u>	<u>6,804,401</u>
Net Depreciable Assets	<u>6,153,051</u>	<u>10,341,764</u>		<u>16,494,815</u>
Governmental activities assets, net	<u>\$ 11,125,212</u>	<u>\$ 10,341,764</u>	<u>\$ (4,612,156)</u>	<u>\$ 16,854,820</u>

Depreciation was charged to governmental functions as follows:

General Government Administration	\$ 190,396
Police	193,431
Fire	146,252
Streets and Sanitation	<u>131,161</u>
Total	<u>\$ 661,240</u>

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 – (Continued)

Enterprise Activities

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Capital Assets Not Being Depreciated				
Land	\$ 779,593	\$ -	\$ -	\$ 779,593
Construction in Progress	20,319,940	-	(20,319,940)	-
	<u>21,099,533</u>	<u>-</u>	<u>-</u>	<u>779,593</u>
Depreciable Assets				
Building	851,563	305,528		1,157,091
Equipment	3,530,963	368,573		3,899,536
Water Plant	11,269,718	24,318,697		35,588,415
Sewer Plant	14,525,169	-		14,525,169
Water and Sewer System	24,375,038	3,929,002		28,304,040
Total Depreciable Assets	<u>54,552,451</u>	<u>28,921,800</u>	<u>-</u>	<u>83,474,251</u>
Less: Accumulated Depreciation				
Building	116,627	17,811		134,438
Equipment	1,889,984	181,903		2,071,887
Water Plant	3,481,657	236,029		3,717,686
Sewer Plant	7,177,025	708,077		7,885,102
Water and Sewer System	6,740,493	671,764		7,412,257
Total Accumulated Depreciation	<u>19,405,786</u>	<u>1,815,584</u>	<u>-</u>	<u>21,221,370</u>
Net Depreciable Assets	<u>35,146,665</u>	<u>27,106,216</u>	<u>-</u>	<u>62,252,881</u>
Enterprise activities assets, net	<u>\$ 56,246,198</u>	<u>\$ 27,106,216</u>	<u>\$ -</u>	<u>\$ 63,032,474</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, 2020

NOTE 6 – (Continued)

Investment in Capital Assets, Net of Related Debt

	Governmental Activities	Enterprise Fund
Investment in Capital Assets, net of related debt:	\$	\$
Cost of Capital Assets	23,659,221	84,253,844
Accumulated Depreciation	<u>(6,804,401)</u>	<u>(21,221,370)</u>
Book Value	16,854,820	63,032,474
Capital Related Debt	<u>(11,672,809)</u>	<u>(25,592,238)</u>
Total	<u>\$ 5,182,011</u>	<u>\$ 37,440,236</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, 2020:

Primary Government

	Balance 12/31/2019	Additions	Payments	Balance 12/31/2020	Due Within One Year
Governmental Activities					
2019 Bonds Payable	\$ 11,325,000	\$	\$	\$ 11,325,000	\$ 170,000
2019 Premium on Bonds Obligations Under	200,430		5,727	194,703	
Capital Lease	300,675	-	147,569	153,106	49,779
Net Pension Liability	<u>990,554</u>	<u>178,153</u>	<u>-</u>	<u>1,168,707</u>	<u>-</u>
Total Debt	\$ 12,816,659	\$ 178,153	\$ 153,296	\$ 12,841,516	\$ 219,779
Enterprise Activities					
Notes Payable	\$ 22,659,365	\$ 3,617,940	\$ 685,067	\$ 25,592,238	\$ 753,639
Net Pension Liability	<u>697,876</u>	<u>374,786</u>	<u>-</u>	<u>1,072,662</u>	<u>-</u>
Total Debt	\$ 23,357,241	\$ 3,992,726	\$ 685,067	\$ 26,664,900	\$ 753,639

The amount of interest expense for the year in the Governmental Activities was \$ 482,437. The amount of interest expense for the year in the Enterprise activities was \$49,926. Bond discounts/premiums are amortized over the life of the related debt using the straight-line method.

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, 2020

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 bonds are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	195,000.00	450,637.50	645,637.50
2026-2030	1,110,000.00	2,128,787.50	3,238,787.50
2031-2035	1,310,000.00	1,926,812.50	3,236,812.50
2036-2040	1,550,000.00	1,690,687.50	3,240,687.50
2041-2045	1,850,000.00	1,386,437.50	3,236,437.50
2045-2049	2,305,000.00	929,500.00	3,234,500.00
2050-2054	2,290,000.00	293,250.00	2,583,250.00
Total	<u>\$ 11,325,000.00</u>	<u>\$ 10,676,262.50</u>	<u>\$ 22,001,262.50</u>

CITY OF CORNELIA, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 7 – (Continued)

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.

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>
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	136,634.29	8,380.07	145,014.36
2026-2027	220,742.00	5,183.51	225,925.51
Total	<u>\$ 866,753.55</u>	<u>\$ 84,243.72</u>	<u>\$ 950,997.27</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>
2021	\$ 543,336.18	\$ 9,104.08	\$ 552,440.26
	<u>\$ 543,336.18</u>	<u>\$ 9,104.08</u>	<u>\$ 552,440.26</u>

CITY OF CORNELIA, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 7 – (Continued)

Notes Payable – Georgia Environmental Facilities Authority (GEFA)

The City entered into five agreements with the Georgia Environmental Facilities Authority (GEFA) for Water and Sewer system improvements which are in progress on December 31, 2020. The city has drawn \$22,225,345 as of December 31, 2020. 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). Four of these loans were not in repayment status as of December 31, 2020. The loan GEFA CWSRF 2017-024 has entered repayment status and is detailed in the following note.

