

**CITY OF CORNELIA**  
**CORNELIA, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2015**

CITY OF CORNELIA, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2015

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**INDEPENDENT AUDITOR'S REPORT**

# DUNCAN & KITCHENS, LLC

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Cornelia, Georgia, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Cornelia, Georgia's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Cornelia, Georgia, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

##### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 37 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to

be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cornelia, Georgia's basic financial statements. The Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds (as required by the Official Code of Georgia Annotated 48-8-21) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016 on our consideration of the City of Cornelia, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cornelia, Georgia's internal control over financial reporting and compliance.

Duncan & Kitchens, LLC

Duncan & Kitchens, LLC  
Certified Public Accountants  
Clarkesville, Georgia  
June 30, 2016

**BASIC FINANCIAL STATEMENTS**

CITY OF CORNELIA, GEORGIA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015

EXHIBIT 1

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
<b>ASSETS AND DEFERRED</b>				
<b>OUTFLOWS OF RESOURCES</b>				
Current Assets				
Cash	\$ 1,447,230	\$ 9,952,471	\$ 11,399,701	\$ 15,729
Taxes Receivable	1,498,442	-	1,498,442	-
Accounts Receivable	54,627	426,741	481,368	-
Notes Receivable				380,233
Intergovernmental Receivable	411,094	(411,094)	-	-
Total Current Assets	<u>3,411,393</u>	<u>9,968,118</u>	<u>13,379,511</u>	<u>395,962</u>
Noncurrent Assets				
Non-Depreciable	252,176	779,593	1,031,769	-
Depreciable Assets, Net	4,347,169	27,241,845	31,589,014	-
Total Noncurrent Assets	<u>4,599,345</u>	<u>28,021,438</u>	<u>32,620,783</u>	<u>-</u>
TOTAL ASSETS	<u>8,010,738</u>	<u>37,989,556</u>	<u>46,000,294</u>	<u>395,962</u>
Deferred Outflows of Resources	<u>93,769</u>	<u>55,071</u>	<u>148,840</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,104,507</u>	<u>\$ 38,044,627</u>	<u>\$ 46,149,134</u>	<u>\$ 395,962</u>
<b>LIABILITIES AND DEFERRED</b>				
<b>INFLOWS OF RESOURCES</b>				
Current Liabilities				
Accounts Payable	\$ 40,610	\$ 40,732	\$ 81,342	\$ -
Accrued Payroll	52,610	38,232	90,842	-
Payroll Taxes Withheld	29,394		29,394	
Notes Payable - Short Term		412,027	412,027	
Lease Payable - Current Portion	21,109	8,930	30,039	
Current Portion of Long-Term Debt	-	757,854	757,854	16,412
Total Current Liabilities	<u>143,723</u>	<u>1,257,775</u>	<u>1,401,498</u>	<u>16,412</u>
Noncurrent Liabilities				
Water Deposits		16,984	16,984	
Lease Payable		28,776	28,776	
Long-Term Notes Payable	64,601	4,884,480	4,949,081	363,547
Net Pension Obligation	855,483	502,426	1,357,909	
Total Noncurrent Liabilities	<u>920,084</u>	<u>5,432,666</u>	<u>6,352,750</u>	<u>363,547</u>
TOTAL LIABILITIES	<u>1,063,807</u>	<u>6,690,441</u>	<u>7,754,248</u>	<u>379,959</u>
Deferred Inflows of Resources	<u>45,260</u>	<u>26,582</u>	<u>71,842</u>	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,109,067</u>	<u>6,717,023</u>	<u>7,826,090</u>	
<b>NET POSITION</b>				
Net Investment in				
Capital Assets	4,513,635	21,929,371	26,443,006	-
Restricted for:				
Capital Projects	660,395		660,395	
Tourism	116,660		116,660	
Unrestricted Assets	1,704,750	9,398,233	11,102,983	16,003
TOTAL NET POSITION	<u>\$ 6,995,440</u>	<u>\$ 31,327,604</u>	<u>\$ 38,323,044</u>	<u>\$ 16,003</u>

The accompanying notes are an integral part of this statement.



**CITY OF CORNELIA, GEORGIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**EXHIBIT 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>					
Governmental Activities					
General Government	\$ 363,462	\$ 165,638	\$	\$	\$ (197,824)
Better Hometown	60,099				(60,099)
City Manager	243,387				(243,387)
Human Resources	95,071				(95,071)
Police	1,215,735	235,071			(980,664)
Fire	799,002	85,878			(713,124)
Streets & Sanitation	596,511	336,103		183,311	(77,097)
Public Buildings	323,985				(323,985)
Recreation Department	147,484	42,745			(104,739)
Planning Department	224,419	56,078			(168,341)
Maintenance and Mechanica	107,261				(107,261)
Interest on long-term debt	2,073				(2,073)
Total Governmental Activities	<u>4,178,489</u>	<u>921,513</u>		<u>183,311</u>	<u>(3,073,665)</u>
Business-type Activities					
Water and Sewer Fund	4,898,366	6,826,740		878,521	2,806,895
Water and Sewer Authority	392,327	894,318			501,991
Total Business-type Activities	<u>5,290,693</u>	<u>7,721,058</u>		<u>878,521</u>	<u>3,308,886</u>
Total Primary Government	<u>9,469,182</u>	<u>8,642,571</u>		<u>1,061,832</u>	<u>235,221</u>
<b>Component Unit</b>					
Downtown Development Authority					
	<u>33,468</u>				<u>(33,468)</u>
Primary Government					
		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<b>Change in Net Position</b>					
Net (expense) revenue		\$ (3,073,665)	\$ 3,308,886	\$ 235,221	\$ (33,468)
<b>General Revenues:</b>					
Taxes:					
Property		1,307,769		1,307,769	
Franchise		506,535		506,535	
Motel Tax		267,576		267,576	
Beer and Wine		179,961		179,961	
Insurance Premium		240,450		240,450	
Unrestricted Investment Earnings		545	4,773	5,318	15,088
Intergovernmental		561,102		561,102	
Miscellaneous		29,280		29,280	
Donations		245		245	29,072
Transfers		500,000	(500,000)		
Total General Revenues and Transfers		<u>3,593,463</u>	<u>(495,227)</u>	<u>3,098,236</u>	<u>44,160</u>
Change in net position		519,798	2,813,659	3,333,457	10,692
Net Position - Beginning of Year - as previously reported					
		7,423,377	29,069,552	36,492,929	5,311
Prior Period Adjustment					
		(947,735)	(555,607)	(1,503,342)	
Net Position - Beginning of Year as restated					
		6,475,642	28,513,945	34,989,587	
Net Position - End of Year as Restated					
	\$	<u>6,995,440</u>	<u>\$ 31,327,604</u>	<u>\$ 38,323,044</u>	<u>\$ 16,003</u>

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

EXHIBIT 3

	GENERAL FUND	SPLOST VI CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash	\$ 792,763	\$ 392,828	\$ 261,639	\$ 1,447,230
Taxes Receivable	1,373,522	124,920		1,498,442
Accounts Receivable	54,627			54,627
Due from Other Funds	411,094			411,094
<b>TOTAL ASSETS</b>	<b>\$ 2,632,006</b>	<b>\$ 517,748</b>	<b>\$ 261,639</b>	<b>\$ 3,411,393</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 40,610	\$	\$	\$ 40,610
Accrued Payroll	52,610			52,610
Payroll Taxes Withheld and Accrued	29,394			29,394
<b>TOTAL LIABILITIES</b>	<b>122,614</b>			<b>122,614</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue -property taxes	129,477			129,477
<b>FUND BALANCE</b>				
Restricted for:				
Capital Outlay Projects		517,748	142,647	660,395
Tourism and Promotion			116,660	116,660
Assigned				
Pet Friends			2,332	2,332
Unassigned	2,379,915			2,379,915
<b>TOTAL FUND BALANCE</b>	<b>2,379,915</b>	<b>517,748</b>	<b>261,639</b>	<b>3,159,302</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,632,006</b>	<b>\$ 517,748</b>	<b>\$ 261,639</b>	<b>\$ 3,411,393</b>
-				
Adjustments to the Statement of Net Position				
Fund Balance				\$ 3,159,302
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds				4,599,345
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds				
Property Taxes				129,477
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				(855,483)
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				93,769
Deferred Inflows - Pensions				(45,260)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.				(85,710)
Net Position of Governmental Activities (Exhibit "I")				<b>\$ 6,995,440</b>

