

CITY OF COCHRAN, GEORGIA
ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

CITY OF COCHRAN, GEORGIA

CITY OF COCHRAN, GEORGIA
Financial Statements
For the Fiscal Year Ended June 30, 2017

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Financial Statements
for the Fiscal Year Ended June 30, 2017

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Financial Section

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
The City of Cochran, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cochran, Georgia as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Cochran, 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 of 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, each major fund, and the aggregate remaining fund information of the City of Cochran, Georgia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 41, the schedule of contributions on page 42, the schedule of changes in the net pension liability and related ratios on page 43 and the notes to the required supplementary information on pages 44-46 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 omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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

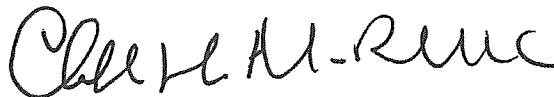
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cochran, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the schedule of projects constructed with special sales tax proceeds, other grant schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are

presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2018, on our consideration of the City of Cochran, 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 the 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 Cochran, Georgia's internal control over financial reporting and compliance.



Macon, Georgia
February 19, 2018

Basic Financial Statements

CITY OF COCHRAN, GEORGIA
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS :			
Cash	\$ 1,394,702	\$ 1,759,574	\$ 3,154,276
Restricted investments, current	-	58,748	58,748
Receivables, net:			
Taxes	67,071	-	67,071
Fines and forfeitures	24,305	-	24,305
Customers	-	454,152	454,152
Intergovernmental	138,008	181,077	319,085
Others	5,265	-	5,265
Internal balances	(8,547)	8,547	-
Prepaid items	60,718	25,717	86,435
Inventory, at cost	1,559	4,028	5,587
Investment in joint venture	-	821,376	821,376
Investments	-	-	-
Capital assets not being depreciated	1,340,589	3,289,394	4,629,983
Capital assets being depreciated, net	8,098,972	6,455,711	14,554,683
TOTAL ASSETS	11,122,642	13,058,324	24,180,966
DEFERRED OUTFLOWS OF RESOURCES-			
Pensions	26,243	4,576	30,819
LIABILITIES :			
Accounts payable	106,638	473,568	580,206
Deposits payable	-	66,497	66,497
Salaries and benefits payable	51,570	8,898	60,468
Accrued liabilities	5,400	-	5,400
Accrued interest	-	28,640	28,640
Intergovernmental	-	-	-
Compensated absences, payable within one year	71,760	11,902	83,662
Compensated absences, payable after one year	38,640	6,409	45,049
Capital leases, payable within one year	78,536	36,787	115,323
Bonds payable due within one year-(payable from restricted assets)	-	94,026	94,026
Bonds and leases payable due after one year	134,319	3,564,918	3,699,237
Notes payable due after one year	-	2,131,070	2,131,070
Net pension liability	218,829	34,841	253,670
TOTAL LIABILITIES	705,692	6,457,556	7,163,248
DEFERRED INFLOWS OF RESOURCES-			
Pensions	71,710	12,503	84,213
NET POSITION:			
Net investment in capital assets	\$ 9,226,706	\$ 3,918,304	\$ 13,145,010
Restricted for capital improvements	1,169,307	-	1,169,307
Restricted for transportation projects	57,842	-	57,842
Restricted for confiscated assets - police	4,078	-	4,078
Restricted for debt service	-	58,748	58,748
Unrestricted (Deficit)	(86,450)	2,615,789	2,529,339
TOTAL NET POSITION	\$ 10,371,483	\$ 6,592,841	\$ 16,964,324

The notes to the financial statements are an integral part of this statement.

CITY OF COCHRAN, GEORGIA
 Statement of Activities
 For the Fiscal Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 930,412	\$ 191,753	\$ 432,602	\$ 33,860	\$ (272,197)	\$ -	\$ (272,197)
Public safety	1,619,239	246,847	-	348,614	(1,023,778)	-	(1,023,778)
Public works	877,471	-	-	632,134	(245,337)	-	(245,337)
Airport	174,210	-	-	-	(174,210)	-	(174,210)
Community development	130,130	-	-	-	(130,130)	-	(130,130)
Interest on long-term debt	3,206	-	-	-	(3,206)	-	(3,206)
Total governmental activities	3,734,668	438,600	432,602	1,014,608	(1,848,858)	-	(1,848,858)
Business-type activities:							
Water and sewer	1,484,175	1,788,001	-	426,578	-	730,404	730,404
Natural gas	1,501,235	1,724,004	-	-	-	222,769	222,769
Solid waste	549,368	755,408	-	-	-	206,040	206,040
Total business-type activities	3,534,778	4,267,413	-	426,578	-	1,159,213	1,159,213
Total	\$ 7,269,446	\$ 4,706,013	\$ 432,602	\$ 1,441,186	(1,848,858)	1,159,213	(689,645)
General revenues:							
Property taxes					941,994	-	941,994
General sales tax					484,743	-	484,743
Hotel/Motel tax					17,009	-	17,009
Other taxes					657,686	-	657,686
Interest earnings					1,975	93	2,068
Miscellaneous					3,480	41,795	45,275
Gain on sale of capital assets					496	5,664	6,160
Transfers					200,754	(200,754)	-
Total general revenues and transfers					2,308,137	(153,202)	2,154,935
Changes in net position					459,279	1,006,011	1,465,290
Net position - beginning					9,912,204	5,586,830	15,499,034
Net position - ending					\$ 10,371,483	\$ 6,592,841	\$ 16,964,324

The notes to the financial statements are an integral part of this statement.

CITY OF COCHRAN, GEORGIA
 Balance Sheet
 Governmental Funds
 June 30, 2017

	General Fund	Capital Projects- Special Sales Tax - 2013	Capital Projects- Special Sales Tax - 2007	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash	\$ 401,969	\$ 664,075	\$ 270,608	\$ 58,050	\$ 1,394,702
Receivables, net:					
Taxes	65,258	-	-	1,813	67,071
Fines and forfeitures	24,305	-	-	-	24,305
Intergovernmental	80,242	53,543	-	4,223	138,008
Others	5,265	-	-	-	5,265
Due from other funds	-	-	184,974	-	184,974
Prepaid items	47,703	-	-	13,015	60,718
Inventory	1,559	-	-	-	1,559
TOTAL ASSETS	<u>\$ 626,301</u>	<u>\$ 717,618</u>	<u>\$ 455,582</u>	<u>\$ 77,101</u>	<u>\$ 1,876,602</u>
LIABILITIES:					
Accounts payable	\$ 100,579	\$ 314	\$ 3,679	\$ 2,066	\$ 106,638
Salaries and benefits payable	51,570	-	-	-	51,570
Accrued liabilities	5,400	-	-	-	5,400
Due to other funds	193,521	-	-	-	193,521
TOTAL LIABILITIES	<u>351,070</u>	<u>314</u>	<u>3,679</u>	<u>2,066</u>	<u>357,129</u>
DEFERRED INFLOWS OF RESOURCES-					
Unavailable revenue-property taxes	42,341	-	-	-	42,341
FUND BALANCES (DEFICITS):					
Nonspendable:					
Prepaid items	47,703	-	-	13,015	60,718
Inventory	1,559	-	-	-	1,559
Restricted:					
Capital projects	-	717,304	451,903	100	1,169,307
Transportation projects	-	-	-	57,842	57,842
Confiscated assets-police	-	-	-	4,078	4,078
Assigned to-					
FYE June 30, 2018 budget	183,724	-	-	-	183,724
Unassigned (Deficit)-General Fund	(96)	-	-	-	(96)
TOTAL FUND BALANCES	<u>232,890</u>	<u>717,304</u>	<u>451,903</u>	<u>75,035</u>	<u>1,477,132</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 626,301</u>	<u>\$ 717,618</u>	<u>\$ 455,582</u>	<u>\$ 77,101</u>	<u>\$ 1,876,602</u>

The notes to the financial statements are an integral part of this statement.

CITY OF COCHRAN, GEORGIA
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2017

Differences in amounts reported for governmental activities in the statement of net position:	
Fund balances - total governmental funds	\$ 1,477,132
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds	9,439,561
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Liability for compensated absences	(110,400)
Net pension liability	(218,829)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and therefore are not reported in the governmental funds:	
Deferred outflows	26,243
Deferred inflows	(71,710)
Long-term-payables are not due and payable in the current period and, therefore, are not reported in the governmental funds	(212,855)
Some governmental revenues will not be collected for several months after the year end and, therefore, are deferred in the governmental funds	<u>42,341</u>
Net position of governmental activities	<u>\$ 10,371,483</u>

CITY OF COCHRAN, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Capital Projects- Special Sales Tax - 2013	Capital Projects- Special Sales Tax - 2007	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 2,008,449	\$ -	\$ -	\$ 66,974	\$ 2,075,423
Licenses and permits	59,703	-	-	-	59,703
Intergovernmental	1,037,474	323,603	-	86,134	1,447,211
Charges for services	19,575	-	-	-	19,575
Fines and forfeitures	359,322	-	-	-	359,322
Miscellaneous	4,485	898	71	-	5,454
Total Revenues	<u>3,489,008</u>	<u>324,501</u>	<u>71</u>	<u>153,108</u>	<u>3,966,688</u>
EXPENDITURES:					
Current:					
General government	983,145	-	-	-	983,145
Public safety	2,064,148	-	-	-	2,064,148
Public works	631,502	-	-	116,623	748,125
Airport	239,751	-	-	-	239,751
Community development	-	-	-	80,407	80,407
Capital outlay	-	159,877	49,494	-	209,371
Debt service:					
Principal	33,773	10,781	-	-	44,554
Interest	2,491	715	-	-	3,206
Total Expenditures	<u>3,954,810</u>	<u>171,373</u>	<u>49,494</u>	<u>197,030</u>	<u>4,372,707</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(465,802)</u>	<u>153,128</u>	<u>(49,423)</u>	<u>(43,922)</u>	<u>(406,019)</u>
OTHER FINANCING SOURCES:					
Transfers in	257,820	-	-	160	257,980
Transfers out	(49,406)	-	-	(7,820)	(57,226)
Issuance of capital leases	227,226	-	-	-	227,226
Sale of capital assets	496	-	-	-	496
Total Other Financing Sources	<u>436,136</u>	<u>-</u>	<u>-</u>	<u>(7,660)</u>	<u>428,476</u>
NET CHANGE IN FUND BALANCES	<u>(29,666)</u>	<u>153,128</u>	<u>(49,423)</u>	<u>(51,582)</u>	<u>22,457</u>
FUND BALANCE, BEGINNING	<u>262,556</u>	<u>564,176</u>	<u>501,326</u>	<u>126,617</u>	<u>1,454,675</u>
FUND BALANCE, ENDING	<u>\$ 232,890</u>	<u>\$ 717,304</u>	<u>\$ 451,903</u>	<u>\$ 75,035</u>	<u>\$ 1,477,132</u>

The notes to the financial statements are an integral part of this statement.