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. Total original amount of the loan was \$1,986,000. Principal and interest shall be due and payable in two hundred forty equal monthly payments in the amount of \$9,356.72 each. The first payment was March 1, 2020. There were four payments made in the year ended December 31, 2020, before the State announced an abatement of payments due to the pandemic. The payments resumed as of January 1, 2021. The note bears interest at 1.25% per annum.

Amortization of this loan is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 88,325.49	\$ 23,955.15	\$ 112,280.64
2022	89,435.91	22,844.73	112,280.64
2023	90,560.29	21,720.35	112,280.64
2024	91,698.79	20,581.85	112,280.64
2025	92,851.62	19,429.02	112,280.64
2026-2030	482,064.19	79,339.01	561,403.20
2030-2035	513,137.96	48,265.24	561,403.20
2036-2040	508,728.29	15,246.99	523,975.28
Total	<u>\$ 1,956,802.54</u>	<u>\$ 251,382.34</u>	<u>\$ 2,208,184.88</u>

NOTE 8 – LEASES

Capital Leases

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

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

	Governmental <u>Activities</u>
Equipment	\$ 251,747
Less: Accumulated Depreciation	<u>(103,258)</u>
Net Value	<u>\$ 148,489</u>

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 – (Continued)

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, 2020, were as follows:

<u>Year ending December 31</u>	<u>Governmental Activities</u>	<u>Proprietary Funds</u>
2021	\$ 54,788.18	\$ -
2022	54,788.18	-
2023	32,537.07	-
2024	21,412.70	-
	<u>163,526.13</u>	-
Less Interest	(10,420.74)	-
	<u>\$ 153,105.39</u>	<u>\$ -</u>

Georgia Municipal Association/Magnolia Leasing

On January 19, 2018, 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. 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, 2020:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 31,114.49	\$ 2,260.99	\$ 33,375.48
2022	32,301.61	1,073.87	33,375.48
2023	11,038.00	86.37	11,124.37
Total	<u>\$ 74,454.10</u>	<u>\$ 3,421.23</u>	<u>\$ 77,875.33</u>

CITY OF CORNELIA, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020

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 \$21,412.70 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, 2020:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 78,651.29</u>	<u>\$ 6,999.51</u>	<u>\$ 85,650.80</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, 2020.

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.

CITY OF CORNELIA, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 9 – (Continued)

Members are vested after ten years of service has been completed. 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	19
Number of active vested employees	<u>78</u>
Total number of participants	<u>139</u>

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 a 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, 2020, the City reported a net pension liability of \$2,595,148. The net pension liability was measured on July 1, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2020. For the fiscal year ended December 31, 2020, the City recognized a pension expense in the amount of \$275,320.

On December 31, 2020, 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	\$ 315,392	\$ (64,080.00)
Changes in assumptions	93,620	
Net difference between projected and actual earnings on pension plan investments	<u>537,867</u>	-
Total	<u>\$ 946,879</u>	<u>\$ (64,080)</u>

CITY OF CORNELIA, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020

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	Net Amount
2021	\$ 180,743.00
2022	211,211.00
2023	270,022.00
2024	175,289.00
2025	45,534.00
Total	\$ 882,799.00

Actuarial Assumptions

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions as applied to all periods included in the measurement:

Inflation	2.55% per year
Cost of Living Adjustment	0% per year
Investment Return:	7.50% per year
Future Salary Increases:	3.25% per year with an age based scale as follows:

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

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

CITY OF CORNELIA, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 9 – (Continued)

The mortality assumptions used in the July 1, 2020, actuarial report was 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%	6.41%
International Equity	20%	6.96%
Real Estate	10%	4.76%
Global Fixed Income	5%	3.06%
Domestic Fixed Income	20%	1.96%
Cash	0%	
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability was 7.375 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, 2020

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, 2019	\$ <u>6,494,525</u>	\$ <u>4,806,115</u>	\$ <u>1,688,410</u>
Changes for the year:			
Service Cost	113,386	-	113,386
Interest	480,362	-	480,362
Difference between actual and expected experience	211,620	-	211,620
Employer contributions	-	305,261	(305,261)
Employee contributions	-	-	-
Net investment income	-	(327,344)	327,344
Benefit payments	(406,167)	(406,167)	-
Administrative expense	-	(17,703)	17,703
Other	<u>61,584</u>	<u>-</u>	<u>61,584</u>
Net Changes	<u>460,785</u>	<u>(445,953)</u>	<u>906,738</u>
Balances at March 31, 2020	\$ <u><u>6,955,310</u></u>	\$ <u><u>4,360,162</u></u>	\$ <u><u>2,595,148</u></u>

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

The discount rate used to measure the total net pension liability was 7.375%. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.375%) or one percentage point higher (8.375%) than the current rate:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.375%	3,481,087
Current discount rate	7.375%	2,595,148
1% increase	8.375%	1,860,725

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.

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9– (Continued)

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. The City does not contribute to these plans.

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 2020 were \$ 6,571,865

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, 2020. No provisions have been made in the financial statements for the year ended December 31, 2020, for any estimate of unpaid claims.

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

CITY OF CORNELIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 NOTE 13– (Continued)

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, 2020, 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

The City levies an 8% lodging tax, allocated as required by O.C.G.A. 48-13-51(b), with 22% to Habersham Chamber of Commerce, 21.75% to the Cornelia Hospitality and Tourism Board, 18.75% allocated to tourism and product development (TPD) and the balance, 37.5% unrestricted funds available to the City. Total Hotel/motel taxes collected were \$261,886, of which \$54,799 was allocated to Habersham Chamber of Commerce, \$52,566 was allocated to Cornelia Hospitality and Tourism Board, and \$42,755.26 went to tourism and product development.