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, 2015**

**EXHIBIT 4**

	<b>GENERAL FUND</b>	<b>SPLOST VI CAPITAL PROJECTS</b>	<b>NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>				
Taxes				
Property	\$ 1,429,465	\$	\$	\$ 1,429,465
Franchise	506,535			506,535
Motel			267,576	267,576
Beer and Wine	179,961			179,961
Insurance Premium	240,450			240,450
License and Permits	158,198			158,198
Charges for Services	607,311			607,311
Fines and Forfeitures	156,004			156,004
Interest Income	86	125	336	547
Intergovernmental	12,132	548,970		561,102
Grants	183,311			183,311
Donations	0		245	245
Miscellaneous	29,280			29,280
<b>TOTAL REVENUE</b>	<b>3,502,733</b>	<b>549,095</b>	<b>268,157</b>	<b>4,319,985</b>
<b>EXPENDITURES</b>				
Current:				
General Government	118,395		161,380	279,775
Better Hometown	62,348			62,348
City Manager	251,670			251,670
Human Resources	98,034			98,034
Police Department	1,171,949		10,429	1,182,378
Fire Department	781,895	1,298		783,193
Streets and Sanitation	802,773		24,272	827,045
Public Buildings and Library	333,990	30,049		364,039
Recreation Department	64,257		66,672	130,929
Planning Department	232,719			232,719
Maintenance and Mechanical	111,333			111,333
Debt Service				
Principal Retirement	72,807			72,807
Interest and Fiscal Charges	2,073			2,073
<b>TOTAL EXPENDITURES</b>	<b>4,104,243</b>	<b>31,347</b>	<b>262,753</b>	<b>4,398,343</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(601,510)</b>	<b>517,748</b>	<b>5,404</b>	<b>(78,358)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund Transfers	601,679	0	(101,679)	500,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>601,679</b>	<b>0</b>	<b>(101,679)</b>	<b>500,000</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<b>169</b>	<b>517,748</b>	<b>(96,275)</b>	<b>421,642</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>2,379,746</b>	<b>0</b>	<b>357,914</b>	<b>2,737,660</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 2,379,915</b>	<b>\$ 517,748</b>	<b>\$ 261,639</b>	<b>\$ 3,159,302</b>

Adjustments to the Statement of Activities  
Net Change in Fund Balance

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 (296,997) exceeded Depreciation (290,711) 6,286

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (121,696)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in statement of net assets. 72,807

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 140,759

Change in net position of governmental activities (Exhibit 2) **\$ 519,798**

The accompanying notes are an integral part of this statement.

**CITY OF CORNELIA, GEORGIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2015**

**EXHIBIT 5**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>WATER AND SEWER ENTERPRISE FUND</b>	<b>CORNELIA WATER AND SEWER AUTHORITY</b>	<b>TOTAL</b>
<b>CURRENT ASSETS</b>			
Cash	\$ 9,906,067	\$ 46,404	\$ 9,952,471
Accounts Receivable	426,741		426,741
Total Current Assets	<u>10,332,808</u>	<u>46,404</u>	<u>10,379,212</u>
<b>NON-CURRENT ASSETS</b>			
Capital Assets			
Assets not being depreciated	779,593		779,593
Asset being depreciated	31,333,082	11,103,212	42,436,294
Accumulated Depreciation	<u>(13,915,367)</u>	<u>(1,279,082)</u>	<u>(15,194,449)</u>
Total Non-Current Assets	<u>18,197,308</u>	<u>9,824,130</u>	<u>28,021,438</u>
Total Assets	<u>28,530,116</u>	<u>9,870,534</u>	<u>38,400,650</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>55,071</u>		<u>55,071</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 28,585,187</u>	<u>\$ 9,870,534</u>	<u>\$ 38,455,721</u>
 <b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 40,732	\$	\$ 40,732
Accrued Payroll	38,232		38,232
Due to General Fund	411,094		411,094
Notes Payable - Short Term	412,027		412,027
Current Portion of Long-term Notes	8,929	757,854	766,783
Total Current Liabilities	<u>911,014</u>	<u>757,854</u>	<u>1,668,868</u>
<b>NON-CURRENT LIABILITIES</b>			
Water Deposits	16,984		16,984
Long-term Notes Payable	28,776	4,884,481	4,913,257
Net Pension Liability	502,426		502,426
Total Non-current Liabilities	<u>548,186</u>	<u>4,884,481</u>	<u>5,432,667</u>
Total Liabilities	<u>1,459,200</u>	<u>5,642,335</u>	<u>7,101,535</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>26,582</u>		<u>26,582</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,485,782</u>	<u>5,642,335</u>	<u>7,128,117</u>
 <b>NET POSITION</b>			
Net Investment in Capital Assets	17,747,576	4,181,795	21,929,371
Unrestricted	9,351,829	46,404	9,398,233
Net Position	<u>\$ 27,099,405</u>	<u>\$ 4,228,199</u>	<u>\$ 31,327,604</u>

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

EXHIBIT 6

	<u>WATER AND SEWER ENTERPRISE FUND</u>	<u>CORNELIA WATER AND SEWER AUTHORITY</u>	<u>TOTAL</u>
<b>OPERATING REVENUES</b>			
Water Sales	\$ 3,315,031	\$	\$ 3,315,031
Sewer Fees	3,450,355		3,450,355
Fines and Surcharges	29,848		29,848
Water and Sewer Taps	22,570		22,570
Rent		894,318	894,318
Miscellaneous Receipts	8,936		8,936
<b>TOTAL OPERATING REVENUES</b>	<u>6,826,740</u>	<u>894,318</u>	<u>7,721,058</u>
 <b>OPERATING EXPENSES - By Department</b>			
Administration	354,268		354,268
Water Plant	976,697		976,697
Disposal Plant	1,925,016		1,925,016
Water & Sewer System - Crew	533,257		533,257
Maintenance and Mechanical	394,623		394,623
Depreciation	708,500	222,064	930,564
<b>TOTAL OPERATING EXPENSES</b>	<u>4,892,361</u>	<u>222,064</u>	<u>5,114,425</u>
 <b>OPERATING INCOME</b>	<u>1,934,379</u>	<u>672,254</u>	<u>2,606,633</u>
 <b>NON-OPERATING REVENUES (EXPENSE)</b>			
Capital Grants	476,521		476,521
Interest Income	4,773		4,773
Interest Expense	(6,005)	(170,263)	(176,268)
<b>TOTAL NON-OPERATING INCOME (EXPENSE)</b>	<u>475,289</u>	<u>(170,263)</u>	<u>305,026</u>
 <b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	2,409,668	501,991	2,911,659
Transfers In (Out)	(500,000)		(500,000)
Capital Contributions	402,000		402,000
 <b>CHANGE IN NET POSITION</b>	2,311,668	501,991	2,813,659
<b>NET POSITION - Beginning of Year-as previously reported</b>	25,343,344	3,726,208	29,069,552
Prior Period Adjustment	(555,607)		(555,607)
<b>NET POSITION - Beginning of Year-as restated</b>	<u>24,787,737</u>	<u>3,726,208</u>	<u>28,513,945</u>
 <b>NET POSITION - END OF YEAR</b>	<u>\$ 27,099,405</u>	<u>\$ 4,228,199</u>	<u>\$ 31,327,604</u>

The accompanying notes are an integral part of this statement.

**CITY OF CORNELIA, GEORGIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**EXHIBIT 7**

	<b>WATER AND SEWER ENTERPRISE FUND</b>	<b>CORNELIA WATER AND SEWER AUTHORITY</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 6,826,740	\$ 894,318	\$ 7,721,058
Payments to Suppliers	(2,856,866)		(2,856,866)
Payments to Employees	(1,389,814)		(1,389,814)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,580,060</u>	<u>894,318</u>	<u>3,474,378</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer(To) From other funds	(500,000)		(500,000)
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(500,000)		(500,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Grants	476,521		476,521
Proceeds from Fieldale Farms, Inc.	402,000		402,000
Note Proceeds	50,868		50,868
Principal Paid on Notes	(29,630)	(738,118)	(767,748)
Interest Paid	(6,005)	(170,263)	(176,268)
Acquisition Of Capital Assets	(1,710,742)		(1,710,742)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(816,988)	(908,381)	(1,725,369)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Earned	4,773		4,773
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>4,773</u>		<u>4,773</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,267,845	(14,063)	1,253,782
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>8,638,222</u>	<u>60,468</u>	<u>8,698,690</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 9,906,067</u>	<u>\$ 46,405</u>	<u>\$ 9,952,472</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 1,934,379	\$ 672,254	\$ 2,606,633
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities			
Depreciation	\$ 708,500	\$ 222,064	\$ 930,564
(Increase) Decrease in Accounts Receivable	94,383		94,383
(Increase) Decrease in Deferred Outflows	(42,384)		
Increase (Decrease) in Customer Deposits	(1,735)		(1,735)
Increase (Decrease) in Due to General Fund	(6,397)		(6,397)
Increase (Decrease) in Accounts Payable	(64,144)		(64,144)
Increase (Decrease) in Accrued Payroll	(3,257)		(3,257)
Increase (Decrease) in Net Pension Liability	(32,959)		(32,959)
Increase (Decrease) in Deferred Inflows	(6,326)		(6,326)
TOTAL ADJUSTMENTS	<u>645,681</u>	<u>222,064</u>	<u>910,129</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,580,060</u>	<u>\$ 894,318</u>	<u>\$ 3,516,762</u>

The accompanying notes are an integral part of this statement.