CITY OF COCHRAN, GEORGIA
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2017

Differences in amounts reported for governmental activities in the statement of activities:	
Net change in fund balances - total governmental funds	\$ 22,457
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net position	1,004,350
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities	(436,842)
Proceeds from the issuance of long-term debt provide current financial resources in the governmental funds but are recorded as liabilities in the governmental activities statement of net position	(227,226)
Repayment of long-term debt is reported as an expenditure in governmental funds, but as a reduction of long-term liabilities in the statement of net position	44,554
Expenses for compensated absences are reported for governmental activities but do not require the use of current financial resources and therefore are not reported as expenditures for governmental funds:	
Liability balance at current fiscal year end	(110,400)
Liability balance at prior fiscal year end	96,055
Pension contributions reported as expenditures in the governmental funds are reported as deferred outflows of resources in the statement of net position because the net pension liability is measured prior to the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities:	40,322
Some governmental revenues will not be collected for several months after the year end and are deferred in the governmental funds:	
Unavailable revenue balance at current fiscal year end	42,341
Unavailable revenue balance at prior fiscal year end	<u>(16,332)</u>
Change in net position of governmental activities	<u>\$ 459,279</u>

CITY OF COCHRAN, GEORGIA
Statement of Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Water and Sewer	Natural Gas	Solid Waste	Total
ASSETS:				
Current Assets:				
Cash	\$ 1,393,523	\$ 158,321	\$ 207,730	\$ 1,759,574
Restricted investments	58,748	-	-	58,748
Receivables, net	274,373	121,533	58,246	454,152
Intergovernmental	181,077	-	-	181,077
Due from other funds	5,698	-	2,849	8,547
Prepaid items	16,699	1,892	7,126	25,717
Inventory, at cost	4,028	-	-	4,028
Total Current Assets	<u>1,934,146</u>	<u>281,746</u>	<u>275,951</u>	<u>2,491,843</u>
Noncurrent Assets:				
Investment in joint venture	-	821,376	-	821,376
Capital assets:				
Land	9,700	515	-	10,215
Construction in progress	3,279,179	-	-	3,279,179
Buildings, net	11,394	-	-	11,394
Machinery and equipment, net	57,906	2,222	360	60,488
Water and sewer system, net	6,154,981	-	-	6,154,981
Gas system, net	-	128,543	-	128,543
Transmission line, net	-	100,305	-	100,305
Total Noncurrent Assets	<u>9,513,160</u>	<u>1,052,961</u>	<u>360</u>	<u>10,566,481</u>
TOTAL ASSETS	<u>11,447,306</u>	<u>1,334,707</u>	<u>276,311</u>	<u>13,058,324</u>
DEFERRED OUTFLOWS OF RESOURCES-				
Pensions	4,576	-	-	4,576
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>11,451,882</u>	<u>1,334,707</u>	<u>276,311</u>	<u>13,062,900</u>

CITY OF COCHRAN, GEORGIA
Statement of Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Water and Sewer	Natural Gas	Solid Waste	Total
LIABILITIES:				
Current Liabilities:				
Accounts payable and retainage	333,855	94,155	45,558	473,568
Deposits payable	43,309	23,188	-	66,497
Salaries and benefits payable	8,898	-	-	8,898
Accrued interest	28,640	-	-	28,640
Compensated absences	11,902	-	-	11,902
Total	<u>426,604</u>	<u>117,343</u>	<u>45,558</u>	<u>589,505</u>
Current Liabilities (payable from restricted assets):				
Revenue bonds payable	94,026	-	-	94,026
Notes payable	36,787	-	-	36,787
Total Current Liabilities (payable from restricted assets)	<u>130,813</u>	<u>-</u>	<u>-</u>	<u>130,813</u>
Total Current Liabilities	<u>557,417</u>	<u>117,343</u>	<u>45,558</u>	<u>720,318</u>
Noncurrent Liabilities:				
Revenue bonds payable	3,564,918	-	-	3,564,918
Notes payable	2,131,070	-	-	2,131,070
Compensated absences	6,409	-	-	6,409
Net pension liability	34,841	-	-	34,841
Total Noncurrent Liabilities	<u>5,737,238</u>	<u>-</u>	<u>-</u>	<u>5,737,238</u>
TOTAL LIABILITIES	<u>6,294,655</u>	<u>117,343</u>	<u>45,558</u>	<u>6,457,556</u>
DEFERRED INFLOWS OF RESOURCES-				
Pensions	12,503	-	-	12,503
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>6,307,158</u>	<u>117,343</u>	<u>45,558</u>	<u>6,470,059</u>
NET POSITION:				
Net investment in capital assets	3,686,359	231,585	360	3,918,304
Restricted for debt service	58,748	-	-	58,748
Unrestricted	1,399,617	985,779	230,393	2,615,789
TOTAL NET POSITION	<u>\$ 5,144,724</u>	<u>\$ 1,217,364</u>	<u>\$ 230,753</u>	<u>\$ 6,592,841</u>

CITY OF COCHRAN, GEORGIA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Water and Sewer	Natural Gas	Solid Waste	Total
OPERATING REVENUES:				
Water and Sewer charges pledged as security for revenue bonds	\$ 1,788,001	\$ -	\$ -	\$ 1,788,001
Charges for services	-	1,724,004	755,408	2,479,412
Total Operating Revenues	<u>1,788,001</u>	<u>1,724,004</u>	<u>755,408</u>	<u>4,267,413</u>
OPERATING EXPENSES:				
Salaries and benefits	320,596	-	-	320,596
Administrative overhead	310,588	40,000	29,000	379,588
Services and fees	152,153	1,437,568	502,939	2,092,660
Supplies	59,280	-	3	59,283
Repairs and maintenance	52,688	-	1,488	54,176
Utilities	197,493	5,034	-	202,527
Insurance premiums	31,757	9,411	15,712	56,880
Depreciation	249,715	9,222	226	259,163
Miscellaneous	475	-	-	475
Total Operating Expenses	<u>1,374,745</u>	<u>1,501,235</u>	<u>549,368</u>	<u>3,425,348</u>
OPERATING INCOME	<u>413,256</u>	<u>222,769</u>	<u>206,040</u>	<u>842,065</u>
NON-OPERATING REVENUES				
(EXPENSES):				
Interest income	93	-	-	93
Income from joint venture	-	41,795	-	41,795
Intergovernmental	417,907	-	-	417,907
Gain on sale of assets	5,664	-	-	5,664
Interest expense	(109,430)	-	-	(109,430)
Total Non-Operating Revenues (Expenses)	<u>314,234</u>	<u>41,795</u>	<u>-</u>	<u>356,029</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS				
	<u>727,490</u>	<u>264,564</u>	<u>206,040</u>	<u>1,198,094</u>
Capital contributed	8,671	-	-	8,671
Transfers in	49,246	-	-	49,246
Transfers out	-	(250,000)	-	(250,000)
Total Contributions and Transfers	<u>57,917</u>	<u>(250,000)</u>	<u>-</u>	<u>(192,083)</u>
CHANGES IN NET POSITION	785,407	14,564	206,040	1,006,011
NET POSITION, BEGINNING	<u>4,359,317</u>	<u>1,202,800</u>	<u>24,713</u>	<u>5,586,830</u>
NET POSITION, ENDING	<u>\$ 5,144,724</u>	<u>\$ 1,217,364</u>	<u>\$ 230,753</u>	<u>\$ 6,592,841</u>

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CITY OF COCHRAN, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Water and Sewer	Natural Gas	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 1,763,008	\$ 1,705,535	\$ 750,993	\$ 4,219,536
Cash paid to suppliers	(609,996)	(1,466,781)	(529,348)	(2,606,125)
Cash paid to employees	(338,694)	-	(14,241)	(352,935)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>814,318</u>	<u>238,754</u>	<u>207,404</u>	<u>1,260,476</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES-				
Transfer (to) from other funds	49,246	(250,000)	-	(200,754)
NET CASH (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>49,246</u>	<u>(250,000)</u>	<u>-</u>	<u>(200,754)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(2,627,199)	(17,820)	-	(2,645,019)
Capital contributed	13,671	-	-	13,671
Proceeds from capital grants	315,999	-	-	315,999
Proceeds from issuance of notes payable	2,017,887	-	-	2,017,887
Principal payments on bonds	(94,026)	-	-	(94,026)
Interest paid on bonds and notes	(109,064)	-	-	(109,064)
NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(482,732)</u>	<u>(17,820)</u>	<u>-</u>	<u>(500,552)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earned	93	-	-	93
Gain on sale of assets	5,664	-	-	5,664
Decrease (increase) in restricted assets	(24,607)	-	-	(24,607)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(18,850)</u>	<u>-</u>	<u>-</u>	<u>(18,850)</u>
NET INCREASE (DECREASE) IN CASH CASH, BEGINNING	<u>361,982</u>	<u>(29,066)</u>	<u>207,404</u>	<u>540,320</u>
	<u>1,031,541</u>	<u>187,387</u>	<u>326</u>	<u>1,219,254</u>
CASH, ENDING-UNRESTRICTED	<u>\$ 1,393,523</u>	<u>\$ 158,321</u>	<u>\$ 207,730</u>	<u>\$ 1,759,574</u>

CITY OF COCHRAN, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Water and Sewer	Natural Gas	Solid Waste	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income	\$ 413,256	\$ 222,769	\$ 206,040	\$ 842,065
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	249,715	9,222	226	259,163
Changes in assets and liabilities: (Increase) decrease in:				
Accounts receivable	(27,315)	(18,916)	(4,414)	(50,645)
Prepaid items, etc.	(2,944)	4,367	(442)	981
Inventory, at cost	(323)	-	-	(323)
Due from other funds	(5,698)	-	(2,849)	(8,547)
Deferred outflows of resources - pensions	26,198	-	4,568	30,766
Increase (decrease) in:				
Accounts payable	203,403	20,863	23,084	247,350
Deposits payable	2,322	449	-	2,771
Salaries and benefits payable	(8,982)	-	-	(8,982)
Deferred inflows of resources - pensions	(3,532)	-	(2,380)	(5,912)
Net pension liability	(31,782)	-	(16,429)	(48,211)
Total adjustments	401,062	15,985	1,364	418,411
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 814,318	\$ 238,754	\$ 207,404	\$ 1,260,476
NON-CASH TRANSACTIONS AFFECTING FINANCIAL POSITION-				
Net income from joint venture	-	41,795	-	41,795
NET-EFFECT-NON-CASH TRANSACTIONS	\$ -	\$ 41,795	\$ -	\$ 41,795

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Cochran, Georgia is an incorporated municipality under the provisions of Georgia law. The City operates under a Mayor and Council form of government. The City provides various services, levies taxes, and issues licenses as provided by the Charter. These services include public safety, highways and streets, sanitation, wastewater treatment, water, gas, and administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

Currently, the City has no blended or discretely presented component units. The City does have a duly organized downtown development authority which is currently inactive and, accordingly, is not included in these financial statements as a component unit.

The City is responsible for appointing some of the members of the boards of other organizations, but the City's accountability for these organizations do not extend beyond making the appointments. These related organizations include the following:

Cochran-Bleckley Recreation Authority
Cochran-Bleckley Library Board
Cochran-Bleckley Industrial Development Authority
Cochran-Bleckley Health Board
Cochran Housing Authority
Cochran Municipal Airport Authority

Disbursements to these organizations based on contractual agreements have been budgeted and expended as part of the regular operations of the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the City (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. 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. Taxes and other items not properly included among program revenues are reported as general revenues.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and certain compensated absences and claims and judgments are recorded when due.