NOTE 15 – CHANGES IN BEGINNING BALANCES

A prior period adjustment has been made to adjust the beginning balance of the Municipal Complex Capital Projects fund. This adjustment was required to reflect the bond sinking fund account in the Capital Projects fund instead of the General fund. This adjustment decreased beginning balance of the General fund by \$453,662 and increased the Municipal Complex Capital Project fund by \$453,662.

This adjustment has no effect on the net position at the entity wide level.

A prior period adjustment has been made to adjust the beginning net position of the General fund. This adjustment was required to reflect beginning balance in accrued vacation. This adjustment decreased beginning net position of the General fund by \$23,730.

A prior period adjustment has been made to adjust the beginning net position of the Water and Sewer Enterprise fund. This adjustment was required to reflect beginning balance in accrued vacation. This adjustment decreased beginning net position of the Water and Sewer fund by \$20,940.

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, 2020

	<u>ORIGINAL BUDGET</u>	<u>BUDGET AS AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE FROM AMENDED</u>
REVENUES				
Taxes				
Property	\$ 1,771,653	\$ 1,771,653	\$ 1,797,713	\$ 26,060
Franchise	525,000	525,000	516,777	(8,223)
Beer and Wine	196,800	196,800	199,873	3,073
Insurance Premium	285,000	285,000	336,987	51,987
License and Permits	187,000	187,000	178,712	(8,288)
Charges for Services	615,000	615,000	552,401	(62,599)
Fines and Forfeitures	225,500	225,500	154,465	(71,035)
Interest Income	1,000	1,000	315	(685)
Intergovernmental	300,000	300,000	60,000	(240,000)
Grants	35,780	35,780	395,155	359,375
Miscellaneous	35,050	35,050	42,410	7,360
TOTAL REVENUE	<u>4,177,783</u>	<u>4,177,783</u>	<u>4,234,808</u>	<u>57,025</u>
EXPENDITURES				
Current:				
General Government	290,700	290,700	104,338	186,362
City Manager	309,744	311,144	285,753	25,391
Human Resources	141,113	141,113	123,980	17,133
Police Department	1,784,120	1,784,120	1,609,929	174,191
Fire Department	1,070,851	1,095,851	1,059,618	36,233
Streets and Sanitation	1,375,247	1,375,247	798,879	576,368
Public Buildings and Library			12,111	(12,111)
Recreation Department	111,900	111,900	103,822	8,078
Planning Department	114,867	114,967	103,633	11,334
Debt Service				0
Principal Retirement			87,568	(87,568)
Interest and Fiscal Charges			6,063	(6,063)
TOTAL EXPENDITURES	<u>5,198,542</u>	<u>5,225,042</u>	<u>4,295,694</u>	<u>929,348</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,020,759)</u>	<u>(1,047,259)</u>	<u>(60,886)</u>	<u>986,373</u>
OTHER FINANCING SOURCES (USES)				
Prior Year Fund Balance	317,759	344,259		
Debt Proceeds	500,000	500,000		
Sale of Equipment			109,252	109,252
Interfund Transfers	203,000	203,000	142,737	(60,263)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,020,759</u>	<u>1,047,259</u>	<u>251,989</u>	<u>48,989</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,103</u>	<u>\$ 1,035,362</u>

CITY OF CORNELIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS
DECEMBER 31, 2020
(Unaudited)

	FISCAL YEAR END	
	<u>2020</u>	<u>2019</u>
Total Pension Liability as of the beginning of year (1)	\$ 6,494,525	\$ 6,147,642
Service Cost	113,386	116,244
Interest on Total Pension Liability	480,362	455,367
Difference between expected and actual experience	211,620	(41,497)
Change of assumptions	-	-
Changes of benefit terms	-	201,429
Benefits Payments, including refunds of employee contributions	(406,167)	(384,660)
Other	61,584	-
Total Pension Liability as of March 31, 2015 (2)	<u>\$ 6,955,310</u>	<u>\$ 6,494,525</u>
Fiduciary Net Position as of beginning of year (3)	\$ 4,806,115	\$ 4,762,868
Employer Contributions	305,261	275,320
Employee Contributions	-	-
Net Investment Income	(327,344)	169,435
Benefit Payments	(406,167)	(384,660)
Administrative Expense	(17,703)	(16,848)
Other	-	-
Fiduciary Net Position as of End of Year (4)	<u>\$ 4,360,162</u>	<u>\$ 4,806,115</u>
Net pension liability as of beginning of year (1)-(3)	<u>\$ 1,688,410</u>	<u>\$ 1,384,774</u>
Net Pension liability as of end of year (2) - (4)	<u>\$ 2,595,148</u>	<u>\$ 1,688,410</u>
Fiduciary Net Position as a % of Total Pension Liability (4)/(2)	62.69%	74.00%
Covered-employee payroll	\$ 3,148,348	\$ 2,963,878
Net pension liability as a % of covered-employee payroll	82.43%	56.97%

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

SCHEDULE 1

FISCAL YEAR END				
	2018	2017	2016	2015
\$	5,596,110	5,476,646	\$ 5,200,997	\$ 4,968,312
	123,705	119,441	132,015	135,964
	420,470	412,683	391,838	373,883
	264,136	(109,247)	41,837	31,586
	-	-	-	(20,722)
	-	-	-	-
	(341,379)	(303,413)	(290,041)	(288,026)
	84,600	-	-	-
\$	6,147,642	5,598,127	\$ 5,476,646	\$ 5,200,997
\$	4,311,488	3,856,704	\$ 3,843,088	\$ 3,521,323
	276,436	292,183	303,520	280,513
	-	-	-	-
	533,956	484,930	12,041	340,398
	(341,379)	(303,413)	(290,041)	(288,026)
	(17,633)	(18,916)	(11,904)	(11,120)
	-	-	-	-
\$	4,762,868	4,311,488	\$ 3,856,704	\$ 3,843,088
\$	1,284,622	1,619,942	\$ 1,357,909	\$ 1,446,989
\$	1,384,774	1,286,639	\$ 1,619,942	\$ 1,357,909
	77.47%	77.02%	70.42%	73.89%
\$	2,811,394	2,769,374	\$ 2,819,555	\$ 2,672,333
	49.26%	46.46%	57.45%	50.81%