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Description of Government Unit**

The City of Cornelia (the "City") was incorporated under the laws of the State of Georgia in 1887 and operates under an elected mayor-commission form of Government. The City's combined financial statements include the accounts of all the City's operations.

The financial statements of the City of Cornelia have been prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for the City's accounting and financial reporting policies. The more significant of the City's accounting policies are described below.

The more significant of the City's accounting policies are described below.

**A. Financial Reporting Entity**

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statement 14, "The Financial Reporting Entity" and GASB Statement 39 "Determining Whether Certain Organizations are Component Units". The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of organizations governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

Blended Component Units: - Blended component units, although legally separate entities, are, in substance, part of the Government's operations.

City of Cornelia Water and Sewer Authority – On May 5, 2011, the City of Cornelia created the City of Cornelia Water and Sewer Authority, under the provisions of the Official Code of Georgia Annotated Section 12-8-50. The Authority consists of five directors who are appointed by the City of Cornelia Council. The authority is blended with the Water and Sewer Enterprise fund since all services benefit the City of Cornelia. Separate financial statements are not issued for the Authority.

Discretely Presented Component Units: - Discretely presented component units are reported in a separate column in the combined financial statements to emphasize it is legally separate from the Government.

Cornelia Downtown Development Authority – The Cornelia Downtown Development Authority (CDDA) was created through a resolution from the Cornelia City Commission in 1982 and was reactivated in the summer of 2011. The CDDA was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of ten members appointed by the City Council and three ex-officio members. The Downtown Development Authority provides for the vitalization of the downtown area of the City of Cornelia.

The City of Cornelia Downtown Development Authority is reported in a separate column. Separate financial statements are not issued for the Authority.

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 – (Continued)

Related organizations:

The Cornelia Housing Authority administers Federal funding and/or other financing for improvement of housing conditions in the City. The five citizens who serve as the Governing Board are appointed by the City Commission. The City has no significant influence over the management, budget or policies of the Cornelia Housing Authority. The Authority reports independently.

**B. Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities and fund financial statements, which provide a more detailed level of financial information.

**Government-wide Financial Statements** - The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Individual funds are not displayed. The statements distinguish between governmental activities, generally supported by taxes, intergovernmental revenues, and other non-exchange transactions and business-type activities, which are generally financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial position of the governmental and business type activities of the City at year end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities, for identifiable activity of the business-type activities of the City. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. These revenues are subject to externally imposed restrictions to these program uses.

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted*.

Taxes and other revenue sources not properly included with the program revenues are reported as general revenues of the City. The comparison between direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns.



CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 – (Continued)

**Fund Accounting** – The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

**Governmental Funds**

Governmental Funds are those through which most of the governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balance of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

The *General Fund* is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.

The *SPLOST V Capital Projects Fund* accounts for the funds from the City's share of the Habersham County Special Purpose Local Option Sales Tax. The SPLOST V Fund is considered a major fund for reporting purposes.

The *Special Revenue Funds* account for revenues derived from specific sources (other than capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The Special revenue funds are not considered a major fund for reporting purposes.

**Proprietary Fund:** The Government reports the following proprietary funds:

The City reports the following major enterprise funds:

*The Water and Sewer Enterprise Fund-* This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Cornelia.

*The City of Cornelia Water and Sewer Authority-* This is a legally separate entity that is reported as blended with the Water and Sewer Enterprise Fund since all services benefit the City of Cornelia.

**C. – Measurement Focus, Basis of Accounting**

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included in the statement of net position. The statement of activities reports revenues and expenses.

**Fund Financial Statements** – All governmental funds are accounted for using a flow of current financial included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 – (Continued)

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

Like the government-wide statements, all proprietary funds types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

At the fund reporting level, governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual method and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues- Exchange Transactions*** – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the calendar year which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current calendar year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year end.

***Revenues – Non-exchange Transactions*** – Non-exchange transactions, in which the City receives value without directly giving equal value in return, includes sales tax, property taxes, grants and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the calendar year for which the taxes are levied. Revenue from grants and donations is recognized in the calendar year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specific the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days for property taxes and other non-exchange transactions) before it can be recognized.

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

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

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 – (Continued)

**D. Assets, Liabilities and Equity**

**Cash and Investments** - Cash and cash equivalents include amounts in demand and time deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. Cash and cash equivalents are reported on the balance sheets, statements of net position and in cash flow statements. State statutes authorize the City to invest in the following types of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or Government Agency
- Obligations of any corporation of the United States Government
- Prime Bankers acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Obligations of the other political subdivisions of the State of Georgia

1. **Receivables** – Levied property taxes are recorded as receivables and recognized as revenue in the year they become due. The levy is made on assessed valuations as of January 1, and the taxes are due on December 20 of each year.

The tax bills are mailed at least 60 days prior to the due date. The billings are considered past due 60 days after the tax billings date or December 20, whichever is later, at which time the applicable property is subject to lien, and penalties are assessed.

All trade and property tax receivables are shown net of an allowance for uncollectibles, where applicable.

**2. Interfund Balances**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to /from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds.” Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**3. Inventories**

The cost of supplies is recorded as expenditure at the time the individual items are purchased. The amount of inventory on hand is insignificant and therefore not recorded.

**4. Capital Assets**

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent that the City’s capitalization threshold is met. The City capitalizes asset purchases valued at \$5,000 or more. Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays of the Proprietary Fund are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 – (Continued)

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

Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. No interest was capitalized during 2015.

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

**5. *Compensated Absences***

The City's policy does not allow the accumulation of vacation pay beyond a six-month period subsequent to year-end. Vacation taken subsequent to year-end requires approval of the department head and the Mayor and is lost if not taken by the end of the six-month period. The amount of 2015 vacation time taken in 2016 could not be reasonably estimated but it deemed to be immaterial. Sick pay benefits are nonvesting accumulating rights and are not accrued as allowed by FASB-43 (Accounting for Compensated Absences).

**6. *Accrued Liabilities and Long-term Obligations***

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

**7. *Fund Equity***

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

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

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

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 – (Continued)

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, 2015

NOTE 1 – (Continued)

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

**11. *Deferred Outflows/Inflows of Resources***

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

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. *Budgetary Information***

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

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

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 3 – DEPOSIT AND INVESTMENT RISK

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the City’s deposits may not be returned. The City has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized. At December 31, 2015 the City had no uninsured, uncollateralized deposits.

**Interest Rate Risk**

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit the investment choices. Investments are to be reported at fair value.

**Concentration of Credit Risk**

The City has no formal policy on the amount the City may invest in any one issuer.

**Foreign Currency Risk**

The City has no investments denominated in a foreign currency.

NOTE 4 – NOTES AND ACCOUNTS RECEIVABLE

**Primary Government**

Receivables at December 31, 2015 consisted of the following:

Major Funds	
General Fund	
Taxes	\$ 1,373,522
Service Fees	54,627
Enterprise Funds	
Water and Sewer	<u>426,741</u>
Total Primary Government	<u><u>\$ 1,854,890</u></u>

CITY OF CORNELIA, GEORGIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

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, 2015 on property values. Taxes were levied on November 8, 2015 for the 2015 tax year, and were due on January 8, 2016. All unpaid taxes levied on December 21, 2015 become delinquent as of January 9, 2016. Interest and penalties accrue after January 9, 2016.

