# CITY OF NICHOLLS, GEORGIA

# ANNUAL FINANCIAL REPORT

**For the Year Ended June 30, 2015**

City of Nicholls, Georgia
Annual Financial Report
For the Year Ended June 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Nicholls, Georgia

**Report on the Financial Statements**

I 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 Nicholls, Georgia, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City'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 Unites States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issues by the Comptroller General of the United States; 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***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 my 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, I consider internal control relevant to the City of Nicholls, Georgia'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 City of Nicholls, Georgia's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

***Opinions***

In my 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 Nicholls, Georgia as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 4-G, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 274, as well as Statement No. 71, Pensions Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, as of July 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. My opinions are not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United State of America require that the Management's Discussion and Analysis on pages 3 through 9 and the Schedules of Required Supplementary Information on pages 38 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nicholls, Georgia's basic financial statements. The combining and individual major and nonmajor fund financial statements, and schedules, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining, individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds 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 my opinion, the combining, individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated January 21, 2016, on my consideration of the City of Nicholls, Georgia's internal control over financial reporting and my 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 my 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 Nicholls, Georgia's internal control over financial reporting and compliance.

Robert W Goodman CPA

Alma, Georgia
January 21, 2016

# Management's Discussion and Analysis

Within this section of the City of Nicholls, Georgia (City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the year ended June 30, 2015. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

## FINANCIAL HIGHLIGHTS

The City's total assets exceeded its total liabilities by $8,642,299 (net position) for the year reported. This compares to the previous year when the total assets exceeded the total liabilities by $8,558,276.

Total net position is comprised of the following:

1. Net investment in capital assets, of $6,892,756 include property and equipment, net of accumulated depreciation, and reduced by outstanding debt related to the purchase and construction of capital assets.
2. Net position of $560,044 is restricted by constraints imposed upon the City by laws and regulations.
3. Unrestricted net position of $1,189,499 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds reported total ending fund balance of $1,072,608. This compares to the prior year ending fund balance, of $832,269 showing an increase of $240,339.

At the end of the current period, unassigned fund balance for the General Fund was $727,150 or 91.28% of total General Fund expenditures.

Overall, the City of Nicholls, Georgia, continues to maintain their financial position.

## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 10-11 provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as trustee or agent for the benefit of those outside of the government.

### Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

## Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide financial statements is the Statement of Net Position. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as Net Position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification to the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the City's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Governmental activities include general government, judicial, public safety, public works, culture and recreation and housing and development.

The City's financial reporting includes the funds of the City (primary government).

The government-wide financial statements are presented on pages 10-11 of this report.

## Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

All the funds of The City of Nicholls can be divided into categories: (1) governmental funds and (2) proprietary funds.

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different, with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spending resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes a long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the required supplementary information for the general fund. Budgetary comparison schedules for special revenue funds and the capital project funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

The City maintains one *proprietary fund.* Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the Water and Sewer Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund of The City of Nicholls, in the proprietary fund financial statements.

*Notes the basic financial statements*

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements are presented on pages 19-38 of this report.

*Other information*

Required supplementary information and can be found on pages 39-42 of this report.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report on pages 43-52.

## Financial Analysis of the City as a Whole

The City's combined net position was $8,642,299 at June 30, 2015. This is an $124,758 increase from last year's net position of $8,558,276. The following table provides a summary of the City's net position:

| | City of Nicholls Net Position | | | | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Assets: | | | | | | |
| Current and other assets | $ 1,162,210 | $ 917,276 | $ 754,065 | $ 598,376 | $ 1,916,275 | $ 1,515,652 |
| Capital assets | 1,556,429 | 1,604,145 | 8,488,602 | 8,826,823 | 10,045,031 | 10,430,968 |
| Total Assets | 2,718,639 | 2,521,421 | 9,242,667 | 9,425,199 | 11,961,306 | 11,946,620 |
| Deferred outflows of resources | 2,415 | - | 1,635 | - | 4,050 | - |
| Liabilities: | | | | | | |
| Other liabilities | 85,942 | 74,517 | 189,716 | 161,569 | 275,658 | 236,086 |
| Long-term debt outstanding | - | - | 3,020,455 | 3,152,258 | 3,020,455 | 3,152,258 |
| Total Liabilities | 85,942 | 74,517 | 3,210,171 | 3,313,827 | 3,296,113 | 3,388,344 |
| Deferred inflows of resources | 16,064 | - | 10,880 | - | 26,944 | - |
| Net Position: | | | | | | |
| Net investment in capital assets | 1,556,429 | 1,604,145 | 5,336,327 | 5,550,553 | 6,892,756 | 7,154,698 |
| Restricted | 304,226 | 172,399 | 255,818 | 187,498 | 560,044 | 359,897 |
| Unrestricted | 758,393 | 670,360 | 431,106 | 373,321 | 1,189,499 | 1,043,681 |
| Total Net Position | $ 2,619,048 | $ 2,446,904 | $ 6,023,251 | $ 6,111,372 | $ 8,642,299 | $ 8,558,276 |

**Net Position -** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2015, assets exceeded liabilities by $8,642,299. However, much of net position is either restricted as to purpose for which it can be used, or is invested in capital assets.

The largest portion of the City's net position, $6,892,756 represents investment in capital assets. The investment in capital assets includes land, buildings, machinery and equipment, as well as infrastructure acquired in past years. These capital assets are used to provide services to citizens; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. An additional $560,044 of the City's net position represents resources that are subject to external restrictions on how they are to be used.

Although the net position of our business-type activities represents 70% ($6,023,251) of total net position, these resources cannot be used to add to the net position surplus in governmental activities.

| City of Nicholls Changes in Net Position | | | | | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | $ 167,847 | $ 175,758 | $ 839,921 | $ 888,598 | $ 1,007,768 | $ 1,064,356 |
| Operating Grants and Contributions | 34,619 | 29,887 | - | - | 34,619 | 29,887 |
| Capital Grants and Contributions | 187,262 | 180,129 | - | - | 187,262 | 180,129 |
| General Revenues | | | | | | |
| Property taxes | 258,548 | 261,732 | - | - | 258,548 | 261,732 |
| Other taxes | 419,246 | 397,326 | - | - | 419,246 | 397,326 |
| Interest | 2,384 | 2,583 | 2,545 | 2,765 | 4,929 | 5,348 |
| Other revenues | 26,346 | 17,441 | - | - | 26,346 | 17,441 |
| Total Revenues | 1,096,252 | 1,064,856 | 842,466 | 891,363 | 1,938,718 | 1,956,219 |
| Expenses: | | | | | | |
| General government | 120,002 | 118,652 | - | - | 120,002 | 118,652 |
| Judicial | 6,783 | 12,220 | - | - | 6,783 | 12,220 |
| Public safety | 373,069 | 393,239 | - | - | 373,069 | 393,239 |
| Public works | 353,535 | 371,870 | - | - | 353,535 | 371,870 |
| Culture and recreation | 35,709 | 38,410 | - | - | 35,709 | 38,410 |
| Housing and development | 10,724 | 8,656 | - | - | 10,724 | 8,656 |
| Water and sewer | - | - | 914,138 | 926,634 | 914,138 | 926,634 |
| Total Expenses | 899,822 | 943,047 | 914,138 | 926,634 | 1,813,960 | 1,869,681 |
| Change in net position | 196,430 | 121,809 | (71,672) | (35,271) | 124,758 | 86,538 |
| Beginning net position, restated | 2,422,618 | 2,325,095 | 6,094,923 | 6,146,643 | 8,517,541 | 8,471,738 |
| Ending net position | $ 2,619,048 | $ 2,446,904 | $ 6,023,251 | $ 6,111,372 | $ 8,642,299 | $ 8,558,276 |

## Financial Analysis of the City's Funds

*Governmental funds*

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements.

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund reported ending fund balances of $768,382. Of this year-end total, $727,150 is unassigned indicating availability for continuing City service requirements. Nonspendable, restricted and committed fund balances totals $41,232.