**CITY OF CORNELIA
 SCHEDULE OF CONTRIBUTIONS
 LAST TEN FISCAL YEARS
 DECEMBER 31, 2020
 (Unaudited)**

	FISCAL YEAR END	
	2020	2019
Actuarially determined contribution	\$ *	\$ 302,331
Contributions in relation to the actuarially determined contribution	*	302,331
Contribution deficiency (excess)	\$ *	\$ -
Covered - employee payroll	\$ *	\$ 2,963,878
Contributions as a percentage of covered-employee payroll	*	10.20%

* 2020 information will be determined after fiscal year end and will be included in the 2021 valuation report.

SCHEDULE 2

FISCAL YEAR END			
2018	2017	2016	2015
\$ 264,717	\$ 278,876	\$ 295,186	\$ 280,513
<u>265,917</u>	<u>279,976</u>	<u>296,261</u>	<u>281,968</u>
\$ <u>(1,200)</u>	\$ <u>(1,100)</u>	\$ <u>(1,075)</u>	\$ <u>(1,455)</u>
\$ 2,811,394	\$ 2,769,374	\$ 2,819,555	\$ 2,672,333
9.46%	10.11%	10.51%	10.55%

CITY OF CORNELIA, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020

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, 2020, 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, 2020.

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, 2020

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, 2020**

SCHEDULE 3

	<u>Special Revenue Fund</u> HOTEL/ MOTEL TAX	<u>Capital Projects Fund</u> ADA PLAYGROUND EQUIPMENT	Total Non-major Governmental Funds
ASSETS			
Cash	\$ 42,964	\$ 5,424	\$ 48,388
TOTAL ASSETS	<u>\$ 42,964</u>	<u>\$ 5,424</u>	<u>\$ 48,388</u>
 LIABILITIES	 \$ _____	 \$ _____	 \$ _____
TOTAL LIABILITIES	<u> -</u>	<u> -</u>	<u> -</u>
 FUND BALANCES			
Restricted for:			
Tourism and Promotion	42,964		42,964
Capital Outlay Projects		5,424	5,424
TOTAL FUND BALANCES	<u>42,964</u>	<u>5,424</u>	<u>48,388</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 42,964</u>	<u>\$ 5,424</u>	<u>\$ 48,388</u>

CITY OF CORNELIA, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

SCHEDULE 4

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Non-major</u>
REVENUES	HOTEL/ MOTEL TAX	ADA PLAYGROUND EQUIPMENT	Governmental Funds
Hotel/Motel Tax	\$ 261,886	\$	\$ 261,886
Donations		-	-
Interest	138	-	138
	<u>262,024</u>	<u>-</u>	<u>262,024</u>
 EXPENDITURES			
Tourism and Promotion	158,875		158,875
	<u>158,875</u>	<u>-</u>	<u>158,875</u>
 EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	103,149	-	103,149
 OTHER FINANCING SOURCES(USES)			
Operating Transfers In(Out)	(107,098)	-	(107,098)
	<u>(107,098)</u>	<u>-</u>	<u>(107,098)</u>
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,949)	-	(3,949)
 FUND BALANCES BEGINNING OF YEAR -	46,913	5,424	52,337
	<u>46,913</u>	<u>5,424</u>	<u>52,337</u>
 FUND BALANCES END OF YEAR	\$ 42,964	\$ 5,424	\$ 48,388
	<u>\$ 42,964</u>	<u>\$ 5,424</u>	<u>\$ 48,388</u>

**CITY OF CORNELIA, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

SCHEDULE 5

	2020	2019
ASSETS		
Cash	\$ 2,545,765	\$ 2,644,956
Taxes Receivable	1,602,394	1,637,017
Accounts Receivable	45,174	43,498
Due from Other Funds		
TOTAL ASSETS	\$ 4,193,333	\$ 4,325,471
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 208,893	\$ 146,227
Accrued Payroll	60,276	48,459
Payroll Taxes Withheld and Accrued	25,197	19,621
TOTAL LIABILITIES	294,366	214,307
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue -property taxes	285,479	235,117
 FUND BALANCE		
Unassigned	3,613,488	3,876,047
TOTAL FUND BALANCE	3,613,488	3,876,047
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,193,333	\$ 4,325,471