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

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

**Component Unit**

***Cornelia Downtown Development Authority***

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

\$ 380,233

Due within one year

\$ 13,096

**Intergovernmental Receivable**

Major Funds

Splost

Intergovernmental

\$ 124,920

Total Primary Government

\$ 124,920



CITY OF CORNELIA, GEORGIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

NOTE 5 – INTERFUND BALANCES

DUE TO - FROM OTHER FUNDS

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Sewer	<u>411,094</u>
Total		\$ <u>411,094</u>

INTERFUND TRANSFERS

	Major Funds		Nonmajor Fund	
	General	Proprietary	Governmental	Combined
<i>Transfer Out To:</i>				
<b>Major Funds</b>				
General	\$ -	\$ (500,000)	\$ (101,679)	\$ (601,679)
<i>Transfer In From:</i>				
<b>Major Funds</b>				
Proprietary Fund	500,000			500,000
<b>Nonmajor Funds</b>				
Governmental	101,679			101,679
Total	\$ 601,679	\$ (500,000)	\$ (101,679)	\$ -

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, 2015

NOTE 6 - CHANGES IN FIXED ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

**Governmental -Type Activities:**

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 250,907	\$ 1,269	\$ -	\$ 252,176
<b>Depreciable Assets</b>				
Building	2,964,513	43,447		3,007,960
Furniture & Equipment	458,482			458,482
Fire Equipment	986,037			986,037
Police Equipment	1,157,762			1,157,762
Sanitation and Streets	857,957	64,425		922,382
Streetscape Project	2,390,440	187,856		2,578,296
Total Depreciable Assets	<u>8,815,191</u>	<u>295,728</u>	<u>-</u>	<u>9,110,919</u>
<b>Less: Accumulated Depreciation</b>				
Building	1,470,162	63,791		1,533,953
Furniture & Equipment	310,549	11,252		321,801
Fire Equipment	857,410	75,962		933,372
Police Equipment	941,344	85,023		1,026,367
Sanitation and Streets	766,975	41,621		808,596
Streetscape Project	126,599	13,062		139,661
Total Accumulated Depreciation	<u>4,473,039</u>	<u>290,711</u>	<u>-</u>	<u>4,763,750</u>
Net Depreciable Assets	<u>4,342,152</u>	<u>5,017</u>	<u>-</u>	<u>4,347,169</u>
Governmental activities assets, net	<u>\$ 4,593,059</u>	<u>\$ 6,286</u>	<u>\$ -</u>	<u>\$ 4,599,345</u>

Depreciation was charged to governmental functions as follows:

General Government Administration	\$ 75,043
Police	85,023
Fire	75,962
Streets and Sanitation	<u>54,683</u>
Total	<u>\$ 290,711</u>

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 6 – (Continued)

**Enterprise Activities**

	<u>Balance 1/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2015</u>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 779,593	\$ -	\$ -	\$ 779,593
<b>Depreciable Assets</b>				
Building	90,011	42,124		132,135
Equipment	2,133,569	181,173		2,314,742
Water Plant	7,569,230	-		7,569,230
Sewer Plant	13,814,454			13,814,454
Water and Sewer System	<u>17,118,288</u>	<u>1,487,444</u>		<u>18,605,732</u>
Total Depreciable Assets	<u>40,725,552</u>	<u>1,710,741</u>	<u>-</u>	<u>42,436,293</u>
<b>Less: Accumulated Depreciation</b>				
Building	66,183	9,129		75,312
Equipment	1,374,818	93,233		1,468,051
Water Plant	2,813,202	120,975		2,934,177
Sewer Plant	5,171,684	362,920		5,534,604
Water and Sewer System	<u>4,837,997</u>	<u>344,307</u>		<u>5,182,304</u>
Total Accumulated Depreciation	<u>14,263,884</u>	<u>930,564</u>		<u>15,194,448</u>
Net Depreciable Assets	<u>26,461,668</u>	<u>780,177</u>	<u>-</u>	<u>27,241,845</u>
Governmental activities assets, net	<u>\$ 27,241,261</u>	<u>\$ 780,177</u>	<u>\$ -</u>	<u>\$ 28,021,438</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, 2015

NOTE 6 – (Continued)

*Invested in Capital Assets, Net of Related Debt*

	Governmental	Enterprise
	Activities	Fund
	\$	\$
Invested in Capital Assets, net of related debt:		
Cost of Capital Assets	9,363,095	43,215,887
Accumulated Depreciation	(4,763,750)	(15,194,449)
Book Value	4,599,345	28,021,438
Capital Related Debt	(85,709)	(6,092,067)
<b>Total</b>	<b>\$ 4,513,636</b>	<b>\$ 21,929,371</b>

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, 2015:

Primary Government

	Balance			Balance	Due Within
	12/31/2014	Additions	Payments	12/31/2015	One Year
<b>Governmental Activities</b>					
Notes Payable	\$ 48,716	\$ -	\$ 48,716	\$ -	\$ -
Obligations Under					
Capital Lease	109,799	-	24,091	85,708	21,108
Net Pension Liability	911,603	84,641	140,761	855,483	-
<b>Total Debt</b>	<b>\$ 1,070,118</b>	<b>\$ 84,641</b>	<b>\$ 213,568</b>	<b>\$ 941,191</b>	<b>\$ 21,108</b>
<b>Enterprise Activities</b>					
Notes Payable	\$ 6,808,948	\$ 2,867	\$ 757,454	\$ 6,054,361	\$ 757,854
Obligations Under					
Capital Lease	-	48,000	10,294	37,706	8,930
Net Pension Liability	535,386	49,710	82,670	502,426	-
<b>Total Debt</b>	<b>\$ 7,344,334</b>	<b>\$ 100,577</b>	<b>\$ 850,418</b>	<b>\$ 6,594,493</b>	<b>\$ 8,930</b>

The amount of interest expense for the year in the General Fund was \$ 2,073. The amount of interest expense for the year in the Business-Type activities was \$ 176,309.

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 7 – (Continued)

The proprietary fund has incurred debt for the construction and improvement of water and sewer facilities. This debt is reported in the Proprietary Fund since it is expected to be repaid from Proprietary Fund Revenues.

This debt is however backed by the full faith and credit of the government and is considered general obligation debt.

Notes Payable – South State Bank

During the year 2012 the City transferred certain assets held in the water and sewer utility fund to the City of Cornelia Water and Sewer Authority. These assets were from the wastewater treatment facility. The Authority then obtained new financing with South State Bank at a lower interest rate. The proceeds from three loans were used to pay off the City’s debt to the Georgia Environmental Facilities Authority.

The description and amortization of these loans is as follows:

On October 31, 2012, the City entered into a loan with South State Bank to pay off loans with the Georgia Environmental Facilities Authority. The original amount of this loan was \$1,714,417.28. Principal and interest shall be due and payable in one hundred eighty monthly payments in the amount of \$12,084.53, commencing on November 30, 2012, and continuing monthly until October 30, 2027. The note bears interest at 2.84% per annum.

Amortization of this loan is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	99,620.69	45,393.67	145,014.36
2017	103,084.31	41,930.05	145,014.36
2018	106,532.86	38,481.50	145,014.36
2019	110,096.75	34,917.61	145,014.36
2020	113,687.97	31,326.39	145,014.36
2021-2025	628,540.77	96,531.03	725,071.80
2025-2029	257,702.91	8,204.18	265,907.09
Total	\$ <u>1,419,266.26</u>	\$ <u>296,784.43</u>	\$ <u>1,716,050.69</u>

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 7 – (Continued)

On October 31, 2012, the City entered into a loan with Community Bank and Trust 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:

2016	483,549.92	77,231.80	560,781.72
2017	496,641.70	64,140.02	560,781.72
2018	509,863.70	50,918.02	560,781.72
2019	523,437.71	37,344.01	560,781.72
2020	537,303.14	23,478.58	560,781.72
2021	551,557.99	9,104.08	560,662.07
Total	\$ 3,102,354.16	\$ 262,216.51	\$ 3,364,570.67

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

Amortization of this loan is as follows:

Year Ending	Principal	Interest	Total
2016	174,683.59	27,900.41	202,584.00
2017	179,413.02	23,170.98	202,584.00
2018	184,189.50	18,394.50	202,584.00
2019	189,093.16	13,490.84	202,584.00
2020	194,102.07	8,481.93	202,584.00
2021	199,233.18	3,289.10	202,522.28
Total	\$ 1,120,714.52	\$ 94,727.76	\$ 1,215,442.28

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 7 – (Continued)

Note Payable

The Water and Sewer Fund borrowed from Georgia Environmental Facilities Authority for water system improvements which are in progress at December 31, 2015. The loan balance was \$412,027 as of December 31, 2015. This loan was not in repayment status as of December 31, 2015.