Revenues considered susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Special Purpose Local Option Sales Tax - 2013 Capital Projects Fund** accounts for capital outlay and other transactions related to the 2013 additional one-percent local option sales tax.

The **Special Purpose Local Option Sales Tax - 2007 Capital Projects Fund** accounts for capital outlay and other transactions related to the 2007 additional one-percent local option sales tax.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** is used to account for the provision of water and sewer services to businesses and residences of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The **Natural Gas Fund** is used to account for the provision of natural gas services to businesses and residences of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The **Solid Waste Fund** is used to account for the provision of solid waste services to businesses and

CITY OF COCHRAN, GEORGIA

Notes to Financial Statements

June 30, 2017

residences of the City. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval.

E. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 15, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means by which they are to be financed.
2. The City Council holds a public hearing on the budget, giving notice thereof at least 10 days in advance by publication in the official organ of the City of Cochran.
3. The budget is then revised and adopted or amended by the City Council at the first regular meeting prior to July 1 of the year to which it applies.
4. The budget so adopted may be revised during the year only by formal action of the City Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.
5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF COCHRAN, GEORGIA

Notes to Financial Statements

June 30, 2017

6. Budgeted amounts are as originally adopted, or as amended by the Council. Amendments were made to the current year's budget. Appropriated annual budgets have been legally adopted for the General Fund, Special Revenue Fund, Debt Service Fund, and Enterprise Funds. A project length budget is adopted for the capital projects funds.

F. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments. For purpose of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The City maintains only checking and interest-bearing savings accounts in Georgia financial institutions as permitted by OCGA 36-83-4. Restricted investments include cash and certificates of deposit which have been segregated under the provisions of the revenue bond agreement. These investments are stated at cost plus accrued interest which approximates market value.

G. Inventories

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The consumption method is used to account for inventories. Under the consumption method, inventory items are recognized as expenditures when used.

H. Prepaid Items

Prepaid items are recorded as expenditures in the governmental funds during the period benefited.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the assets' estimated useful lives as follows:

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

<u>Asset Class</u>	<u>Estimated Useful Lives In Years</u>	<u>Capitalization Threshold</u>
Buildings	50	\$ 15,000
Building Improvements	20	\$ 5,000
Machinery and equipment	3-10	\$ 1,000
Water and sewer lines	30-50	\$ 1,500
Gas Lines	30-50	\$ 5,000
Airport runway	30-50	\$ 10,000
Infrastructure	30	\$ 7,500

J. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefits

Vacation leave is earned by all permanent City employees at a rate determined by the amount of continuous employment the employee has with the City for the first 15 years of service. After fifteen years of service, the employees earn at a rate of eighteen days per year. Vacation leave may be accumulated and carried over to a maximum of 45 days per employee. Upon separation from the City, employees are entitled to accumulated vacation leave. In governmental funds, the cost of vacation leave is recognized when payments are made to employees. Proprietary funds accrue vacation leave in the period they are earned.

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Deferred Outflows and Inflows of Resources

The City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statements establish accounting and financial reporting standards for deferred outflows and inflows of resources and the concept of net position as the residual of all other elements presented in the statement of net position.

Deferred outflows of resources represent a consumption of net position that applies to future periods and, as such, will be recognized as an outflow of resources (expenditure or expense, as applicable) in the future. The City has only one type of item which, which arises under the accrual basis of accounting, that qualifies for reporting in this category. Pension related items are reported on the government-wide statement of net

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

position for governmental activities and business-type activities, and on the proprietary funds statements of net position for the Water and Sewer Fund.

Deferred inflows of resources represent an acquisition of net position that applies to future periods and, as such, will be recognized as an inflow of resources (revenue) in the future. The City has several types of items that qualify for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheets. Pension related items are reported on the government-wide statement of net position for governmental activities and business-type activities, and on the proprietary funds statements of net position for the Water and Sewer Fund.

M. Fund Equity

1. Government-wide Statements

Net position is the difference between assets and liabilities. Net position is categorized as follows:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position items that do not meet the definition of "Net investment in capital assets" or "Restricted".

2. Fund Statements

Governmental fund equity is classified as fund balance. Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund 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 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) 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 City Council through the approval of a motion. Only the City Council may modify or rescind the commitment.
- ***Assigned*** - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council can authorize the City Clerk or designee to assign fund balances.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

- *Unassigned* - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Proprietary fund equity is classified the same as in the government-wide statements.

Fund balance flow assumptions-When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed.

For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

The City does not have a formal minimum fund balance policy.

The following is a summary of the fund balance classifications as of June 30, 2017:

	General Fund	Capital Projects Special Sales Tax - 2013	Capital Projects Special Sales Tax - 2007	Other Governmental Funds	Total
Fund Balances:					
Nonspendable					
Prepays	\$ 47,703	\$ -	\$ -	\$ 13,015	\$ 60,718
Inventory	1,559	-	-	-	1,559
Restricted for:					
Capital projects	-	717,304	451,903	100	1,169,307
Transportation projects	-	-	-	57,842	57,842
Confiscated assets-police	-	-	-	4,078	4,078
Assigned to-FYE					
June 30, 2018 budget	183,724	-	-	-	183,724
Unassigned (Deficit)	(96)	-	-	-	(96)
Total fund balances	\$ 232,890	\$ 717,304	\$ 451,903	\$ 75,035	\$ 1,477,132

Net position flow assumptions-Sometimes the City 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 City's policy to consider restricted-net position to have been depleted before unrestricted-net position.

N. Advertising Costs

Advertising costs are recorded as expenditures or expenses, as appropriate, in the period incurred. No advertising costs are capitalized.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

advertising costs are capitalized.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

P. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for all types of receivables which historically experience uncollectible accounts.

Q. Post-employment health care benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured for the actual month covered. This program is offered for duration of 18 months after the termination date. There is no associated cost to the City under this program.

R. Concentrations of Credit Risk

The City's Water and Sewer, Natural Gas, and Solid Waste Enterprise Funds services serve customers within the City of Cochran. The balance of receivables is composed mostly of residential and smaller commercial accounts. The City does not expect to incur significant losses as a result of these receivables. Management believes that the allowance for uncollectibles is adequate to cover all anticipated future losses on these receivables.

S. Use of Estimates

Preparation of the City's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts or revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Government may not be able to recover its deposits or recover collateral securities in the possession of an outside party. At year end, the City had deposits of \$3,257,531 the carrying amount for these deposits was \$3,212,424. The City's deposits were insured or collateralized with securities held by the City, an agent in the name of the City, or securities pledged by the financial institution in the name of the City.

Georgia law authorizes local governments to invest in the following types of obligations:

- Obligations of the State of Georgia or any other state;
- Obligations issued by the United States;
- Obligations fully insured or guaranteed by the United States government or governmental agency;
- Obligations of any corporation of the United States Government;
- Prime bankers' acceptances;
- The State of Georgia Local Government Investment Pool;
- Repurchase agreements; and
- Obligations of other political subdivisions of the State of Georgia.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

The City maintains only checking and interest-bearing savings accounts in Georgia financial institutions as permitted by OCGA 36-83-4. Restricted investments include cash and certificates of deposit which have been segregated under the provisions of the revenue bond agreement. These investments are stated at cost plus accrued interest which approximates market value.

Total deposits are reported under the following captions in the statement of net position:

Cash.....	\$ 3,153,676
Restricted Investments, Current.....	58,748
Carrying Amount.....	3,212,424
Cash on hand.....	600
Totals.....	<u>\$ 3,213,024</u>

Restricted investments are reported as non-current restricted assets on the balance sheet.

3. PROPERTY TAXES

The City levies property taxes on September 1st of each year. Due date for these taxes is December 20th and the lien date is the following March 1st. Taxes are collected throughout the year.

Property taxes for the fiscal year ended June 30, 2017, were assessed at the net rate of 11.267 mills on the dollar on a total assessed valuation of \$70,923,807.

In the governmental fund financial statements, property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the fiscal year are therefore susceptible to accrual in accordance with GAAP and have been recognized as revenue.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

4. ACCOUNTS RECEIVABLE

Receivables at year-end for the City's individual major funds and non-major funds in the aggregate and the related allowance for uncollectibles are as follows:

Governmental Funds	General Fund	Capital Projects SPLOST 2013	Nonmajor Governmental Funds	Total Governmental Funds
Taxes	\$ 93,877	\$ -	\$ 1,813	\$ 95,690
Less allowance for uncollectibles	(28,619)	-	-	(28,619)
Net taxes	<u>\$ 65,258</u>	<u>\$ -</u>	<u>\$ 1,813</u>	<u>\$ 67,071</u>
Fines	\$ 243,284	\$ -	\$ -	\$ 243,284
Less allowance for uncollectibles	(218,979)	-	-	(218,979)
Net fines	<u>\$ 24,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,305</u>
Intergovernmental	\$ 80,242	\$ 53,543	\$ 4,223	\$ 138,008
Less allowance for uncollectibles	-	-	-	-
Net intergovernmental	<u>\$ 80,242</u>	<u>\$ 53,543</u>	<u>\$ 4,223</u>	<u>\$ 138,008</u>
Others	\$ 5,265	\$ -	\$ -	\$ 5,265
Less allowance for uncollectibles	-	-	-	-
Net others	<u>\$ 5,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,265</u>
Proprietary Funds	Water and Sewer Fund	Natural Gas Fund	Solid Waste Fund	Total Proprietary Funds
Customer receivables	\$ 614,126	\$ 352,398	\$ 250,968	\$ 1,217,492
Less allowance for uncollectibles	(339,753)	(230,865)	(192,722)	(763,340)
Net customer receivables	<u>\$ 274,373</u>	<u>\$ 121,533</u>	<u>\$ 58,246</u>	<u>\$ 454,152</u>
Intergovernmental	\$ 181,077	\$ -	\$ -	\$ 181,077
Less allowance for uncollectibles	-	-	-	-
Net intergovernmental	<u>\$ 181,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,077</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is as follows:

CITY OF COCHRAN, GEORGIA

Notes to Financial Statements

June 30, 2017

<u>Description</u>	<u>Balance Beginning</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance Ending</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 900,274	\$ -	\$ -	\$ 900,274
Construction in progress	<u>375,765</u>	<u>64,550</u>	<u>-</u>	<u>440,315</u>
Total capital assets, not being depreciated	<u>1,276,039</u>	<u>64,550</u>	<u>-</u>	<u>1,340,589</u>
Capital assets, being depreciated:				
Infrastructure	6,453,833	-	-	6,453,833
Buildings and improvements	1,823,037	6,050	-	1,829,087
Improvements other than buildings	280,466	315,831	-	596,297
Machinery and equipment	<u>2,517,505</u>	<u>617,919</u>	<u>86,188</u>	<u>3,049,236</u>
Total capital assets, being depreciated	<u>11,074,841</u>	<u>939,800</u>	<u>86,188</u>	<u>11,928,453</u>
Less accumulated depreciation for:				
Infrastructure	960,817	167,212	-	1,128,029
Buildings and improvements	716,206	39,971	-	756,177
Improvements other than buildings	32,369	18,608	-	50,977
Machinery and equipment	<u>1,769,435</u>	<u>211,051</u>	<u>(86,188)</u>	<u>1,894,298</u>
Total accumulated depreciation	<u>3,478,827</u>	<u>436,842</u>	<u>(86,188)</u>	<u>3,829,481</u>
Governmental activities capital assets, net of accumulated depreciation:				
Capital assets, not being depreciated:				
Land	900,274	-	-	900,274
Construction in progress	<u>375,765</u>	<u>64,550</u>	<u>-</u>	<u>440,315</u>
Total capital assets, not being depreciated	<u>1,276,039</u>	<u>64,550</u>	<u>-</u>	<u>1,340,589</u>
Capital assets being depreciated, net of accumulated depreciation:				
Infrastructure	5,493,016	(167,212)	-	5,325,804
Buildings and improvements	1,106,831	(33,921)	-	1,072,910
Improvements other than buildings	248,097	297,223	-	545,320
Machinery and equipment	<u>748,070</u>	<u>406,868</u>	<u>-</u>	<u>1,154,938</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>7,596,014</u>	<u>502,958</u>	<u>-</u>	<u>8,098,972</u>
Total governmental activities capital assets, net of accumulated depreciation	<u>\$ 8,872,053</u>	<u>\$ 567,508</u>	<u>\$ -</u>	9,439,561
Less: related long-term debt outstanding				<u>(212,855)</u>
Net investment in capital assets				<u>\$ 9,226,706</u>

CITY OF COCHRAN, GEORGIA

Notes to Financial Statements

June 30, 2017

<u>Description</u>	<u>Balance Beginning</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance Ending</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 10,215	\$ -	\$ -	\$ 10,215
Construction in progress	<u>692,378</u>	<u>2,586,801</u>	<u>-</u>	<u>3,279,179</u>
Total capital assets, not being depreciated	<u>702,593</u>	<u>2,586,801</u>	<u>-</u>	<u>3,289,394</u>
Capital assets, being depreciated:				
Buildings and improvements	35,512	-	-	35,512
Machinery and equipment	631,471	9,292	-	640,763
Water and sewerage system	10,964,857	26,106	1,315	10,989,648
Gas system	585,395	17,820	-	603,215
Transmission line	<u>667,584</u>	<u>-</u>	<u>-</u>	<u>667,584</u>
Total capital assets, being depreciated	<u>12,884,819</u>	<u>53,218</u>	<u>1,315</u>	<u>12,936,722</u>
Less accumulated depreciation for:				
Buildings and improvements	23,490	628	-	24,118
Machinery and equipment	562,628	17,647	-	580,275
Water and sewerage system	4,603,010	232,586	929	4,834,667
Gas system	469,934	4,738	-	474,672
Transmission line	<u>563,715</u>	<u>3,564</u>	<u>-</u>	<u>567,279</u>
Total accumulated depreciation	<u>6,222,777</u>	<u>259,163</u>	<u>929</u>	<u>6,481,011</u>
Business-type activities capital assets, net of accumulated depreciation:				
Capital assets not being depreciated:				
Land	10,215	-	-	10,215
Construction in progress	<u>692,378</u>	<u>2,586,801</u>	<u>-</u>	<u>3,279,179</u>
Total capital assets, not being depreciated	<u>702,593</u>	<u>2,586,801</u>	<u>-</u>	<u>3,289,394</u>
Capital assets being depreciated, net of accumulated depreciation:				
Buildings and improvements	12,022	(628)	-	11,394
Machinery and equipment	68,843	(8,355)	-	60,488
Water and sewerage system	6,361,847	(206,480)	(386)	6,154,981
Gas system	115,461	13,082	-	128,543
Transmission line	<u>103,869</u>	<u>(3,564)</u>	<u>-</u>	<u>100,305</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>6,662,042</u>	<u>(205,945)</u>	<u>(386)</u>	<u>6,455,711</u>
Total business-type activities capital assets, net of accumulated depreciation	<u>\$ 7,364,635</u>	<u>\$ 2,380,856</u>	<u>\$ (386)</u>	9,745,105
Less: related long-term debt outstanding				<u>(5,826,801)</u>
Net investment in capital assets				<u>\$ 3,918,304</u>

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 44,587
Public safety	155,980
Public works	81,517
Airport	<u>154,758</u>
Total depreciation expense-governmental activities	<u>\$ 436,842</u>
Business-type activities	
Water and sewer system	\$ 249,715
Gas system	9,222
Solid waste system	<u>226</u>
Total depreciation expense- business-type activities	<u>\$ 259,163</u>

6. JOINT VENTURES

The City of Cochran participates in three joint ventures, which are not part of the City's reporting entity.

A. Jointly Owned Natural Gas Transmission Line

The Jointly Owned Natural Gas Transmission Line was established in 1953 by the cities of Warner Robins, Perry, Hawkinsville, and Cochran, Georgia. The venture was established to provide maintenance and related services for the natural gas transmission line serving the member cities. The joint venture is governed by a four-member board composed of one member from each participating city. Under the terms of the joint venture contract, each city pays for and owns its own separate section of the transmission line. The income generated from the venture is allocated to each city based on various percentages as specified in the joint venture contract. Each city's share in the income and retained earnings of the joint venture is reported in the audited financial statements of the Jointly Owned Natural Gas Transmission Line. The Jointly Owned Natural Gas Transmission Line net income (loss) and retained earnings as of and for the years ended September 30, 2016 and 2015 allocated to the City of Cochran are reported in the Natural Gas Enterprise Fund as of and for the years ended June 30, 2017 and 2016.

The amounts allocated to the City of Cochran in the audited financial statements of the Jointly Owned Natural Gas Transmission Line as of and for the years ended September 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Retained earnings, beginning	\$779,581	\$747,567
Net income (loss) for the year	<u>41,795</u>	<u>32,014</u>
Retained earnings, ending	<u>\$821,376</u>	<u>\$ 779,581</u>

The above amounts are reported in the Natural Gas Enterprise Fund of the City of Cochran as of and for the years ended June 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Investment in joint venture	<u>\$821,376</u>	<u>\$779,581</u>
Net income (loss) from joint venture	<u>\$ 41,795</u>	<u>\$ 32,014</u>

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

The audited financial statements of the Jointly Owned Natural Gas Transmission Line are available at City Hall, P.O. Box 8, Cochran, Georgia 31014.

B. Cochran-Bleckley Emergency Management Office

The Cochran-Bleckley Emergency Management Office is a joint venture between the City of Cochran, Georgia and Bleckley County, Georgia. The net monthly cost of operations of this joint venture is paid equally by the City and the County. The total expenditures paid by the General Fund of the City of Cochran for the year ended June 30, 2017, were \$100. However, the operations, capital assets and long-term debt were transferred to the books and records of Bleckley County, Georgia, under agreement with the City of Cochran and Bleckley County, Georgia, for 2004 and future years.

C. Regional Commission

Under Georgia law, the City, in conjunction with municipalities and counties in the eleven (11) county Heart of Georgia area are members of the Heart of Georgia Regional Commission (HGRC). Membership in the HGRC is required for each municipality and county in the Heart of Georgia region. The Official Code of Georgia Section 50-8-34 provides for the organizational structure.

The HGRC Board membership includes the elected official of each county and the chief elected official of each municipality. The City 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 a nonpublic member and a minority member who must be an elected official to serve as board members from a County. O.C.G.A. 50-8-39.1 provides that the member governments are liable for any debts or obligations of the HGRC. Separate financial statements for the HGRC are available from: Heart of Georgia Regional Commission, 5405 Oak Street, Eastman, GA 31023.

7. COMPLIANCE

The City levies and collects a five percent hotel/motel tax in accordance with the provisions of OCGA 48-13-51. The City has complied with the expenditure requirements of this code section as required under Code Section 36-81-7. Presented below is a table which summarizes hotel/motel tax transactions during the current fiscal year and is reported in the special revenue fund:

Total Hotel/Motel tax funds expended	\$ 17,009
Total Hotel/Motel tax receipts	\$ 17,009
Percentage of expenditures to tax receipts	100 %

Excess of Expenditures Over Appropriations in Individual Departments and Budget Compliance-

The Public Works department had an excess of expenditures over appropriations of \$14,352. In addition, General Fund Debt Service expenditures and Transfers Out exceeded appropriations by \$1,773 and \$49,406, respectively.

SPLOST Funds Noncompliance-

Funds had been advanced to and are due from other funds in the amount of \$184,974 in the 2007 SPLOST Fund as of June 30, 2017. The General Fund has repaid this in full.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

8. LONG-TERM LIABILITIES

The following is a summary of debt transactions of the City of Cochran for the year ended June 30, 2017:

				Amounts Due		
	Balance Beginning	Increases	Decreases	Balance Ending	Within One Year	Long-term Portion
Governmental Activities:						
Compensated absences	\$ 96,055	\$ 14,345	\$ -	\$ 110,400	\$ 71,760	\$ 38,640
Capital leases	30,182	227,226	44,553	212,855	78,536	134,319
Net pension liability	384,678	-	165,849	218,829	-	218,829
Total Governmental Activities	\$ 510,915	\$ 241,571	\$ 210,402	\$ 542,084	\$ 150,296	\$ 391,788
	Balance Beginning	Increases	Decreases	Balance Ending	Amounts Due Within One Year	Long- Term Portion
Business-Type Activities:						
Compensated Absences	\$ 18,772	\$ -	\$ 461	\$ 18,311	\$ 11,902	\$ 6,409
Revenue Bonds Payable- Series 2014	3,780,000	-	95,000	3,685,000	95,000	3,590,000
Less: discount	(27,030)	-	(974)	(26,056)	(974)	(25,082)
Total Revenue Bonds	3,752,970	-	94,026	3,658,944	94,026	3,564,918
Notes payable	149,970	2,017,887	-	2,167,857	36,787	2,131,070
Net Pension Liability	83,052	-	48,211	34,841	-	34,841
Total Business-Type Activities	\$ 4,004,764	\$ 2,017,887	\$ 142,698	\$ 5,879,953	\$ 142,715	\$ 5,737,238

Details of capital leases and notes payable are as follows:

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

	Balance Beginning	Additions	Retirements	Balance Ending
Governmental Activities:				
Capital Leases:				
2.81% Capital lease payable, with quarterly payments of \$5,434, including interest, original principal of \$81,970, made on September 21, 2012, incurred to purchase police vehicles	\$ 5,396	\$ -	\$ 5,396	\$ -
3.44% Capital lease payable, with quarterly payments of \$2,874, including interest, original principal of \$32,631, made on September 1, 2015 incurred to purchase a police vehicle	24,786	-	10,780	14,006
3.2% Capital lease payable, with quarterly payments of \$11,938, including interest, original principal of \$178,613, made on February 2, 2017, incurred to purchase three police vehicles and one animal control truck	-	178,613	10,509	168,104
3.24% Capital lease payable, with quarterly payments of \$6,297, including interest, original principal of \$48,613, made on August 5, 2016, incurred to purchase a fire vehicle	-	48,613	17,868	30,745
Total Capital Leases Payable-Governmental Activities	\$ 30,182	\$ 227,226	\$ 44,553	\$ 212,855