CITY OF CORNELIA, GEORGIA
GENERAL FUND

SCHEDULE 6

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
REVENUES		
Taxes		
Property	\$ 1,797,713	\$ 1,876,617
Franchise	516,777	497,720
Beer and Wine	199,873	191,596
Insurance Premium	336,987	320,071
License and Permits	178,712	176,716
Charges for Services	552,401	598,588
Fines and Forfeitures	154,465	186,696
Interest Income	315	2,101
Intergovernmental	60,000	-
Grants	395,155	112,518
Miscellaneous	42,410	38,330
TOTAL REVENUE	4,234,808	4,000,953
 EXPENDITURES		
Current:		
General Government	104,338	125,463
City Manager	285,753	296,880
Human Resources	123,980	122,077
Police Department	1,609,929	1,618,480
Fire Department	1,059,618	1,023,045
Streets and Sanitation	798,879	570,803
Public Buildings and Library	12,111	-
Recreation Department	103,822	62,117
Planning Department	103,633	95,065
Maintenance and Mechanical	-	-
Debt Service	-	-
Principal Retirement	87,568	117,946
Interest and Fiscal Charges	6,063	229,752
TOTAL EXPENDITURES	4,295,694	4,261,628
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(60,886)	(260,675)
 OTHER FINANCING SOURCES (USES)		
Sale of Equipment	109,252	4,310
Lease Proceeds	-	99,797
Interfund Transfers	142,737	896,791
TOTAL OTHER FINANCING SOURCES (USES)	251,989	1,000,898
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	191,103	740,223
 FUND BALANCE - Beginning of Year as Previously Reported	3,876,047	3,135,824
Prior Period Adjustment	(453,662)	-
FUND BALANCE (resated)	3,422,385	3,135,824
 FUND BALANCE - END OF YEAR	\$ 3,613,488	\$ 3,876,047

**CITY OF CORNELIA, GEORGIA
BUDGETARY COMPARISON SCHEDULE
BUDGET (GAAP BASIS) AND ACTUAL**

SCHEDULE 7

**FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	2020			2019
	FINAL BUDGET	ACTUAL	VARIANCE	ACTUAL
REVENUES				
Taxes				
Property	\$ 1,771,653	\$ 1,797,713	\$ 26,060	\$ 1,876,617
Franchise	525,000	516,777	(8,223)	497,720
Beer and Wine	196,800	199,873	3,073	191,596
Insurance Premium	285,000	336,987	51,987	320,071
License and Permits	187,000	178,712	(8,288)	176,716
Charges for Services	615,000	552,401	(62,599)	598,588
Fines and Forfeitures	225,500	154,465	(71,035)	186,696
Interest Income	1,000	315	(685)	2,101
Intergovernmental	300,000	60,000	(240,000)	-
Grants	35,780	395,155	359,375	112,518
Miscellaneous	35,050	42,410	7,360	38,330
TOTAL REVENUE	<u>4,177,783</u>	<u>4,234,808</u>	<u>57,025</u>	<u>4,000,953</u>
EXPENDITURES				
Current:				
General Government	290,700	104,338	186,362	125,463
City Manager	311,144	285,753	25,391	296,880
Human Resources	141,113	123,980	17,133	122,077
Police Department	1,784,120	1,609,929	174,191	1,618,480
Fire Department	1,095,851	1,059,618	36,233	1,023,045
Streets and Sanitation	1,375,247	798,879	576,368	570,803
Recreation Department	111,900	12,111	99,789	62,117
Planning Department	114,967	103,822	11,145	95,065
Maintenance and Mechanical		103,633	(103,633)	
Debt Service				
Principal Retirement	0	87,568	(87,568)	117,946
Interest and Fiscal Charges	0	6,063	(6,063)	229,752
TOTAL EXPENDITURES	<u>5,225,042</u>	<u>4,295,694</u>	<u>929,348</u>	<u>4,261,628</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,047,259)</u>	<u>(60,886)</u>	<u>986,373</u>	<u>(260,675)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Equipment		109,252	109,252	4,310
Debt Proceeds	500,000	0	(500,000)	99,797
Prior Year Fund Balance	344,259		(344,259)	
Interfund Transfers	203,000	142,737	(60,263)	896,791
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,047,259</u>	<u>251,989</u>	<u>(795,270)</u>	<u>1,000,898</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 191,103</u>	<u>\$ 191,103</u>	<u>\$ 740,223</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, 2020 AND 2019**

SCHEDULE 8

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 42,964	\$ 46,913
TOTAL ASSETS	<u>\$ 42,964</u>	<u>\$ 46,913</u>
 LIABILITIES	 \$ _____	 \$ _____
TOTAL LIABILITIES	<u>_____</u>	<u>_____</u>
 FUND BALANCES		
Restricted for:		
Tourism and Promotion	42,964	46,913
Assigned for:		
Pet Friends	_____	_____
TOTAL FUND BALANCES	<u>42,964</u>	<u>46,913</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 42,964</u>	<u>\$ 46,913</u>

CITY OF CORNELIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

SCHEDULE 9

REVENUES	<u>2020</u>	<u>2019</u>
Hotel/Motel Tax	\$ 261,886	\$ 295,255
Donations		
Interest	138	542
	<u>262,024</u>	<u>295,797</u>
EXPENDITURES		
Tourism and Promotion	158,875	228,731
	<u>158,875</u>	<u>228,731</u>
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	103,149	67,066
OTHER FINANCING SOURCES(USES)		
Operating Transfers In(Out)	(107,098)	(96,791)
	<u>(107,098)</u>	<u>(96,791)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,949)	(29,725)
FUND BALANCES BEGINNING OF YEAR	<u>46,913</u>	<u>76,638</u>
FUND BALANCES END OF YEAR	<u>\$ 42,964</u>	<u>\$ 46,913</u>

**CITY OF CORNELIA, GEORGIA
 ADA PLAYGROUND EQUIPMENT
 CAPITAL PROJECTS FUND
 COMPARATIVE BALANCE SHEETS
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

SCHEDULE 10

	2020	2019
ASSETS		
Cash	\$ 5,424	\$ 5,424
TOTAL ASSETS	\$ 5,424	\$ 5,424
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES	\$ _____	\$ _____
DEFERRED INFLOWS OF RESOURCES	_____	_____
FUND BALANCE		
Restricted for:		
Capital Outlay Projects	5,424	5,424
TOTAL FUND BALANCE	5,424	5,424
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 5,424	\$ 5,424