Component Unit

**Cornelia Downtown Development Authority**

The following is a summary of Long-Term Debt transactions of the City of Cornelia Downtown Development Authority for the year ended December 31, 2015

Payable December 31, 2014	\$	293,847
New Debt		100,000
Debt Retired		<u>(13,888)</u>
Payable December 31, 2015	\$	<u>379,959</u>

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

Amortization of this loan is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	16,412.20	8,520.32	24,932.52
2017	16,814.55	8,117.97	24,932.52
2018	17,202.16	7,730.36	24,932.52
2019	329,529.50	4,927.03	334,456.53
2020			-
Total	\$ <u>379,958.41</u>	\$ <u>29,295.68</u>	\$ <u>409,254.09</u>

CITY OF CORNELIA, GEORGIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

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>	Proprietary <u>Fund</u>
Equipment	\$ 111,208	\$ 37,705
Less: Accumulated Depreciation	<u>(16,171)</u>	<u>(3,770)</u>
Net Value	\$ <u>95,037</u>	\$ <u>33,935</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015 were as follows:

<u>Year ending December 31</u>	Governmental <u>Activities</u>	Proprietary <u>Funds</u>
2016	\$ 24,433.59	\$ 10,294.60
2017	24,433.59	10,294.60
2018	24,433.59	10,294.60
2019	<u>20,255.26</u>	<u>10,294.60</u>
	93,556.03	41,178.40
	<u>(7,846.10)</u>	<u>(3,473.00)</u>
	\$ <u><u>85,709.93</u></u>	\$ <u><u>37,705.40</u></u>



CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 8 – (Continued)

Georgia Municipal Association/BB&T Governmental Finance

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

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at December 31, 2015:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	11,860.49	1,749.70	13,610.19
2017	12,275.61	1,334.58	13,610.19
2018	12,705.26	904.93	13,610.19
2019	13,149.95	460.24	13,610.19
Total	\$ <u>49,991.31</u>	\$ <u>4,449.45</u>	\$ <u>54,440.76</u>

Digital Ally

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

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at December 31, 2015:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	9,247.58	1,575.82	10,823.40
2017	9,720.69	1,102.71	10,823.40
2018	10,218.04	605.36	10,823.40
2019	6,530.31	114.76	6,645.07
Total	\$ <u>35,716.62</u>	\$ <u>3,398.65</u>	\$ <u>39,115.27</u>

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 8 – (Continued)

Georgia Municipal Association/BB&T Governmental Finance

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	8,929.66	1,364.94	10,294.60
2017	9,252.92	1,041.68	10,294.60
2018	9,587.87	706.73	10,294.60
2019	9,934.95	359.65	10,294.60
Total	\$ <u>37,705.40</u>	\$ <u>3,473.00</u>	\$ <u>41,178.40</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 August 6, 2015.

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

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

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

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 9 – (Continued)

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

Current Membership is as follows:

Number of retired participants and beneficiaries	38
Number of vested former participants	8
Number of active vested employees	<u>26</u>
Total number of participants	72

**Funding Policy**

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

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

As of December 31, 2015, the City reported a net pension liability of \$1,357,909. The net pension liability was measured on March 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2015. For the fiscal year ended December 31, 2015, the City recognized a pension expense in the amount of \$306,298.

At December 31, 2015, 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
	<u>26,320</u>	<u>(17,270)</u>
Differences between expected and actual experience		
Changes in assumptions		(17,270)
Net difference between projected and actual earnings on pension plan investments		(54,572)
City contributions subsequent to the measurement date	<u>122,520</u>	
Total	<u><u>148,840</u></u>	<u><u>(71,842)</u></u>

CITY OF CORNELIA, GEORGIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

NOTE 9 – (Continued)

The \$44,736 of deferred outflows of resources resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction in net position liability in the fiscal year ending December 31, 2016. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year Ending December 31	
2016	\$ 11,833
2017	11,833
2018	11,833
2019	11,833
2020	(1,810)
	<u>\$ 45,522</u>

**Actuarial Assumptions**

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions as applied to all periods included in the measurement:

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

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

CITY OF CORNELIA, GEORGIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

NOTE 9 – (Continued)

The mortality assumptions used in the July 1, 2015 actuarial report were based on a four-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, 2015 are summarized in the table below:

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

**Discount Rate:**

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

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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, 2014	\$ <u>4,968,312</u>	\$ <u>3,521,323</u>	\$ <u>1,446,989</u>
Changes for the year:			
Service Cost	135,964	-	135,964
Interest	373,883	-	373,883
Difference between actual and expected experience	31,586	-	31,586
Employer contributions	-	280,513	(280,513)
Employee contributions	-	-	-
Net investment income	-	340,398	(340,398)
Benefit payments	(288,026)	(288,026)	-
Administrative expense	-	(11,120)	11,120
Other	<u>(20,722)</u>	<u>-</u>	<u>(20,722)</u>
Net Changes	<u>232,685</u>	<u>321,765</u>	<u>(89,080)</u>
Balances at March 31, 2015	\$ <u><u>5,200,997</u></u>	\$ <u><u>3,843,088</u></u>	\$ <u><u>1,357,909</u></u>

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

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

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.75%	2,021,651
Current discount rate	7.75%	1,357,909
1% increase	8.75%	805,905

CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 9– (Continued)

**Plan Fiduciary Net Position:**

Detailed information about the Plan’s fiduciary net position is available in a separately issued Georgia Municipal Employee Benefit System financial report.

**Other Plans:**

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

NOTE 10 – CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts collected, may constitute a liability of the applicable funds. The amount, if any which may be disallowed by the grantor cannot be determined at this time although the government expects such amount, if any, to be immaterial.

The City is a defendant in various lawsuits. The financial statements do not include accrual of provisions for loss contingencies that may result from these proceedings. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City’s counsel that an adverse resolution on all of these matters would not have a material effect on the financial condition of the government.

NOTE 11– ECONOMIC DEPENDENCY/MAJOR CUSTOMERS

The City’s Enterprise Fund for Water and Sewer Services has sales to a single customer which comprises more than ten percent of the total revenue for the enterprise fund. Sales to this customer for 2015 were \$ 4,531,867.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has insurance coverage with the Georgia Municipal Association. Insurance coverage and deductible options for property, casualty and crime under the policy are selected by City’s management based on anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by the Association, as well as following loss reduction and prevention procedures established by the Association. The Association’s responsibility includes paying claims, and representing the City in defense and settlement of claims. The Association’s basis for estimating the liabilities for unpaid claims is established by the actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2015. No provisions have been made in the financial statements for the year ended December 31, 2015 for any estimate of unpaid claims.

CITY OF CORNELIA, GEORGIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

NOTE 12-- (Continued)

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

NOTE 13-- GEORGIA MOUNTAIN REGIONAL COMMISSION

The City of Cornelia, in conjunction with cities and counties in the Northeast Georgia area, is a member of the Georgia Mountains Commission. Membership in a Regional Commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the Commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the Commission. During its year ended December 31, 2015, the City paid \$4,253 in such dues. The Commission Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County Board members and municipal Board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the non-public Board member from a County. Separate financial statements can be obtained from:

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

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

NOTE 14 – HOTEL MOTEL TAX

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

	<u>Amount</u>
Collections	\$ 267,576
Habersham Chamber of Commerce	58,867
Cornelia Hospitality and Tourism Board	56,191



CITY OF CORNELIA, GEORGIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Governmental Activities

A prior period adjustment has been made to record a net pension liability, deferred outflows of resources, and deferred inflow of resources at December 31, 2014. This adjustment was required with the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This adjustment decreased the beginning net position by \$947,735.

Business Type Activities

A prior period adjustment has been made to record a net pension liability, deferred outflows of resources, and deferred inflow of resources at December 31, 2014. This adjustment was required with the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This adjustment decreased the beginning net position by \$556,607.

**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, 2015**

	<u>ORIGINAL BUDGET</u>	<u>BUDGET AS AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE FROM AMENDED</u>
<b>REVENUES</b>				
Taxes				
Property	\$ 1,330,156	\$ 1,330,156	\$ 1,429,465	\$ 99,309
Franchise	480,000	480,000	506,535	26,535
Beer and Wine	166,000	166,000	179,961	13,961
Insurance Premium	225,000	225,000	240,450	15,450
License and Permits	165,500	165,500	158,198	(7,302)
Charges for Services	644,700	644,700	607,311	(37,389)
Fines and Forfeitures	205,200	205,200	156,004	(49,196)
Interest Income	1,000	1,000	86	(914)
Intergovernmental	12,000	12,000	12,132	132
Grants	459,800	459,800	183,311	(276,489)
Donation			-	
Miscellaneous	14,950	14,950	29,280	14,330
<b>TOTAL REVENUE</b>	<u>3,704,306</u>	<u>3,704,306</u>	<u>3,502,733</u>	<u>(201,573)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	218,750	218,750	118,395	100,355
Better Hometown	71,207	71,207	62,348	8,859
City Manager	260,906	260,906	251,670	9,236
Human Resources	109,052	109,052	98,034	11,018
Police Department	1,279,222	1,279,222	1,171,949	107,273
Fire Department	794,032	794,032	781,895	12,137
Streets and Sanitation	885,042	885,042	802,773	82,269
Public Buildings	385,408	385,408	333,990	51,418
Recreation Department	74,700	74,700	64,257	10,443
Planning Department	263,755	263,755	232,719	31,036
Maintenance and Mechanical	138,800	138,800	111,333	27,467
Debt Service				
Principal Retirement	72,500	72,500	72,807	(307)
Interest and Fiscal Charges	2,500	2,500	2,073	427
<b>TOTAL EXPENDITURES</b>	<u>4,555,874</u>	<u>4,555,874</u>	<u>4,104,243</u>	<u>451,631</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(851,568)</u>	<u>(851,568)</u>	<u>(601,510)</u>	<u>250,058</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Prior Year Fund Balance	151,568	151,568		(151,568)
Interfund Transfers	700,000	700,000	601,679	(98,321)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>851,568</u>	<u>851,568</u>	<u>601,679</u>	<u>(249,889)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURE:</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169</u>	<u>\$ 169</u>