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

	Balance Beginning	Additions	Retirements	Balance Ending
Business-Type Activities:				
Revenue Bonds Payable-				
2.00% graduating to 3.25% by 2044 Revenue bond payable, (Series 2014), with payments due semi-annually in increasing amounts beginning April 1, 2015, original principal amount of \$4,025,000 made on October 30, 2014, with final payment due on April 1, 2044, incurred to extend and improve the water and sewer system	<u>3,752,970</u>	<u>-</u>	<u>94,026</u>	<u>3,658,944</u>
Total Revenue Bonds Payable-Business-Type Activities	<u>\$ 3,752,970</u>	<u>\$ -</u>	<u>\$ 94,026</u>	<u>\$ 3,658,944</u>
 Notes Payable:				
1.03% GEFA note payable, with accrued interest payable monthly on the first day of each month until the first day of the month following the earlier of the completion date, October 1, 2017, or the date that the funds are fully disbursed. Principal and interest thereafter payable in 239 monthly installments. Total approved loan of \$1,500,000, incurred for rehabilitation of the sewers within the City's wastewater collection system	\$ 124,061	\$ 1,091,555	\$ -	\$ 1,215,616
1.31% GEFA note payable, with accrued interest payable monthly on the first day of each calendar month until the first day of the month following the earlier of the completion date, July 1, 2018 or the date the funds are fully disbursed. Principal and interest thereafter payable in 239 monthly installments. Total approved loan of \$2,572,500, incurred for rehabilitation of the City's drinking water distribution system	25,909	720,786	-	746,695
1.03% GEFA note payable, with accrued interest payable monthly on the first day of each month until the first day of the month following the earlier of the completion date, July 1, 2018, or the date the funds are fully disbursed. Principal and interest thereafter payable in 239 monthly installments. Total approved loan of \$2,500,000, incurred for rehabilitation of the City's wastewater collection system	<u>-</u>	<u>205,546</u>	<u>-</u>	<u>205,546</u>
Total Notes Payable-Business-Type Activities	<u>\$ 149,970</u>	<u>\$ 2,017,887</u>	<u>\$ -</u>	<u>\$ 2,167,857</u>

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

The total assets recorded in the governmental activities statement of net position under capital leases outstanding at June 30, 2017, is \$162,165 with accumulated amortization of \$31,422. Accumulated amortization on assets recorded under capital leases is included in accumulated depreciation. This year, \$25,983 was included in depreciation expense.

The combined aggregate amount of maturities and sinking fund requirements of long-term borrowings is as follows:

Year ending June 30	Governmental Activities								
	Notes Payable			Capital Leases			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ -	\$ -	\$ -	\$ 78,536	\$ 5,901	\$ 84,437	\$ 78,536	\$ 5,901	\$ 84,437
2019	-	-	-	53,367	3,554	56,921	53,367	3,554	56,921
2020	-	-	-	45,704	2,046	47,750	45,704	2,046	47,750
2021	-	-	-	35,248	567	35,815	35,248	567	35,815
Totals	\$ -	\$ -	\$ -	\$ 212,855	\$ 12,068	\$ 224,923	\$ 212,855	\$ 12,068	\$ 224,923

Year ending June 30	Business-Type Activities								
	Revenue Bonds			Notes Payable			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	94,026	107,530	201,556	36,787	24,202	60,989	130,813	131,732	262,545
2019	94,026	105,630	199,656	98,234	23,536	121,770	192,260	129,166	321,426
2020	99,026	103,705	202,731	99,345	22,425	121,770	198,371	126,130	324,501
2021	99,026	101,705	200,731	100,468	21,302	121,770	199,494	123,007	322,501
2022	104,026	99,549	203,575	101,604	20,165	121,769	205,630	119,714	325,344
2023-2027	550,130	456,877	1,007,007	525,524	83,324	608,848	1,075,654	540,201	1,615,855
2028-2032	635,130	373,502	1,008,632	555,947	52,901	608,848	1,191,077	426,403	1,617,480
2033-2037	740,130	270,273	1,010,403	588,157	20,689	608,846	1,328,287	290,962	1,619,249
2038-2042	860,130	146,344	1,006,474	61,791	286	62,077	921,921	146,630	1,068,551
2043-2047	383,294	17,427	400,721	-	-	-	383,294	17,427	400,721
Totals	\$ 3,658,944	\$ 1,782,542	\$ 5,441,486	\$ 2,167,857	\$ 268,830	\$ 2,436,687	\$ 5,826,801	\$ 2,051,372	\$ 7,878,173

Total interest paid on long-term debt was \$122,712 during the year ended June 30, 2017.

Governmental Activities			Business Type Activities		
Total	Less	Net	Total	Less	Net
Interest	Direct Interest	Interest	Interest	Capitalized Interest	Net Interest
\$ 3,206	\$ -	\$ 3,206	\$ 119,506	\$ 10,076	\$ 109,430

The City had no earnings on unexpended debt proceeds and, accordingly, federal arbitrage regulations do not currently apply.

For governmental activities, compensated absences and net pension liability are generally liquidated by the general fund.

For business-type activities, compensated absences and net pension liability are liquidated by the proprietary funds.

The City has several annually renewable leases on office equipment with no contingent payments included therein. Total equipment rental during the current year was \$13,423.

CITY OF COCHRAN, GEORGIA

Notes to Financial Statements

June 30, 2017

9. GEFA CONSTRUCTION / REHABILITATION PROJECTS

The City has entered into the following loan agreements with Georgia Environmental Finance Authority (GEFA) to finance construction / rehabilitation projects in the water and Sewer fund:

Clean Water State Revolving Fund (Project Number CWSRF 15-002) for \$1,500,000 dated August 17, 2015 for the rehabilitation of existing sewer lines and manholes. The loan agreement includes a provision to forgive \$225,000 of the loan amount, if all funds are drawn.

Drinking Water State Revolving Fund (Project Number DWSRF 15-019) for \$2,572,500 dated February 23, 2016 for the rehabilitation of the City's drinking water distribution system. The loan agreement includes a provision to forgive \$500,000 of the loan amount, if all funds are drawn.

Clean Water State Revolving Fund (Project Number CWSRF 15-009) for \$2,500,000 dated February 23, 2016 for the rehabilitation of existing sewer lines and manholes. The loan agreement includes a provision to forgive \$500,000 of the loan amount, if all funds are drawn.

10. RESTRICTED ASSETS - PROPRIETARY FUNDS

The revenue bonds payable require the restriction of certain fund assets for the purpose designated by the revenue bond agreement. The assets so designated have been identified as "restricted investments" on the balance sheet and includes cash in banks. The significant requirements of the bond covenants were met on a timely basis through June 30, 2017.

11. INTERFUND BALANCES AND TRANSFERS

Interfund balances and transfers as of and for the year ended June 30, 2017, were for routine operating functions in payroll and debt service administration. In addition, the interfund balances as of June 30, 2017, include similar amounts which were not repaid during the current year, including Special Purpose Local Option Sales Tax as described more fully in Note 7 above. The interfund balances are expected to be repaid within one year from June 30, 2017.

Interfund balances of amounts due to/from other funds and transfers by fund as of and for the year ended June 30, 2017, are as follows:

	Due To:			Totals
	Special Sales Tax 2007	Water and Sewer Fund	Solid Waste Fund	
General Fund	\$ 184,974	5,698	\$ 2,849	\$ 193,521
Totals	\$ 184,974	\$ 5,698	\$ 2,849	\$ 193,521

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

<u>Transfers Out:</u>	<u>Transfers In:</u>				<u>Totals</u>
	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Capital Projects CDBG 2014</u>	<u>Capital Projects CDBG 2016</u>	
General Fund	\$ -	49,246	\$ 60	\$ 100	\$ 49,406
Natural Gas Fund	250,000	-	-	-	250,000
TSPLOST Fund	<u>7,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,820</u>
Totals	<u>\$ 257,820</u>	<u>\$ 49,246</u>	<u>\$ 60</u>	<u>\$ 100</u>	<u>\$ 307,226</u>

12. GRANTS

In the normal course of operations, the City, receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

13. 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; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage in the current year. Commercial insurance premiums totaled \$193,764 during the current year.

14. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

There are lawsuits currently pending against the City. The ultimate liability to the City, if any, is not determinable at this time.

15. PENSION PLANS

A. Plan Description

The City's defined benefit plan, City of Cochran Retirement Plan, is administered through the Board of Trustees of the Georgia Municipal Employees Benefit System Retirement Fund (GMEBS) an agent multiple employer pension fund. The plan was established by a City ordinance under authority of Georgia law. The City has the right to establish and amend the benefit provisions of the plan. These amendments become effective once approved by the Board of Trustees of GMEBS. The GMEBS issues a publicly available financial report that includes financial statements and required supplemental information for GMEBS. That report may be obtained at City Hall of Cochran, Georgia, or by contacting the Georgia Municipal Association Risk Management and Employee Benefit Services, 201 Pryor Street, S.W., Atlanta, Georgia 30303-3606.

The plan provides benefits upon retirement, death, disablement, and termination of employment to plan participants and beneficiaries, if certain eligibility conditions are met. All employees who work at least thirty hours per week are eligible to participate. The plan also covers City officials elected since December 1, 1991. Employees were eligible to participate after completion of one year of service. Elected City officials are immediately eligible to

participate. Effective January 1, 2015, the plan was amended to provide for immediate participation for

CITY OF COCHRAN, GEORGIA

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June 30, 2017

employees. Employees are considered vested after ten years of service and City officials are vested immediately. Normal retirement age for employees is the earlier of age sixty-five with five years of service or upon the completion of thirty (twenty-five for police officers and firefighters) years of service, whichever is earlier. Normal retirement date for elected or appointed officials is age sixty-five or upon the completion of thirty years of service, whichever is earlier. All participants may elect early retirement upon the attainment of age fifty-five with a minimum of ten years of service.

The monthly retirement benefits, upon normal retirement, are as follows:

Full-time employees:

One-twelfth (1/12) the sum of: one percent (1%) of the Participant's Final Average Earnings up to the amount of Covered Compensation for the Participant's applicable year of birth, plus one and three-fourths percent (1-3/4%) of the Participant's Final Average Earnings in excess of the Covered Compensation applicable to the Participant, multiplied by years of Total Credited Service.

Elected or appointed members:

Twenty dollars per month for each year of Service or major fraction thereof. However, in no event shall the Participant's Monthly Retirement Benefit exceed 100% of the monthly salary he was receiving as an elected or appointed member of the governing authority immediately prior to his retirement.

Benefits are adjusted accordingly for early retirement and delayed retirement.

As of January 1, 2017, pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	30
Vested terminated employees	20
Active employees	41
Active elected officials	<u>4</u>
Total membership in the plan	<u>96</u>

Contributions - The City is required to contribute based on actuarial funding policy. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability or the 10-year level percentage of payroll amortization of the surplus, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). Plan provisions and contribution requirements are established by state statute and may be amended by the State. City contributions to the Plan were \$133,321 for the year ended June 30, 2017.

B. Net Pension Liability

Effective July 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

The City's net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017.