**CITY OF CORNELIA, GEORGIA
 ADA PLAYGROUND EQUIPMENT
 CAPITAL PROJECTS FUND**

SCHEDULE 11

**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
REVENUES		
Interest Income	\$ -	\$ 1
Donations	-	-
TOTAL REVENUE	-	1
EXPENDITURES		
Capital		
Recreation Department		
TOTAL EXPENDITURES	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	1
FUND BALANCE - BEGINNING OF YEAR	5,424	5,423
FUND BALANCE - END OF YEAR	\$ 5,424	\$ 5,424

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, 2020 AND 2019

SCHEDULE 12

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$ 7,843,252	\$ 8,530,598
Accounts Receivable	817,079	867,902
Insurance Receivable	161,988	-
Grants Receivable	-	160,531
Due from Component Unit		32,900
Total Current Assets	<u>8,822,319</u>	<u>9,591,931</u>
 NON-CURRENT ASSETS		
Capital Assets		
Assets not being depreciated	779,593	779,593
Construction in Progress	-	20,319,940
Asset being depreciated	71,867,455	43,449,240
Accumulated Depreciation	<u>(18,825,208)</u>	<u>(17,238,449)</u>
Total Non-current Assets	<u>53,821,840</u>	<u>47,310,324</u>
Total Assets	<u>62,644,159</u>	<u>56,902,255</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Total Assets and Deferred Outflows of Resources	<u>\$ 63,107,778</u>	<u>\$ 57,078,687</u>
 LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 34,850	\$ 569,834
Accrued Payroll	49,559	39,843
Compensated Absences	23,782	
Current Portion of Notes Payable	88,325	
Total Current Liabilities	<u>196,516</u>	<u>609,677</u>
 NON-CURRENT LIABILITIES		
Water Deposits	13,655	15,715
Long-term Notes Payable	24,093,823	20,593,405
Net Pension Liability	1,072,662	697,876
Total Non-current Liabilities	<u>25,180,140</u>	<u>21,306,996</u>
TOTAL LIABILITIES	<u>25,376,656</u>	<u>21,916,673</u>
 DEFERRED INFLOWS OF RESOURCES		
Total Liabilities and Deferred Inflows of Resources	<u>26,486</u>	<u>38,299</u>
Total Liabilities and Deferred Inflows of Resources	<u>25,403,142</u>	<u>21,954,972</u>
 NET POSITION		
Net Investment in Capital Assets	30,136,516	26,716,919
Unrestricted	7,568,120	8,406,796
TOTAL NET POSITION	<u>\$ 37,704,636</u>	<u>\$ 35,123,715</u>

CITY OF CORNELIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

SCHEDULE 13

	2020	2019
OPERATING REVENUES		
Water Sales	\$ 4,238,381	\$ 4,064,819
Sewer Fees	4,683,153	3,883,831
Fines and Surcharges	23,032	43,276
Water and Sewer Taps	208,048	59,229
Miscellaneous Receipts	39,608	22,179
TOTAL OPERATING REVENUES	9,192,222	8,073,334
 OPERATING EXPENSES - By Department		
Administration	401,375	375,125
Water Plant	1,201,160	1,027,514
Disposal Plant	2,174,012	1,961,026
Water & Sewer System - Crew	796,222	832,578
Maintenance and Mechanical	1,240,644	1,192,111
Depreciation	1,586,759	878,948
TOTAL OPERATING EXPENSES	7,400,172	6,267,302
 OPERATING INCOME	1,792,050	1,806,032
 NON-OPERATING REVENUES (EXPENSE)		
Capital Grants	1,086,882	1,656,062
Interest Income	47,815	113,693
Interest Expense		(6,159)
TOTAL NON-OPERATING INCOME (EXPENSE)	1,134,697	1,763,596
 INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	2,926,747	3,569,628
Transfers In (Out)	(682,809)	(1,178,199)
Capital Grant to Component Unit		(188,691)
Capital Contributions	357,923	402,000
 CHANGE IN NET POSITION	2,601,861	2,604,738
 NET POSITION-BEGINNING OF YEAR (as originally stated)	35,123,715	32,518,977
Prior period adjustment	(20,940)	
NET POSITION-BEGINNING OF YEAR (restated)	35,102,775	32,518,977
 NET POSITION - END OF YEAR	\$ 37,704,636	\$ 35,123,715

CITY OF CORNELIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

SCHEDULE 14

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2020</u>	<u>2019</u>
Receipts from Customers	\$ 9,192,222	\$ 8,073,334
Payments to Suppliers	(4,461,609)	(3,796,280)
Payments to Employees	(1,718,238)	(1,364,829)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,012,375</u>	<u>2,912,225</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer(To) From other funds	(682,809)	(1,178,199)
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>(682,809)</u>	<u>(1,178,199)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	1,086,882	1,656,062
Capital Grant to Component Unit		(188,691)
Proceeds from Fieldale Farms, Inc.	301,500	402,000
Intergovernmental	56,423	
Note Proceeds	3,617,940	7,988,458
Principal Paid on Notes	(29,197)	(58,665)
Interest Paid		(6,159)
Acquisition Of Capital Assets	(8,098,275)	(12,387,753)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,064,727)</u>	<u>(2,594,748)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earned	47,815	113,703
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>47,815</u>	<u>113,703</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(687,346)	(747,019)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,530,598</u>	<u>9,277,617</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,843,252</u>	<u>\$ 8,530,598</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 1,792,050	\$ 1,806,032
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation	\$ 1,586,759	\$ 878,948
(Increase) Decrease in Accounts Receivable	50,823	(108,043)
(Increase) Decrease in Grants Receivable	160,531	(160,531)
(Increase) Decrease in Other Receivable	(161,988)	
(Increase) Decrease in Deferred Outflows	(287,187)	(14,569)
(Increase) Decrease in Due from Component Unit	32,900	
Increase (Decrease) in Customer Deposits	(2,060)	(33,296)
Increase (Decrease) in Due to General Fund	0	(49,864)
Increase (Decrease) in Accounts Payable	(534,984)	523,232
Increase (Decrease) in Accrued Payroll	9,716	11,407
Increase (Decrease) in Compensated Absences	2,842	
Increase (Decrease) in Net Pension Liability	374,786	125,503
Increase (Decrease) in Deferred Inflows	(11,813)	(66,594)
TOTAL ADJUSTMENTS	<u>1,220,325</u>	<u>1,106,193</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,012,375</u>	<u>\$ 2,912,225</u>