**CITY OF DEMOREST**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**LAST TEN FISCAL YEARS**  
**DECEMBER 31, 2015**  
(Unaudited)

**SCHEDULE I**

		<u>2015</u>
Total Pension Liability as of the beginning of year (1)	\$	4,968,312
Service Cost		135,964
Interest on Total Pension Liability		373,883
Difference between expected and actual experience		31,586
Change of assumptions		(20,722)
Changes of benefit terms		-
Benefits Payments, including refunds of employee contributions		(288,026)
Total Pension Liability as of March 31, 2015 (2)	\$	<u>5,200,997</u>
Fiduciary Net Position as of beginning of year (3)	\$	3,521,323
Employer Contributions		280,513
Employee Contributions		-
Net Investment Income		340,398
Benefit Payments		(288,026)
Administrative Expense		(11,120)
Other		-
Fiduciary Net Position as of End of Year (4)	\$	<u>3,843,088</u>
Net pension liability as of beginning of year (1)-(3)	\$	<u>1,446,989</u>
Net Pension liability as of end of year (2) - (4)	\$	<u>1,357,909</u>
Fiduciary Net Position as a % of Total Pension Liability (4)/(2)		73.89%
Covered-employee payroll	\$	2,672,333
Net pension liability as a % of covered-employee payroll		50.81%

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

**CITY OF CORNELIA**  
**SCHEDULE 2**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED**  
**RATIOS LAST TEN FISCAL YEARS**  
**DECEMBER 31, 2015**  
**(Unaudited)**

	<b>FISCAL</b> <b>YEAR END</b> <b>2015</b> <hr style="border: 0.5px solid black;"/>
Actuarially determined contribution	-*
Contributions in relation to the actuarially determined contribution	-*
Contribution deficiency (excess)	- <hr style="border: 1px solid black;"/>
Covered-employee payroll	-*
Contributions as a percentage of covered-employee payroll	-*

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

**CITY OF CORNELIA, GEORGIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2015**

**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, 2015, 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, 2016.

2. Methods and Assumptions Used to Determine Contribution Rates:

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

**CITY OF CORNELIA, GEORGIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2015**

3. Changes in Benefits

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

4. Changes of Assumptions

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

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

**OTHER SUPPLEMENTARY INFORMATION**



**COMBINING STATEMENTS**  
**NONMAJOR GOVERNMENTAL FUNDS**

CITY OF CORNELIA, GEORGIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2015

SCHEDULE 3

	<u>PET FRIENDS</u>	<u>HOTEL/ MOTEL TAX</u>	<u>SPLOST V CAPITAL PROJECTS</u>	<u>TOTAL</u>
<b>ASSETS</b>				
Cash	\$ 2,332	\$ 116,660	\$ 142,647	\$ 261,639
<b>TOTAL ASSETS</b>	<u>\$ 2,332</u>	<u>\$ 116,660</u>	<u>\$ 142,647</u>	<u>\$ 261,639</u>
 <b>LIABILITIES</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>FUND BALANCES</b>				
Restricted for:				
Tourism and Promotion		116,660		116,660
Capital Outlay Projects			142,647	142,647
Assigned for:				
Pet Friends	2,332			2,332
<b>TOTAL FUND BALANCES</b>	<u>2,332</u>	<u>116,660</u>	<u>142,647</u>	<u>261,639</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 2,332</u>	<u>\$ 116,660</u>	<u>\$ 142,647</u>	<u>\$ 261,639</u>

**CITY OF CORNELIA, GEORGIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2015**

**SCHEDULE 4**

<b>REVENUES</b>	<b>PET FRIENDS</b>	<b>HOTEL/ MOTEL TAX</b>	<b>SPLOST V CAPITAL OUTLAY</b>	<b>TOTAL</b>
Hotel/Motel Tax	\$	\$ 267,576	\$	\$ 267,576
Donations	245			245
Interest	-	101	235	336
<b>TOTAL REVENUE</b>	<u>245</u>	<u>267,677</u>	<u>235</u>	<u>268,157</u>
<b>EXPENDITURES</b>				
Public Safety			10,429	10,429
Streets			24,272	24,272
Recreation			66,672	66,672
Tourism and Promotion	-	161,380		161,380
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>161,380</u>	<u>101,373</u>	<u>262,753</u>
<b>EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES</b>	245	106,297	(101,138)	5,404
<b>OTHER FINANCING SOURCES(USES)</b>				
Operating Transfers In(Out)				
General Fund	-	(101,679)	-	(101,679)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	245	4,618	(101,138)	(96,275)
<b>FUND BALANCES BEGINNING OF YEAR</b>	<u>2,087</u>	<u>112,042</u>	<u>243,785</u>	<u>357,914</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$ 2,332</u>	<u>\$ 116,660</u>	<u>\$ 142,647</u>	<u>\$ 261,639</u>

## GENERAL FUND

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

**CITY OF CORNELIA, GEORGIA  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**SCHEDULE 5**

	2015	2014
<b>ASSETS</b>		
Cash	\$ 792,762	\$ 1,318,509
Taxes Receivable	1,373,522	947,153
Accounts Receivable	54,627	123,471
Due from Other Funds	411,094	417,491
<b>TOTAL ASSETS</b>	<b>\$ 2,632,005</b>	<b>\$ 2,806,624</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 40,610	\$ 94,577
Accrued Payroll	52,610	72,547
Payroll Taxes Withheld and Accrued	29,394	8,580
<b>TOTAL LIABILITIES</b>	<b>122,614</b>	<b>175,704</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue -property taxes	129,477	251,174
 <b>FUND BALANCE</b>		
Unassigned	2,379,914	2,379,746
<b>TOTAL FUND BALANCE</b>	<b>2,379,914</b>	<b>2,379,746</b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,632,005</b>	<b>\$ 2,806,624</b>

**CITY OF CORNELIA, GEORGIA**  
**GENERAL FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**SCHEDULE 6**

	<b>2015</b>	<b>2014</b>
<b>REVENUES</b>		
Taxes		
Property	\$ 1,429,465	\$ 1,480,915
Franchise	506,535	485,528
Motel		
Beer and Wine	179,961	176,723
Insurance Premium	240,450	225,070
License and Permits	158,198	157,426
Charges for Services	607,311	643,575
Fines and Forfeitures	156,004	156,597
Interest Income	86	93
Intergovernmental	12,132	9,379
Grants	183,311	241,006
Donations	-	-
Miscellaneous	29,280	7,863
<b>TOTAL REVENUE</b>	<b>3,502,733</b>	<b>3,584,175</b>
		3
<b>EXPENDITURES</b>		
Current:		
General Government	118,395	100,563
Better Hometown	62,348	64,656
City Manager	251,670	239,831
Human Resources	98,034	96,007
Police Department	1,171,949	1,329,070
Fire Department	781,895	740,984
Streets and Sanitation	802,773	745,865
Public Buildings and Library	333,990	333,077
Recreation Department	64,257	71,539
Planning Department	232,719	239,740
Maintenance and Mechanical	111,333	135,285
Public Utilities	-	-
Debt Service		
Principal Retirement	72,807	48,465
Interest and Fiscal Charges	2,073	3,390
<b>TOTAL EXPENDITURES</b>	<b>4,104,243</b>	<b>4,148,472</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(601,510)</b>	<b>(564,297)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Lease Proceeds	-	111,208
Interfund Transfers	601,679	481,628
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>601,679</b>	<b>592,836</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<b>169</b>	<b>28,539</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>2,379,746</b>	<b>2,351,207</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 2,379,915</b>	<b>\$ 2,379,746</b>