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

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

Inflation	3.25%
Salary increases	3.25% plus service based merit increases
Investment rate of return	7.75%

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

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through 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 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.75%
International equity	20%	7.45%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Real estate	10%	4.55%
Cash	<u>0%</u>	0%
Total	<u>100%</u>	

Discount rate-The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the City – The changes in the components of the net pension liability of the City for the year ended June 30, 2017, were as follows:

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

	<u>Schedule of Changes in Net Pension Liability</u>		
	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance, June 30, 2016	\$ 3,888,021	\$ 3,420,291	\$ 467,730
Changes for the year:			
Service cost.....	71,193	-	71,193
Interest	291,591	-	291,591
Differences between expected and actual experience.....	(36,184)	-	(36,184)
Contributions-employer	-	133,321	(133,321)
Contributions-employee.....	-	-	-
Net investment income.....	-	422,124	(422,124)
Benefit payments, including refunds of employee contributions.....	(251,103)	(251,103)	-
Administrative expense.....	-	(14,785)	14,785
Other	-	-	-
Net changes.....	<u>75,497</u>	<u>289,557</u>	<u>(214,060)</u>
Balance, June 30, 2017	<u>\$ 3,963,518</u>	<u>\$ 3,709,848</u>	<u>\$ 253,670</u>

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.75%	7.75%	8.75%
City's Net Pension Liability	\$ 711,594	\$ 253,670	\$ (131,748)

Changes of assumptions

Assumption changes reflected in the last two fiscal years are as follows-

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

There were no changes in benefit provisions in the last two fiscal years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2017 and the current sharing pattern of costs between employer and employee.

B. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

Pension Expense:

Service cost	\$ 71,193
Interest on TPL	291,591
Administrative expense	14,786
Expected return on assets	(259,936)
Expensed portion of current year period differences between expected and actual experience in TPL	(9,046)
Expensed portion of current year period differences between projected and actual investment earnings	(32,436)
Current year recognition of deferred inflows and outflows established in prior years	<u>(9,859)</u>
Total pension expense	<u>\$ 66,293</u>

For the year ended June 30, 2017, the City recognized pension expense of \$66,293. As of June 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (69,958)
Contributions made subsequent to measurement date	30,819	-
Changes of assumptions	-	(13,945)
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>(310)</u>
 Total	 <u>\$ 30,819</u>	 <u>\$ (84,213)</u>

City contributions subsequent to the measurement date of \$30,819 are reported as deferred outflows of resources and will be recognized as a reduction of the net position liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2018	(51,343)
2019	(10,616)
2020	10,184
2021	(32,438)

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

16. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The following table provides detail regarding the deferred outflows and inflows of resources on the government-wide statement of net position for governmental activities and business-type activities, and on the proprietary funds statements of net position for the water and sewer fund, natural gas fund, and the solid waste fund:

	<u>Government-Wide</u>		<u>Proprietary Funds</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Solid Waste Fund</u>
Deferred Outflows-					
Pensions:					
City contributions subsequent to measurement date	\$ 26,243	\$ 4,576	\$ 4,576	\$ -	\$ -
Net differences between projected and actual earnings on pension plan investments	-	-	-	-	-
Total deferred outflows	<u>\$ 26,243</u>	<u>\$ 4,576</u>	<u>\$ 4,576</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows-					
Pensions:					
Differences between expected and actual experience	\$ 59,571	\$ 10,387	\$ 10,387	\$ -	\$ -
Changes of assumptions	11,875	2,070	2,070		
Net Difference between projected and actual earnings on investments	264	46	46	-	-
Total deferred inflows	<u>\$ 71,710</u>	<u>\$ 12,503</u>	<u>\$ 12,503</u>	<u>\$ -</u>	<u>\$ -</u>

17. EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 19, 2018, the date which the financial statements were available to be issued.

CITY OF COCHRAN, GEORGIA
Notes to Financial Statements
June 30, 2017

18. RESTRICTED NET POSITION

Details of the restricted net position reported on the government-wide Statement of Net Position are as follows:

	Restricted by Enabling Legislation	External or Constitutional Restrictions	Total
Restricted for:			
Capital projects	\$ 1,169,307	\$ -	\$ 1,169,307
Transportation projects	57,842	-	57,842
Confiscated assets-police	4,078	-	4,078
Debt service	58,748	-	58,748
Balance, end of year	\$ 1,289,975	\$ -	\$ 1,289,975

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Required Supplementary Information

CITY OF COCHRAN, GEORGIA
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget (GAAP Basis) and Actual - General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES:				
Taxes	\$ 2,093,700	\$ 2,077,500	\$ 2,008,449	\$ (69,051)
Licenses and permits	69,000	60,000	59,703	(297)
Intergovernmental	178,200	670,000	1,037,474	367,474
Charges for services	-	-	19,575	19,575
Fines and forfeitures	186,000	364,000	359,322	(4,678)
Miscellaneous	86,190	14,550	4,485	(10,065)
Total Revenues	<u>2,613,090</u>	<u>3,186,050</u>	<u>3,489,008</u>	<u>302,958</u>
EXPENDITURES:				
Current:				
General government	1,188,832	1,016,400	983,145	33,255
Public safety	1,500,450	2,091,500	2,064,148	27,352
Public works	667,400	617,150	631,502	(14,352)
Airport	7,300	248,500	239,751	8,749
Debt service:				
Principal	-	32,000	33,773	(1,773)
Interest	-	2,500	2,491	9
TOTAL EXPENDITURES	<u>3,363,982</u>	<u>4,008,050</u>	<u>3,954,810</u>	<u>53,240</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(750,892)</u>	<u>(822,000)</u>	<u>(465,802)</u>	<u>356,198</u>
OTHER FINANCING SOURCES:				
Transfers in	750,892	592,000	257,820	(334,180)
Transfers out	-	-	(49,406)	(49,406)
Issuance of capital leases	-	230,000	227,226	(2,774)
Sale of capital assets	-	-	496	496
Total Other Financing Sources	<u>750,892</u>	<u>822,000</u>	<u>436,136</u>	<u>(385,864)</u>
NET CHANGE IN FUND BALANCES	-	-	(29,666)	(29,666)
FUND BALANCE, BEGINNING	<u>262,556</u>	<u>262,556</u>	<u>262,556</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 262,556</u>	<u>\$ 262,556</u>	<u>\$ 232,890</u>	<u>\$ (29,666)</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF COCHRAN, GEORGIA
 Required Supplementary Information
 Schedule of Contributions
 Georgia Municipal Employees Benefit System
 For the Fiscal Year Ended June 30, 2017

	Fiscal Year End		
	2017	2016	2015
Actuarially determined contribution	\$ 110,784	\$ 136,669	\$ 161,178
Contributions in relation to the actuarially determined contribution	<u>110,784</u>	<u>136,669</u>	<u>161,178</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ 1,599,499</u>	<u>\$ 1,486,855</u>	<u>\$ 1,413,489</u>
Contributions as a percentage of covered-employee payroll	6.93%	9.19%	11.40%

Note: This schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF COCHRAN, GEORGIA
 Required Supplementary Information
 Schedule of Changes in the Net Pension Liability and Related Ratios
 Georgia Municipal Employees Benefit System
 For the Fiscal Year Ended June 30, 2017

	Fiscal Year End		
	2017	2016	2015
<i>Total Pension Liability</i>			
Service cost	\$ 71,193	\$ 88,539	\$ 79,124
Interest	291,591	284,759	287,625
Differences between expected and actual experience	(36,184)	(32,077)	(107,126)
Changes in assumptions	-	-	(55,781)
Changes in benefit terms	-	-	-
Benefit payments, including refunds of employee contributions	<u>(251,103)</u>	<u>(255,015)</u>	<u>(226,634)</u>
Net change in total pension liability	75,497	86,206	(22,792)
Total pension liability-beginning	<u>3,888,021</u>	<u>3,801,815</u>	<u>3,824,607</u>
Total pension liability-ending	<u>\$ 3,963,518</u>	<u>\$ 3,888,021</u>	<u>\$ 3,801,815</u>
<i>Plan Fiduciary Net Position</i>			
Contributions-employer	\$ 133,321	\$ 155,051	\$ 185,951
Contributions-employee	-	-	-
Net investment income	422,124	10,212	314,321
Benefit payments, including refunds of employee contributions	(251,103)	(255,015)	(226,634)
Administrative expense	(14,786)	(10,307)	(9,572)
Other	-	-	-
Net change in fiduciary net position	289,556	(100,059)	264,066
Plan fiduciary net position-beginning	<u>3,420,291</u>	<u>3,520,350</u>	<u>3,256,284</u>
Plan fiduciary net position-ending	<u>\$ 3,709,847</u>	<u>\$ 3,420,291</u>	<u>\$ 3,520,350</u>
<i>Net Pension Liability</i>			
Net pension liability-ending	<u>\$ 253,671</u>	<u>\$ 467,730</u>	<u>\$ 281,465</u>
Plan's fiduciary net position as a percentage of the total pension liability	93.60%	87.97%	92.60%
Covered-employee payroll	1,599,499	1,486,855	1,413,489
Net pension liability as a percentage of covered-employee payroll	15.86%	31.46%	19.91%

Note: This schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

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CITY OF COCHRAN, GEORGIA
Notes to Required Supplementary Information
June 30, 2017

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budget:

1. Prior to May 15, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means by which they are to be financed.
2. The City Council holds a public hearing on the budget, giving notice thereof at least 10 days in advance by publication in the official organ of the City of Cochran.
3. The budget is then revised and adopted or amended by the City Council at the first regular meeting prior to July 1 of the year to which it applies.
4. The budget so adopted may be revised during the year only by formal action of the City Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.
5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Budgeted amounts are as originally adopted, or as amended by the Council. Amendments were made to the current year's budget. Appropriated annual budgets have been legally adopted for the General Fund, Special Revenue Fund and Enterprise Funds. A project length budget is adopted for the Capital Projects Funds.

Excess of Expenditures over Appropriations in Individual Departments and Budget Compliance

The Public Works department had an excess of expenditures over appropriations of \$14,352. In addition, General Fund Debt Service expenditures and Transfers Out exceeded appropriations by \$1,773 and \$49,406, respectively.

CITY OF COCHRAN, GEORGIA
Notes to Required Supplementary Information
June 30, 2017

Georgia Municipal Employees Benefit System

This note describes assumption and benefit changes reflected in the last two fiscal years.

Changes of assumptions:

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

Benefit Changes

There were no changes in benefit provisions in the last two fiscal years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2017, and the current sharing pattern of costs between employer and employee.