CITY OF CORNELIA, GEORGIA
STORMWATER FUND
COMPARATIVE STATEMENTS OF NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

SCHEDULE 15

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$ 307,372	\$ 516,789
Accounts Receivable	21,003	12,609
Total Current Assets	<u>328,375</u>	<u>529,398</u>
 NON-CURRENT ASSETS		
Capital Assets		
Construction in Progress	-	-
Asset being depreciated	503,585	-
Accumulated Depreciation	<u>(6,761)</u>	<u>-</u>
Total Non-current Assets	<u>496,824</u>	<u>0</u>
Total Assets	<u>\$ 825,199</u>	<u>\$ 529,398</u>
 NET POSITION		
Unrestricted	<u>825,199</u>	<u>529,398</u>
Net Position	<u>\$ 825,199</u>	<u>\$ 529,398</u>

CITY OF CORNELIA, GEORGIA
STORMWATER FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

SCHEDULE 16

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Charges	\$ 300,824	\$ 272,904
TOTAL OPERATING REVENUES	<u>300,824</u>	<u>272,904</u>
OPERATING EXPENSES - By Department		
Depreciation	6,761	
TOTAL OPERATING EXPENSES	<u>6,761</u>	
OPERATING INCOME	<u>294,063</u>	<u>272,904</u>
NON-OPERATING REVENUES (EXPENSE)		
Interest Income	1,738	4,224
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>1,738</u>	<u>4,224</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	295,801	277,128
Transfers In (Out)		(157,525)
CHANGE IN NET POSITION	295,801	119,603
TOTAL NET POSITION - BEGINNING OF YEAR	<u>529,398</u>	<u>409,795</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 825,199</u>	<u>\$ 529,398</u>

**CITY OF CORNELIA, GEORGIA
STORMWATER FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

SCHEDULE 17

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 292,430	\$ 292,245
Payments to Suppliers		
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>292,430</u>	<u>292,245</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers (To) From Other Funds		(157,525)
Acquisition of Capital Assets	<u>(503,585)</u>	
NET CASH (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>(503,585)</u>	<u>(157,525)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Earned	<u>1,738</u>	<u>4,224</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	1,738	4,224
 NET INCREASE IN CASH AND CASH EQUIVALENTS	(209,417)	138,944
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>516,789</u>	<u>377,845</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 307,372</u>	<u>\$ 516,789</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 294,063	\$ 272,904
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation	6,761	
(Increase) Decrease in Accounts Receivable	<u>(8,394)</u>	<u>19,341</u>
TOTAL ADJUSTMENTS	<u>(1,633)</u>	<u>19,341</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 292,430</u>	<u>\$ 292,245</u>

CITY OF CORNELIA, GEORGIA
CORNELIA WATER AND SEWER AUTHORITY
COMPARATIVE STATEMENTS OF NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

SCHEDULE 18

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$ 46,306	\$ 46,305
Total Current Assets	<u>46,306</u>	<u>46,305</u>
 NON-CURRENT ASSETS		
Capital Assets		
Assets not being depreciated	11,103,212	11,103,212
Asset being depreciated	(2,389,402)	(2,167,338)
Accumulated Depreciation	<u>(2,389,402)</u>	<u>(2,167,338)</u>
Total Non-current Assets	<u>8,713,810</u>	<u>8,935,874</u>
Total Assets	<u>\$ 8,760,116</u>	<u>\$ 8,982,179</u>
 LIABILITIES		
Current Liabilities		
Current Portion of Long-term Notes	665,314	655,870
Total Current Liabilities	<u>665,314</u>	<u>655,870</u>
 NON-CURRENT LIABILITIES		
Long-term Notes Payable	744,776	1,410,090
Total Non-current Liabilities	<u>744,776</u>	<u>1,410,090</u>
Total Liabilities	<u>1,410,090</u>	<u>2,065,960</u>
 NET POSITION		
Net Investment in Capital Assets	7,303,720	6,869,914
Unrestricted	46,306	46,305
Net Position	<u>\$ 7,350,026</u>	<u>\$ 6,916,219</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, 2020 AND 2019

SCHEDULE 19

	2020	2019
OPERATING REVENUES		
Rent	\$ 705,797	\$ 756,443
TOTAL OPERATING REVENUES	705,797	756,443
 OPERATING EXPENSES - By Department		
Depreciation	222,064	222,064
TOTAL OPERATING EXPENSES	222,064	222,064
 OPERATING INCOME	483,733	534,379
 NON-OPERATING REVENUES (EXPENSE)		
Transfer In		535,724
Interest Expense	(49,926)	(58,444)
TOTAL NON-OPERATING INCOME (EXPENSE)	(49,926)	477,280
 CHANGE IN NET POSITION	433,807	1,011,659
 TOTAL NET POSITION - BEGINNING OF YEAR	6,916,219	5,904,560
 TOTAL NET POSITION - END OF YEAR	\$ 7,350,026	\$ 6,916,219