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

**SCHEDULE 7**

**(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015			2014
	FINAL BUDGET	ACTUAL	VARIANCE	ACTUAL
<b>REVENUES</b>				
Taxes				
Property	\$ 1,330,156	\$ 1,429,465	\$ 99,309	\$ 1,480,915
Franchise	480,000	506,535	26,535	485,528
Beer and Wine	166,000	179,961	13,961	176,723
Insurance Premium	225,000	240,450	15,450	225,070
License and Permits	165,500	158,198	(7,302)	157,426
Charges for Services	644,700	607,311	(37,389)	643,575
Fines and Forfeitures	205,200	156,004	(49,196)	156,597
Interest Income	1,000	86	(914)	93
Intergovernmental	12,000	12,132	132	9,379
Grants	459,800	183,311	(276,489)	241,006
Donation		-	0	-
Miscellaneous	14,950	29,280	14,330	7,863
<b>TOTAL REVENUE</b>	<u>3,704,306</u>	<u>3,502,733</u>	<u>(201,573)</u>	<u>3,584,175</u>
<b>EXPENDITURES</b>				
Current:				
General Government	218,750	118,395	100,355	100,563
Better Hometown	71,207	62,348	8,859	64,656
City Manager	260,906	251,670	9,236	239,831
Human Resources	109,052	98,034	11,018	96,007
Police Department	1,279,222	1,171,949	107,273	1,329,070
Fire Department	794,032	781,895	12,137	740,984
Streets and Sanitation	885,042	802,773	82,269	745,865
Public Buildings	385,408	333,990	51,418	333,077
Recreation Department	74,700	64,257	10,443	71,539
Planning Department	263,755	232,719	31,036	239,740
Maintenance and Mechanical	138,800	111,333	27,467	135,286
Debt Service			-	
Principal Retirement	72,500	72,807	(307)	48,465
Interest and Fiscal Charges	2,500	2,073	427	3,390
<b>TOTAL EXPENDITURES</b>	<u>4,555,874</u>	<u>4,104,243</u>	<u>451,631</u>	<u>4,148,473</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(851,568)</u>	<u>(601,510)</u>	<u>250,058</u>	<u>(564,298)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Prior Year Fund Balance	151,568		(151,568)	111,208
Interfund Transfers	700,000	601,679	(98,321)	481,629
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>851,568</u>	<u>601,679</u>	<u>(249,889)</u>	<u>592,837</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ 169</u>	<u>\$ 169</u>	<u>\$ 28,539</u>

## SPECIAL REVENUE FUNDS

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

### Pet Friends

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

### Hotel/Motel Tax Fund

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



CITY OF CORNELIA, GEORGIA  
 PET FRIENDS SPECIAL REVENUE FUND  
 COMPARATIVE BALANCE SHEETS  
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

SCHEDULE 8

	2015	2014
<b>ASSETS</b>		
Cash	\$ 2,332	\$ 2,087
TOTAL ASSETS	\$ 2,332	\$ 2,087
 <b>LIABILITIES</b>	\$	\$
TOTAL LIABILITIES		
 <b>FUND BALANCES</b>		
Assigned for:		
Pet Friends	2,332	2,087
TOTAL FUND BALANCES	2,332	2,087
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,332	\$ 2,087

**CITY OF CORNELIA, GEORGIA**  
**PET FRIENDS SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**SCHEDULE 9**

<b>REVENUES</b>	<u>2015</u>	<u>2014</u>
Donations	\$ 245	\$ 150
TOTAL REVENUE	<u>245</u>	<u>150</u>
<b>EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES</b>	245	150
<b>FUND BALANCES BEGINNING OF YEAR</b>	<u>2,087</u>	<u>1,937</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$ 2,332</u>	<u>\$ 2,087</u>

CITY OF CORNELIA, GEORGIA  
HOTEL / MOTEL TAX SPECIAL REVENUE FUND  
COMPARATIVE BALANCE SHEETS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

SCHEDULE 10

	2015	2014
<b>ASSETS</b>		
Cash	\$ 116,660	\$ 112,042
<b>TOTAL ASSETS</b>	\$ 116,660	\$ 112,042
 <b>LIABILITIES</b>	\$	\$
<b>TOTAL LIABILITIES</b>		
 <b>FUND BALANCES</b>		
Restricted for:		
Tourism and Promotion	116,660	112,042
Assigned for:		
Pet Friends		
<b>TOTAL FUND BALANCES</b>	116,660	112,042
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	\$ 116,660	\$ 112,042

**CITY OF CORNELIA, GEORGIA  
HOTEL/MOTEL TAX SPECIAL REVENUE FUND  
SCHEUDLE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**SCHEDULE 11**

<b>REVENUES</b>	<u>2015</u>	<u>2014</u>
Hotel/Motel Tax	\$ 267,576	\$ 208,732
Donations		
Interest	101	109
	<u>267,677</u>	<u>208,841</u>
<b>EXPENDITURES</b>		
Tourism and Promotion	<u>161,380</u>	<u>139,583</u>
	<u>161,380</u>	<u>139,583</u>
<b>EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES</b>	106,297	69,258
<b>OTHER FINANCING SOURCES(USES)</b>		
Operating Transfers In(Out)	<u>(101,679)</u>	<u>(81,628)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	4,618	(12,370)
<b>FUND BALANCES BEGINNING OF YEAR</b>	<u>112,042</u>	<u>124,412</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$ 116,660</u>	<u>\$ 112,042</u>

## CAPITAL PROJECTS FUNDS

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

### Special Purpose Local Option Sales Tax V

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

CITY OF CORNELIA, GEORGIA  
 SPECIAL PURPOSE LOCAL OPTION SALES TAX V  
 CAPITAL PROJECTS FUND  
 COMPARATIVE BALANCE SHEETS  
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

SCHEDULE 12

	2015	2014
<b>ASSETS</b>		
Cash	\$ 142,647	\$ 243,785
TOTAL ASSETS	\$ 142,647	\$ 243,785
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
<b>DEFERRED INFLOWS OF RESOURCES</b>		
<b>FUND BALANCE</b>		
Restricted for:		
Capital Outlay Projects	142,647	243,785
TOTAL FUND BALANCE	142,647	243,785
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	\$ 142,647	\$ 243,785

CITY OF CORNELIA, GEORGIA  
 SPECIAL PURPOSE LOCAL OPTION SALES TAX V  
 CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

SCHEDULE 13

	2015	2014
<b>REVENUES</b>		
Interest Income	\$ 235	\$ 453
Intergovernmental	-	133,464
<b>TOTAL REVENUE</b>	235	133,917
<b>EXPENDITURES</b>		
Capital		
Police Department	10,429	154,977
Fire Department		
Streets and Sanitation	24,272	77,517
Public Buildings		
Recreation Department	66,672	90,956
Maintenance and Mechanical		
Public Utilities	-	222,204
<b>TOTAL EXPENDITURES</b>	101,373	545,654
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(101,138)	(411,737)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	243,785	655,522
<b>FUND BALANCE - END OF YEAR</b>	\$ 142,647	\$ 243,785

## ENTERPRISE FUNDS

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

### Water and Sewer Fund

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

### City of Cornelia Water and Sewer Authority

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



**CITY OF CORNELIA, GEORGIA**  
**WATER AND SEWER ENTERPRISE FUND**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**SCHEDULE 14**

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>Current Assets:</b>		
Cash	\$ 9,906,067	\$ 8,638,222
Accounts Receivable	426,741	521,124
Total Current Assets	<u>10,332,808</u>	<u>9,159,346</u>
 <b>NON-CURRENT ASSETS</b>		
Capital Assets		
Assets not being depreciated	779,593	779,593
Asset being depreciated	31,333,082	29,622,340
Accumulated Depreciation	(13,915,367)	(13,206,866)
Total Non-current Assets	<u>18,197,308</u>	<u>17,195,067</u>
Total Assets	<u>28,530,116</u>	<u>26,354,413</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	<u>55,071</u>	
Total Assets and Deferred Outflows of Resources	<u>\$ 28,585,187</u>	<u>\$ 26,354,413</u>
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 40,732	\$ 104,876
Accrued Payroll	38,232	41,489
Due to General Fund	411,094	417,491
Notes Payable - Short Term	412,027	420,166
Current Portion of Long-term Notes	8,929	8,328
Total Current Liabilities	<u>911,014</u>	<u>992,350</u>
 <b>NON-CURRENT LIABILITIES</b>		
Water Deposits	16,984	18,719
Long-term Notes Payable	28,776	
Net Pension Liability	502,426	
Total Non-current Liabilities	<u>548,186</u>	<u>18,719</u>
TOTAL LIABILITIES	<u>1,459,200</u>	<u>1,011,069</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
	<u>26,582</u>	
Total Liabilities and Deferred Inflows of Resources	<u>1,485,782</u>	<u>1,011,069</u>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	17,747,576	16,766,573
Unrestricted	9,351,829	8,576,771
TOTAL NET POSITION	<u>\$ 27,099,405</u>	<u>\$ 25,343,344</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, 2015 AND 2014**