CITY OF COCHRAN, GEORGIA
Notes to Required Supplementary Information
June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Closed level dollar for the remaining unfunded liability.
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 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 the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial Assumptions:	
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	Ages 55-59 rate of 10%, age 60 rate of 20%, age 61 rate of 25%, age 62 rate of 35%, age 63 rate of 40%, age 64 rate of 45%, ages 65-69 rate of 50% and age 70 and over rate of 100%.
Mortality	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

Supplementary Information

CITY OF COCHRAN, GEORGIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Capital Projects- CDBG 2014	Capital Projects- CDBG 2016	Special Revenue- Confiscated Assets	Special Revenue- Hotel/ Motel Tax	Special Revenue- TIA Sales Tax	Total Nonmajor Governmental Funds
ASSETS:						
Cash	\$ -	\$ 100	\$ 4,078	\$ -	\$ 53,872	\$ 58,050
Receivables, net:						
Taxes	-	-	-	1,813	-	1,813
Intergovernmental	-	-	-	-	4,223	4,223
Prepaid items	-	-	-	-	13,015	13,015
Total Assets	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 4,078</u>	<u>\$ 1,813</u>	<u>\$ 71,110</u>	<u>\$ 77,101</u>
LIABILITIES:						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,813	\$ 253	\$ 2,066
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,813</u>	<u>253</u>	<u>2,066</u>
FUND BALANCES:						
Nonspendable-						
Prepaid items	-	-	-	-	13,015	13,015
Restricted:						
Capital projects	-	100	-	-	-	100
Transportation projects	-	-	-	-	57,842	57,842
Confiscated assets-police	-	-	4,078	-	-	4,078
Total Fund Balances	<u>-</u>	<u>100</u>	<u>4,078</u>	<u>-</u>	<u>70,857</u>	<u>75,035</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 4,078</u>	<u>\$ 1,813</u>	<u>\$ 71,110</u>	<u>\$ 77,101</u>

CITY OF COCHRAN, GEORGIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017

	Capital Projects- CDBG 2014	Capital Projects- CDBG 2016	Special Revenue- Confiscated Assets	Special Revenue- Hotel/ Motel Tax	Special Revenue- TIA Sales Tax	Total Nonmajor Governmental Funds
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ 17,009	\$ 49,965	\$ 66,974
Intergovernmental	<u>73,134</u>	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,134</u>
Total Revenues	<u>73,134</u>	<u>13,000</u>	<u>-</u>	<u>17,009</u>	<u>49,965</u>	<u>153,108</u>
EXPENDITURES:						
Current:						
Public works	-	-	-	-	116,623	116,623
Community development	<u>50,398</u>	<u>13,000</u>	<u>-</u>	<u>17,009</u>	<u>-</u>	<u>80,407</u>
Total Expenditures	<u>50,398</u>	<u>13,000</u>	<u>-</u>	<u>17,009</u>	<u>116,623</u>	<u>197,030</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>22,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,658)</u>	<u>(43,922)</u>
OTHER FINANCING SOURCES:						
Transfers in	60	100	-	-	-	160
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,820)</u>	<u>(7,820)</u>
Total Other Financing Sources	<u>60</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>(7,820)</u>	<u>(7,660)</u>
NET CHANGE IN FUND BALANCE	22,796	100	-	-	(74,478)	(51,582)
FUND BALANCE (DEFICIT), BEGINNING	<u>(22,796)</u>	<u>-</u>	<u>4,078</u>	<u>-</u>	<u>145,335</u>	<u>126,617</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 4,078</u>	<u>\$ -</u>	<u>\$ 70,857</u>	<u>\$ 75,035</u>

CITY OF COCHRAN, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Nonmajor Governmental Fund
Special Revenue – Hotel/Motel Tax
For the Fiscal Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES -			
Taxes	\$ 17,500	\$ 17,009	\$ (491)
Total Revenues	<u>17,500</u>	<u>17,009</u>	<u>(491)</u>
EXPENDITURES -			
Current -			
Community development	<u>17,500</u>	<u>17,009</u>	<u>491</u>
Total Expenditures	<u>17,500</u>	<u>17,009</u>	<u>491</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-
FUND BALANCE, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF COCHRAN, GEORGIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Nonmajor Governmental Fund
Special Revenue – TIA Sales Tax
For the Fiscal Year Ended June 30, 2017

	Final Budget	Actual	With Final Budget
REVENUES -			
Taxes	\$ 130,250	\$ 49,965	\$ (80,285)
Total Revenues	<u>130,250</u>	<u>49,965</u>	<u>(80,285)</u>
EXPENDITURES -			
Current -			
Public works	<u>122,430</u>	<u>116,623</u>	<u>5,807</u>
Total Expenditures	<u>122,430</u>	<u>116,623</u>	<u>5,807</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>7,820</u>	<u>(66,658)</u>	<u>(74,478)</u>
OTHER FINANCING SOURCES-			
Transfers out	<u>(7,820)</u>	<u>(7,820)</u>	<u>-</u>
Total Other Financing Sources	<u>(7,820)</u>	<u>(7,820)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(74,478)	(74,478)
FUND BALANCE, BEGINNING	<u>145,335</u>	<u>145,335</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 145,335</u>	<u>\$ 70,857</u>	<u>\$ (74,478)</u>

CITY OF COCHRAN, GEORGIA
Schedule of Special Purpose Local Option Sales Tax Expenditures
For the Period Ended June 30, 2017



<u>Project</u>	Original Estimated Cost	Current Estimated Cost	<u>Expenditures</u>		Total
			Prior Years	Current Year	
Beginning 2007:					
Roads and Streets	\$ 700,000	\$ 700,000	\$ 306,303	\$ 5,369	\$ 311,672
Sewer System	600,000	600,000	646,631	-	646,631
Water System	285,000	285,000	307,150	-	307,150
Fire Department Equipment	200,000	200,000	215,543	-	215,543
Police Department Equipment	100,000	100,000	107,772	-	107,772
Utility Vehicles	100,000	100,000	100,000	-	100,000
Library	15,000	15,000	16,166	-	16,166
Recreation Department	180,000	180,000	148,615	44,125	192,740
Emergency Management Office	25,000	25,000	26,943	-	26,943
 Total 2007 SPLOST	 <u>\$ 2,205,000</u>	 <u>\$ 2,205,000</u>	 <u>\$ 1,875,123</u>	 <u>\$ 49,494</u>	 <u>\$ 1,924,617</u>

CITY OF COCHRAN, GEORGIA
 Schedule of Special Purpose Local Option Sales Tax Expenditures
 For the Period Ended June 30, 2017

<u>Project</u>	Original Estimated Cost	Current Estimated Cost	<u>Expenditures</u>		Total
			Prior Years	Current Year	
Beginning 2013:					
Roads and Streets	\$ 530,600	\$ 530,600	\$ 64,041	\$ 95,978	\$ 160,019
Fire Department	100,000	100,000	77,171	-	77,171
Sewer System	625,000	625,000	240,317	9,151	249,468
Water System	330,000	330,000	108,795	2,324	111,119
Police Department	200,000	200,000	76,490	11,495	87,985
Public Library	15,000	15,000	4,419	-	4,419
Recreation Department	175,200	175,200	5,576	52,425	58,001
Emergency Management Office	24,000	24,000	87	-	87
Total 2013 SPLOST	\$ 1,999,800	\$ 1,999,800	\$ 576,896	\$ 171,373	\$ 748,269

CITY OF COCHRAN, GEORGIA
Community Development Block Grant Program
Source and Application of Funds Schedule
Grant # 14p-x-012-2-5653
For the Period September 25, 2014 through June 30, 2017

I. Total Fiscal Year 2014 CDBG Funds Awarded to Recipient	<u>\$500,000</u>
II. Total Amount Drawn Down by Recipient from CDBG	\$426,102
III. Less:CDBG Funds Expended by Recipient	<u>426,102</u>
IV. Amount of Fiscal Year 2014 CDBG Funds Held by Recipient	<u>\$ -</u>

CITY OF COCHRAN, GEORGIA
 Community Development Block Grant Program
 Project Cost Schedule
 Grant # 14p-x-012-2-5653
 For the Period September 25, 2014 through June 30, 2017

<u>Program Activity</u>	<u>Activity Code</u>	<u>Latest Approved Budget</u>	<u>Accumulative Expenditures To Date</u>	<u>Accumulative Expenditures To Date Other Funds</u>	<u>Grand Total of Expenditures To Date</u>	<u>Questioned Costs</u>
Contingency	C-022-00	\$ 43,860	\$ -	\$ -	\$ -	\$ -
Sewer Facilities	P-03J-02	426,140	426,102	-	426,102	-
Administration	A-21A-00	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals		<u><u>\$ 500,000</u></u>	<u><u>\$ 426,102</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 426,102</u></u>	<u><u>\$ -</u></u>

CITY OF COCHRAN, GEORGIA
Community Development Block Grant Program
Source and Application of Funds Schedule
Grant # 16p-x-012-2-5842
For the Period October 7, 2016 through June 30, 2017

I. Total Fiscal Year 2016 CDBG Funds Awarded to Recipient	<u>\$500,000</u>
II. Total Amount Drawn Down by Recipient from CDBG	\$ 13,000
III. Less:CDBG Funds Expended by Recipient	<u>13,000</u>
IV. Amount of Fiscal Year 2016 CDBG Funds Held by Recipient	<u>\$ -</u>

CITY OF COCHRAN, GEORGIA
Community Development Block Grant Program
Project Cost Schedule
Grant # 16p-x-012-2-5842
For the Period October 7, 2016 through June 30, 2017

Program Activity	Activity Code	Latest Approved Budget	Accumulative Expenditures To Date	Accumulative Expenditures To Date Other Funds	Grand Total of Expenditures To Date	Questioned Costs
Contingency	022-00	\$ 28,245	\$ -	\$ -	\$ -	\$ -
Water Facilities	03J-01	140,700	-	-	-	-
Flood and Drainage Construction	03K-02	63,720	-	-	-	-
Street Improvements	03K-01	237,335	-	-	-	-
Administration	21A-00	<u>30,000</u>	<u>13,000</u>	<u>-</u>	<u>13,000</u>	<u>-</u>
Totals		<u><u>\$500,000</u></u>	<u><u>\$ 13,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,000</u></u>	<u><u>\$ -</u></u>

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Single Audit Section

CITY OF COCHRAN, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>Environmental Protection Agency</u>				
Passed through Georgia Environmental Finance Authority				
Clean Water State Revolving Funds	66.458	CWSRF 15-002	\$ -	\$ 1,050,177
Clean Water State Revolving Funds	66.458	CWSRF 15-009	-	214,102
Subtotal CWSRF Cluster CFDA 66.458			-	1,264,279
Drinking Water State Revolving Funds	66.468	DWSRF 15-019	-	802,764
Subtotal DWSRF Cluster CFDA 66.468			-	802,764
Total Environmental Protection Agency			-	2,067,043
<u>Department of Housing and Urban Development</u>				
Passed through Georgia Department of Community Affairs				
CDBG - Target Block Sewer Grant	14.228	14p-x-012-2-5653	-	50,337
CDBG - Sewer Block Grant	14.228	14p-x-012-2-5842	-	13,000
Total Department of Housing and Urban Development			-	63,337
<u>Department of Transportation - FAA</u>				
Passed through Georgia Department of Transportation				
Airport Improvement	20.106	AP016-9029-24(023)	-	197,332
Airport Improvement	20.106	AP017-9031-25(023)	-	19,590
Total Department of Transportation - FAA			-	216,922
<u>U.S. Department of Homeland Security</u>				
Direct:				
Assistance to Firefighters Grant	97.044	EMW-2015-FO-00493	-	297,572
Total U.S. Department of Homeland Security			-	297,572
<u>U.S. Department of Justice</u>				
Direct:				
Bulletproof Vest Partnership Program	16.607		-	2,363
Total U.S. Department of Justice			-	2,363
Total Expenditures of Federal Awards			\$ -	\$ 2,647,237

See accompanying notes to schedule of expenditures of federal awards

CITY OF COCHRAN, GEORGIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Cochran, Georgia under programs of the federal government for the fiscal year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Cochran, Georgia, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Cochran, Georgia.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

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



City of Cochran

P. O. Box 8
Cochran, GA 31014

(478) 934-6346 Fax (478) 934-3230

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENT FINDINGS

2016-001 Natural Gas Fund – Bank Account Balance

Status: Resolved.