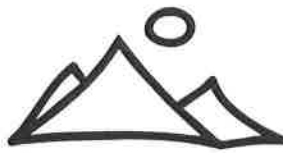
**CITY OF CORNELIA, GEORGIA
 CORNELIA WATER AND SEWER AUTHORITY
 COMPARATIVE STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

SCHEDULE 20

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 705,797	\$ 756,443
Payments to Suppliers		
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>705,797</u>	<u>756,443</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers (To) From Other Funds		535,724
NET CASH (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES		<u>535,724</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Notes	(655,870)	(1,233,722)
Interest Paid	(49,926)	(58,444)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(705,796)</u>	<u>(1,292,166)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1	1
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>46,305</u>	<u>46,304</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 46,306</u>	<u>\$ 46,305</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 483,733	\$ 534,379
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation	<u>222,064</u>	<u>222,064</u>
TOTAL ADJUSTMENTS	<u>222,064</u>	<u>222,064</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 705,797</u>	<u>\$ 756,443</u>

COMPLIANCE SECTION

Joseph Duncan, CPA
Joe Kitchens, CPA



DUNCAN & KITCHENS, LLC
Certified Public Accountants

Members of
American Institute and
Georgia Society of
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business – type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The City of Cornelia, Georgia, as of and for the year ended December 31, 2020, 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 29, 2021.

Internal Control over Financial Reporting

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

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

HABERSHAM COUNTY

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

RABUN COUNTY

P.O. Box 1470 • 45 South Main Street
Clayton, GA 30525
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. This item is reported as item 2012-1.

Compliance and Other Matters


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

The City of Cornelia, Georgia's Response to Findings

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

Purpose of this Report

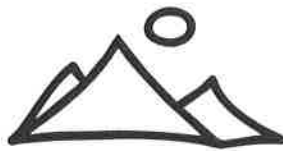
This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The City of Cornelia, Georgia's internal control over compliance. This report is an integral part of an audit performed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


Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia
June 29, 2021

SINGLE AUDIT SECTION

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

Joseph Duncan, CPA
Joe Kitchens, CPA



DUNCAN & KITCHENS, LLC
Certified Public Accountants

Members of
American Institute and
Georgia Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON 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, 2020. 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.

HABERSHAM COUNTY

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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, 2020.

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, CPAs

Duncan & Kitchens, LLC
Certified Public Accountants
Clarkeville, Georgia
June 29, 2021

City of Cornelia
 Schedule of Expenditures of Federal Awards by Grant
 12/31/2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor and Number</i>	<i>Name of Grant-Grant ID No.</i>	<i>Federal Expenditures</i>
United States Department of Housing and Urban Development: Indirect Federal Grants:				
Passed through Georgia Department of Community Affairs <i>Community Development Block Grants/State's Program and Non-Entitlement Grants</i>	14.228	Georgia Department of Community Affairs	16p-x-068-2-5992	750,000
Total United states Department of Housing and Urban Development				750,000
United States Environmental Protection Agency Indirect Federal Grants:				
Passed through Georgia Environmental Facilities Authority (GEFA) Drinking Water Program	66.458	GEFA	CWSRF 2017-024	553,990
Capitalization Grants for Clean Water State Revolving Funds				
Total Capitalization Grants for Clean Water State Revolving Funds				553,990
Passed through Georgia Environmental Facilities Authority (GEFA) Drinking Water Program	66.458	GEFA	DWSRF 15-024	123,901
Capitalization Grants for Drinking Water State Revolving Funds				

City of Cornelia
 Schedule of Expenditures of Federal Awards by Grant
 12/31/2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor and Number</i>	<i>Name of Grant-Grant ID No.</i>	<i>Federal Expenditures</i>
Capitalization Grants for Drinking Water State Revolving Funds	66.458	GEFA	DWSRF 12-008	<u>117,205</u>
Total Capitalization Grants for Drinking Water State Revolving Funds				<u>241,106</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY				<u>795,096</u>
United States Department of Homeland Security:				
(FY) 2018 Firefighters Grant (AFG)	97-044	-	EMW-2018-FO-03679	<u>35,952</u>
Total United States Department of Homeland Security:				<u>35,952</u>
United States Department of the Treasury:				
Passed through Coronavirus Relief Fund	21.019		14425-CRF	<u>245,144</u>
Total United States Department of the Treasury				<u>245,144</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>1,826,192</u></u>

CITY OF CORNELIA, GEORGIA
NOTES TO THE SCHEDULE OF FEDERAL AWARDS BY GRANT
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020. 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.

CITY OF CORNELIA, GEORGIA
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED DECEMBER 31, 2020

1. SUMMARY OF THE AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

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

B. FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified:	None Reported
Significant deficiencies identified Not considered material weaknesses?	None Reported
Type of auditor's report issued on Compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	None Reported
Identification of major programs:	
14.228 Community Development Block Grants/ States Program and Non-Entitlement Grants	
Dollar threshold used to distinguish Between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee	Yes

CITY OF CORNELIA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

1. Financial Statement Findings

A. Current Year Audit Findings

None Reported

B. Prior Year Audit Findings Follow-Up

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**
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2020

		Expenditures		
Habersham County, Georgia SPLOST VI		Prior Years	Current Year	Total
Streets and Sidewalks	\$ 2,347,370	\$ 831,795	\$ 384,202	\$ 1,215,997
Community Facilities	650,000	649,291		649,291
Water	300,000	-		-
Sewer	590,698	-	-	-
Public Safety	<u>1,050,000</u>	<u>1,359,015</u>	<u>81,220</u>	<u>1,440,235</u>
	<u>\$ 4,938,068</u>	<u>\$ 2,840,101</u>	<u>\$ 465,422</u>	<u>\$ 3,305,523</u>