**SCHEDULE 15**

	2015	2014
<b>OPERATING REVENUES</b>		
Water Sales	\$ 3,315,031	\$ 3,229,131
Sewer Fees	3,450,355	3,415,945
Fines and Surcharges	29,848	24,985
Water and Sewer Taps	22,570	37,139
Rent		
Miscellaneous Receipts	8,936	25
<b>TOTAL OPERATING REVENUES</b>	6,826,740	6,707,225
 <b>OPERATING EXPENSES - By Department</b>		
Administration	354,268	343,543
Water Plant	976,697	1,039,954
Disposal Plant	1,925,016	1,820,631
Water & Sewer System - Crew	533,257	502,544
Maintenance and Mechanical	394,623	366,943
Depreciation	708,500	678,518
<b>TOTAL OPERATING EXPENSES</b>	4,892,361	4,752,133
 <b>OPERATING INCOME</b>	1,934,379	1,955,092
 <b>NON-OPERATING REVENUES (EXPENSE)</b>		
Capital Grants	476,521	837,760
Interest Income	4,773	6,177
Interest Expense	(6,005)	(467)
<b>TOTAL NON-OPERATING INCOME (EXPENSE)</b>	475,289	843,470
 <b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	2,409,668	2,798,562
Tansfers In (Out)	(500,000)	(400,000)
Capital Contributions	402,000	222,204
<b>CHANGE IN NET POSITION</b>	2,311,668	2,620,766
<b>NET POSITION- Beginning of Year - as previously reported</b>	25,343,344	22,722,578
Prior Period Adjustment	(555,607)	
<b>NET POSITION - Beginning of Year - as restated</b>	24,787,737	22,722,578
 <b>NET POSITION - END OF YEAR</b>	\$ 27,099,405	\$ 25,343,344

**CITY OF CORNELIA, GEORGIA**  
**WATER AND SEWER ENTERPRISE FUND**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**SCHEDULE 16**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 6,826,740	\$ 6,707,225
Payments to Suppliers	(2,856,866)	(2,949,986)
Payments to Employees	(1,389,814)	(1,326,059)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,580,060</u>	<u>2,431,180</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer(To) From other funds	<u>(500,000)</u>	<u>(400,000)</u>
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(500,000)	(400,000)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Grants	476,521	435,760
Proceeds from Fieldale Farms, Inc.	402,000	402,000
Special Purpose Sales Tax	0	222,204
Note Proceeds	50,868	420,166
Principal Paid on Notes	(29,630)	(8,099)
Interest Paid	(6,005)	(467)
Acquisition Of Capital Assets	<u>(1,710,742)</u>	<u>(2,473,025)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(816,988)	(1,001,461)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Earned	<u>4,773</u>	<u>6,176</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>4,773</u>	<u>6,176</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,267,845	1,035,895
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>8,638,222</u>	<u>7,602,327</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 9,906,067</u>	<u>\$ 8,638,222</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 1,934,379	\$ 1,955,092
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation	\$ 708,500	\$ 678,518
(Increase) Decrease in Accounts Receivable	94,383	(110,047)
(Increase) Decrease in Deferred Outflows	(42,384)	
Increase (Decrease) in Customer Deposits	(1,735)	(7,213)
Increase (Decrease) in Due to General Fund	(6,397)	(41,374)
Increase (Decrease) in Accounts Payable	(64,144)	(45,103)
Increase (Decrease) in Accrued Payroll	(3,257)	1,307
Increase (Decrease) in Net Pension Liability	(32,959)	
Increase (Decrease) in Deferred Inflows	<u>(6,326)</u>	
TOTAL ADJUSTMENTS	<u>645,681</u>	<u>476,088</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,580,060</u>	<u>\$ 2,431,180</u>

**CITY OF CORNELIA, GEORGIA  
 CORNELIA WATER AND SEWER AUTHORITY  
 COMPARATIVE STATEMENTS OF NET POSITION  
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**SCHEDULE 17**

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 46,404	\$ 60,468
Total Current Assets	<u>46,404</u>	<u>60,468</u>
 <b>NON-CURRENT ASSETS</b>		
Capital Assets		
Assets not being depreciated		
Asset being depreciated	11,103,212	11,103,212
Accumulated Depreciation	<u>(1,279,082)</u>	<u>(1,057,018)</u>
Total Non-current Assets	<u>9,824,130</u>	<u>10,046,194</u>
Total Assets	<u>\$ 9,870,534</u>	<u>\$ 10,106,662</u>
 <b>LIABILITIES</b>		
Current Liabilities		
Current Portion of Long-term Notes	<u>757,854</u>	<u>737,976</u>
Total Current Liabilities	<u>757,854</u>	<u>737,976</u>
 <b>NON-CURRENT LIABILITIES</b>		
Long-term Notes Payable	<u>4,884,481</u>	<u>5,642,478</u>
Total Non-current Liabilities	<u>4,884,481</u>	<u>5,642,478</u>
Total Liabilities	<u>5,642,335</u>	<u>6,380,454</u>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	4,181,795	3,665,740
Unrestricted	<u>46,404</u>	<u>60,468</u>
Net Position	<u>\$ 4,228,199</u>	<u>\$ 3,726,208</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, 2015 AND 2014**

**SCHEDULE 18**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Rent	\$ 894,318	\$ 873,144
TOTAL OPERATING REVENUES	<u>894,318</u>	<u>873,144</u>
 <b>OPERATING EXPENSES - By Department</b>		
Depreciation	<u>222,064</u>	<u>222,064</u>
TOTAL OPERATING EXPENSES	<u>222,064</u>	<u>222,064</u>
 <b>OPERATING INCOME</b>	 <u>672,254</u>	 <u>651,080</u>
 <b>NON-OPERATING REVENUES (EXPENSE)</b>		
Interest Expense	<u>(170,263)</u>	<u>(190,164)</u>
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>(170,263)</u>	<u>(190,164)</u>
 <b>CHANGE IN NET POSITION</b>	 501,991	 460,916
 <b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	 <u>3,726,208</u>	 <u>3,265,292</u>
 <b>TOTAL NET POSITION - END OF YEAR</b>	 \$ <u><u>4,228,199</u></u>	 \$ <u><u>3,726,208</u></u>

**CITY OF CORNELIA, GEORGIA  
 CORNELIA WATER AND SEWER AUTHORITY  
 COMPARATIVE STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**SCHEDULE 19**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 894,318	\$ 873,144
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>894,318</u>	<u>873,144</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Paid on Notes	(738,118)	(718,217)
Interest Paid	<u>(170,263)</u>	<u>(190,164)</u>
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(908,381)	(908,381)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(14,063)	(35,237)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>60,468</u>	<u>95,705</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 46,405</u>	<u>\$ 60,468</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 672,254	\$ 651,080
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation	<u>222,064</u>	<u>222,064</u>
<b>TOTAL ADJUSTMENTS</b>	<u>222,064</u>	<u>222,064</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 894,318</u>	<u>\$ 873,144</u>

**OTHER REPORTING SECTION**

# DUNCAN & KITCHENS, LLC

*Certified Public Accountants*

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Joseph Duncan, CPA, ATA, ATP  
Joe Kitchens, CPA

Members of  
American Institute and  
Georgia Society of  
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Cornelia, Georgia, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Cornelia, Georgia's basic financial statements and have issued our report thereon dated June 30, 2016.

### Internal Control over Financial Reporting

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

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

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

### 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.

### Compliance and Other Matters

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

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

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

### Purpose of this Report

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

Duncan & Kitchens, LLC

Duncan and Kitchens, LLC  
Certified Public Accountants  
Clarksville, Georgia  
June 30, 2016

**STATE REPORTING SECTION**

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

CITY OF CORNELIA, GEORGIA  
 SUPPLEMENTARY INFORMATION

SCHEDULE 20

SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Estimated Costs	Expenditures		
		Prior Years	Current Year	Total
<b>Habersham County, Georgia SPLOST V</b>				
Water	\$ 1,146,719	\$ 510,006	\$ -	\$ 510,006
Sewer	1,000,000	700,000	-	700,000
Public Safety	400,000	653,366	10,429	663,795
Roads and Bridges	378,477	89,172	24,272	113,444
Public Facilities	256,000	269,185	-	269,185
Recreation	100,000	344,626	66,672	411,298
	<u>\$ 3,281,196</u>	<u>\$ 2,566,355</u>	<u>\$ 101,373</u>	<u>\$ 2,667,728</u>

**Habersham County, Georgia SPLOST VI**

Streets and Sidewalks	\$ 2,347,370	\$ -	\$ -	\$ -
Community Facilities	650,000	30,049	-	30,049
Water	300,000	-	-	-
Sewer	590,698	-	-	-
Public Safety	1,050,000	1,298	-	1,298
	<u>\$ 4,938,068</u>	<u>\$ 31,347</u>	<u>\$ -</u>	<u>\$ 31,347</u>