2016-002 Utility Billing Accounts Receivable

Status: Resolved.

2016-003 Water and Sewer Fund

Status: Resolved.

2016-004 Financial Reporting Software

Status: Unresolved. See current year finding 2017-001.

2016-005 Violation of Georgia Law – 2007 SPLOST Fund

Status: Unresolved. See current year finding 2017-003.

2016-006 Violation of Georgia Law – 2013 SPLOST Fund

Status: Partially resolved. See current year finding 2017-004.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A Single Audit was not required for fiscal year ended June 30, 2016.



City of Cochran

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February 19, 2018

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENT FINDINGS

2017-001 Accounting Internal Control and Timely Financial Reporting

Name of Contact Person: Richard Newbern, City Manager

Recommendation: We recommend that the City enhance internal control procedures with the overall accounting system and financial reporting to ensure that accounting activity is recorded properly during the fiscal year. The City should establish new internal due dates that require the accounting records to be ready for the annual audit within 75 days after the fiscal year end of June 30th.

Corrective Action: The City concurs with the finding. The City will work with our software accounting provider to correct the reporting issues. The City has established internal due dates for all transactions within each fund to ensure that accounting records are ready for the annual audit. The City has properly trained the accounting personnel, and will continue training to ensure familiarity with the new financial software and accounting procedures.

Anticipated Completion Date: September 14, 2018

COMPLIANCE FINDINGS

2017-002 Property Taxes – House Bill 960

Name of Contact Person: Richard Newbern, City Manager

Recommendation: The City should adjust penalty calculations to the rates legally established by House Bill 960.

Corrective Action: The City concurs with the finding. The City is working with the software vendor to correct the problem of penalty overcharges. The City has rectified the problem with the taxpayers by processing refunds calculated to comply with House Bill 960.

Anticipated Completion Date: June 30, 2018



City of Cochran

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CORRECTIVE ACTION PLAN-CONTINUED FOR THE YEAR ENDED JUNE 30, 2017

2017-003 Violation of Georgia Law – 2007 SPLOST Fund

Name of Contact Person: Richard Newbern, City Manager

Recommendation: The City should implement procedures to ensure restricted funds are not accessed to finance daily operations of the City and efforts be made to eliminate current amounts already advanced to the General fund.

Corrective Action: The City concurs with the finding. The General Fund of the City has repaid the advances in full.

Anticipated Completion Date: February 19, 2018

2017-004 Violation of Georgia Law – 2013 SPLOST Fund

Name of Contact Person: Richard Newbern, City Manager

Recommendation: The City should implement procedures to ensure restricted funds are not utilized for operating expenditures.

Corrective Action: The City concurs with the finding. The City has implemented accounting procedures and has trained the accounting staff regarding the proper use of SPLOST Funds for capital outlay projects.

Anticipated Completion Date: February 19, 2018

**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 City Council
City of Cochran, Georgia

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cochran, Georgia as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Cochran, Georgia's basic financial statements, and have issued our report thereon dated February 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Cochran, 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 City of Cochran, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Cochran, 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 have not been 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. 2017-001

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Cochran, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003 and 2017-004.

City of Cochran, Georgia's Response to Findings

City of Cochran, Georgia's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Cochran, Georgia's response was not subjected to the auditing procedures applied in our 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 result 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.

Macon, Georgia
February 19, 2018



**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Members of City Council
The City of Cochran, Georgia

Report on Compliance for Each Major Federal Program

We have audited the City of Cochran, Georgia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Cochran, Georgia's major federal programs for the year ended June 30, 2017. The City of Cochran, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Cochran, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

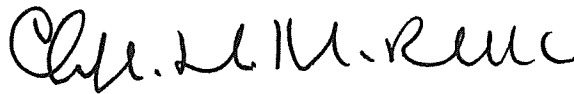
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the City of Cochran, Georgia as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated February 19, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Macon, Georgia
February 19, 2018



CITY OF COCHRAN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditor’s report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Federal Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.458	Clean Water State Revolving Funds
66.468	Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

CITY OF COCHRAN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings

2017-001 Accounting Internal Control and Timely Financial Reporting

CRITERIA

Timely and accurate financial reports are essential in order to perform analysis of the financial condition of the City, review data for accuracy and completeness, monitor compliance with budget appropriations, and to prepare annual financial statements. Georgia code establishes requirements of audits for local governments. Each annual audit report of a local unit of government shall be completed and a copy of the report forwarded to the state auditor within 180 days after the close of the unit's fiscal year. The State Auditor may grant a waiver for the completion of the audit within the 180 days for good cause. No such waiver shall be granted for more than two successive years to the same local government.

CONDITION

The City's internal control structure over accounting and financial reporting requires the utilization of a governmental consultant to provide significant supervision of the City's accounting staff. Some of the monthly accounting and reconciliation procedures are not being performed on a timely basis during the fiscal year. Additionally, the staff has been unable to generate detailed general ledgers for the period July 1, 2016 to June 30, 2017. Material adjustments are required to be made by the City's consultant several months after year end to correct financial activity. For FY2017, these material adjustments were not made to the City's accounting system until late December 2017. In addition, the City records certain financial activity in unnecessary smaller funds which complicates the overall management of fund accounting and financial reporting. For FY2017, the City was not ready for the annual audit in a timely manner to comply with audit submission due date requirements.

CONTEXT

Material adjustments were made by the City's consultant for the following:

- To reclassify Hotel/Motel taxes to the correct fund.
- To correct property tax revenue, receivables, allowance and deferral.
- To correct fines and forfeitures revenue, receivables and allowance.
- To record prepaid insurance.
- To reverse prior year and record current year accrued salaries.
- To reverse prior year and record current year accounts payable.
- To reverse prior year and record current year accounts receivable.
- To reverse prior year and record current year accrued interest.
- To allocate retirement costs to the correct fund.
- To record capital asset additions and depreciation for the fiscal year in the Enterprise Funds.
- To correct utility revenue, receivables and allowance.
- To reclassify customer deposits.
- To record contributed capital.

CITY OF COCHRAN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

- To reverse prior year and record current year compensated absences.
- To reclassify principal payments on debt.
- To adjust net pension liability, deferred outflows of resources and deferred inflows of resources.
- To correct prior year contributed capital not closed out properly.
- To record loan proceeds.
- To record the current year JONG activity.

EFFECT

During the fiscal year, certain financial activity contained material errors that required adjustments to record revenues and expenditures in the proper fiscal period. Material adjustments were made by the City's consultant in late December 2017 to close out the financial activity for the year ended June 30, 2017. The City was not prepared and ready for the annual audit in a timely manner to meet the State of Georgia's audit submission due date of December 31, 2017.

CAUSE

In April, 2016, the City changed accounting software programs which caused delays with getting the monthly accounting current. In addition, over the last few years, the City experienced turnover in the finance department and financial personnel may have lacked the appropriate training on the new software and governmental accounting.

RECOMMENDATION

We recommend that the City enhance internal control procedures with the overall accounting system and financial reporting to ensure that accounting activity is recorded properly during the fiscal year. The City should establish new internal due dates that require the accounting records to be ready for the annual audit within 75 days after the fiscal year end of June 30th.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City concurs with the finding. The City will work with our software accounting provider to correct the reporting issues. The City has established internal due dates for all transactions within each fund to ensure that accounting records are ready for the annual audit. The City has properly trained the accounting personnel, and will continue training to ensure familiarity with the new financial software and accounting procedures.

CITY OF COCHRAN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

COMPLIANCE FINDINGS

2017-002 Property Taxes – House Bill 960

CRITERIA

Effective July 1, 2016, House Bill 960 changed the interest and penalty calculations on delinquent property taxes. Interest is calculated at the Federal Prime Rate plus 3%. Penalties are calculated at 5% after 120 days with an additional 5% assessed after each successive 120 days to a maximum of 20% of the principal amount due.

CONDITION

The City calculated interest and penalties incorrectly on delinquent property taxes.

CONTEXT

The City calculated penalties on 2016 delinquent taxes at 10% per month for the months of March, April, May and June, resulting in a 40% penalty. No interest was calculated on the delinquent taxes.

EFFECT

Delinquent taxpayers were overcharged for penalties. The City was not in compliance with House Bill 960.

CAUSE

City personnel responsible for property taxes lacked an understanding of House Bill 960.

RECOMMENDATION

The City should adjust penalty calculations to the rates legally established by House Bill 960.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City concurs with the finding. The City is working with the software vendor to correct the problem of penalty overcharges. The City has rectified the problem with the taxpayers by processing refunds calculated to comply with House Bill 960.

CITY OF COCHRAN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

2017-003 Violation of Georgia Law – 2007 SPLOST Fund

CRITERIA

The Official Code of Georgia (OCGA) Section 48-8-121(a)(1) requires that SPLOST proceeds cannot in any manner be commingled with other City funds prior to their expenditure. State law also prohibits the expenditure of SPLOST monies for any purposes that were not approved in the SPLOST referendum.

CONDITION

In prior years, the City advanced 2007 SPLOST funds to the General Fund. In addition, there was a due from the General Fund in the 2007 SPLOST Fund for non-capital outlay items purchased with SPLOST funds.

CONTEXT

At June 30, 2017, the General Fund owed \$183,724 to the 2007 SPLOST Fund for an advance and \$1,250 for current year expenditures.

EFFECT

The City is in violation of OCGA Section 48-8-121(a)(1).

CAUSE

In prior years, the City was unaware of the state law.

RECOMMENDATION

The City should implement procedures to ensure restricted funds are not accessed to finance daily operations of the City and efforts be made to eliminate current amounts already advanced to the General Fund.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City concurs with the finding. The General Fund of the City has repaid the advances in full.

CITY OF COCHRAN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

2017-004 Violation of Georgia Law – 2013 SPLOST Fund

CRITERIA

The Official Code of Georgia (OCGA) Section 48-8-121(a)(1) requires that SPLOST proceeds cannot in any manner be commingled with other City funds prior to their expenditure. Capital outlay projects are defined by law as major projects which are of a permanent, long-lived nature and would be properly chargeable to a capital asset account as distinguished from current expenditures and ordinary maintenance expenses. State law also prohibits the expenditure of SPLOST monies for any purposes that were not approved in the SPLOST referendum.

CONDITION

In FY17, the City had expenditures in the 2013 SPLOST Fund that did not meet the definition of capital outlay items.

CONTEXT

The City accrued and subsequently paid, attorney fees for annual continuing disclosure requirements, which are considered operating expenditures, in the amount of \$5,000 with SPLOST funds.

EFFECT

The City is in violation of OCGA Section 48-8-121(a)(1).

CAUSE

City personnel responsible for distribution of SPLOST funds lacked an understanding of projects eligible for SPLOST funding as defined by Georgia code.

RECOMMENDATION

The City should implement procedures to ensure restricted funds are not utilized for operating expenditures.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The City concurs with the finding. The City has implemented accounting procedures and has trained the accounting staff regarding the proper use of SPLOST Funds for capital outlay projects.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.