## Capital Asset and Debt Administration

*Capital assets*

The City's investment in capital assets, net of accumulated depreciation, as of June 30, 2015, was $10,045,031. Capital assets include infrastructure, land, land improvements, buildings and machinery and equipment. Approximately 85% of this investment is related to business-type activities while only 15% is related to governmental activities.

Capital assets held by the City at the end of the current fiscal year are summarized as follows:

| | Capital Assets (Net of accumulated depreciation) | | | | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Non-depreciable assets: | | | | | | |
| Land | $ 67,862 | $ 67,862 | $ 143,374 | $ 143,374 | $ 211,236 | $ 211,236 |
| Construction in progress | - | - | - | - | - | - |
| Total non-depreciable assets | 67,862 | 67,862 | 143,374 | 143,374 | 211,236 | 211,236 |
| Depreciable assets: | | | | | | |
| Buildings and improvements | 1,396,864 | 1,386,864 | - | - | 1,396,864 | 1,386,864 |
| Machinery and equipment | 436,226 | 436,226 | 13,532,777 | 13,532,777 | 13,969,003 | 13,969,003 |
| Infrastructure | 536,463 | 536,463 | - | - | 536,463 | 536,463 |
| Total depreciable assets | 2,369,553 | 2,359,553 | 13,532,777 | 13,532,777 | 15,902,330 | 15,892,330 |
| Total Capital Assets | 2,437,415 | 2,427,415 | 13,676,151 | 13,676,151 | 16,113,566 | 16,103,566 |
| Less accumulated depreciation: | | | | | | |
| Buildings and improvements | 529,532 | 493,979 | - | - | 529,532 | 493,979 |
| Machinery and equipment | 243,637 | 234,886 | 5,187,549 | 4,849,328 | 5,431,186 | 5,084,214 |
| Infrastructure | 107,817 | 94,405 | - | - | 107,817 | 94,405 |
| Total Accumulated Depreciaton | 880,986 | 823,270 | 5,187,549 | 4,849,328 | 6,068,535 | 5,672,598 |
| Book value - depreciable assets | $ 1,556,429 | $ 1,604,145 | $ 8,488,602 | $ 8,826,823 | $ 10,045,031 | $ 10,430,968 |

See Note 3-D on pages 28-29 for additional information about the City's capital assets.

*Long-term debt*

At the end of the year, the City had total debt outstanding of $3,152,275. This total amount is supported by pledged revenues generated primarily by the City's business-type activities.

| | Outstanding Debt | | | | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Notes outstanding | $ - | $ - | $ 314,162 | $ 366,753 | $ 314,162 | $ 366,753 |
| Bonds | - | - | 2,838,113 | 2,909,517 | 2,838,113 | 2,909,517 |
| Total | $ - | $ - | $ 3,152,275 | $ 3,276,270 | $ 3,152,275 | $ 3,276,270 |

See Note 3-G on pages 30-32 for additional information about the City's long-term debt.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the year ending June 30, 2015 budget and tax rates. Sales tax, which is the second largest revenue source had a slight pro-rata increase for the year ended June 30, 2015, when compared to the previous year.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment of public accountability. If you have questions about this report or would like to request additional information, contact:

The City of Nicholls Board of Commissioners
707 Van Streat Highway
Nicholls, Georgia 31510
Telephone: (912) 345-2421

City of Nicholls, Georgia
Statement of Net Position
June 30, 2015

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total |
| **Assets** | | | |
| Cash and cash equivalents | $ 936,996 | $ 558,250 | $ 1,495,246 |
| Property taxes | 11,043 | - | 11,043 |
| Receivables, net | 27,175 | 75,415 | 102,590 |
| Due from other governments | 43,541 | - | 43,541 |
| Internal balances | 141,344 | (141,344) | - |
| Prepaid items | 2,111 | 5,926 | 8,037 |
| Restricted assets - cash | | 255,818 | 255,818 |
| Capital assets, non depreciated | 67,862 | 143,374 | 211,236 |
| Capital assets, depreciated, net | 1,488,567 | 8,345,228 | 9,833,795 |
| Total assets | 2,718,639 | 9,242,667 | 11,961,306 |
| **Deferred Outflows of Resources** | | | |
| Pension investment return | 2,415 | 1,635 | 4,050 |
| Total deferred outflows of resources | 2,415 | 1,635 | 4,050 |
| **Liabilities** | | | |
| Accounts payable | 26,603 | 19,760 | 46,363 |
| Accrued liabilities | 52,786 | 7,979 | 60,765 |
| Customer deposits | - | 25,719 | 25,719 |
| Notes payable due within one year | - | 54,761 | 54,761 |
| Revenue bonds due within one year | - | 77,059 | 77,059 |
| Notes payable due in more than one year | - | 259,401 | 259,401 |
| Revenue bonds due in more than one year | - | 2,761,054 | 2,761,054 |
| Net pension liability | 6,553 | 4,438 | 10,991 |
| Total liabilities | 85,942 | 3,210,171 | 3,296,113 |
| **Deferred Inflows of Resources** | | | |
| Pension experience differences | 16,064 | 10,880 | 26,944 |
| Total deferred inflows of resources | 16,064 | 10,880 | 26,944 |
| **Net Position** | | | |
| Net investment in capital assets | 1,556,429 | 5,336,327 | 6,892,756 |
| Restricted for: | | | |
| Capital projects | 304,226 | - | 304,226 |
| Debt service | - | 255,818 | 255,818 |
| Unrestricted | 758,393 | 431,106 | 1,189,499 |
| Total net position | $ 2,619,048 | $ 6,023,251 | $ 8,642,299 |

The accompanying notes are an integral part of these financial statements.

**City of Nicholls, Georgia**
**Statement of Activities**
**For the Year Ended June 30, 2015**

| Functions/Programs | Expenses | Program Revenues: Charges for Services and Fines | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities | Net (Expense) Revenue and Changes in Net Position: Primary Government: Total |
|---|---|---|---|---|---|---|---|
| **Primary government:** | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | $ 120,002 | $ 11,032 | $ 1,280 | $ - | $ (107,690) | $ - | $ (107,690) |
| Judiciary | 6,783 | - | - | - | (6,783) | - | (6,783) |
| Public safety | 373,069 | 33,771 | 11,798 | - | (327,500) | - | (327,500) |
| Public works | 353,535 | 123,044 | 21,541 | 187,262 | (21,688) | - | (21,688) |
| Culture and recreation | 35,709 | - | - | - | (35,709) | - | (35,709) |
| Housing and development | 10,724 | - | - | - | (10,724) | - | (10,724) |
| Total governmental activities | 899,822 | 167,847 | 34,619 | 187,262 | (510,094) | - | (510,094) |
| Business-type activities: | | | | | | | |
| Water and sewer | 914,138 | 839,921 | - | - | - | (74,217) | (74,217) |
| Total business-type activities | 914,138 | 839,921 | - | - | - | (74,217) | (74,217) |
| Total primary government | $ 1,813,960 | $ 1,007,768 | $ 34,619 | $ 187,262 | (510,094) | (74,217) | (584,311) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 258,548 | - | 258,548 |
| Sales taxes | | | | | 239,137 | - | 239,137 |
| Insurance premium tax | | | | | 150,910 | - | 150,910 |
| Other taxes | | | | | 29,199 | - | 29,199 |
| Investment earnings | | | | | 2,384 | 2,545 | 4,929 |
| Miscellaneous | | | | | 26,346 | - | 26,346 |
| Total general revenues | | | | | 706,524 | 2,545 | 709,069 |
| Change in net position | | | | | 196,430 | (71,672) | 124,758 |
| Net position - beginning of year, as restated | | | | | 2,422,618 | 6,094,923 | 8,517,541 |
| Net position - end of year | | | | | $ 2,619,048 | $ 6,023,251 | $ 8,642,299 |

The accompanying notes are an integral part of these financial statements.

City of Nicholls, Georgia
Balance Sheet
Governmental Funds
June 30, 2015

| | General | SPLOST 2012 | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 632,770 | $ 304,226 | $ - | $ 936,996 |
| Accounts receivable, net of allowance | 27,175 | - | - | 27,175 |
| Taxes receivable | 11,043 | - | - | 11,043 |
| Due from other governments | 43,541 | - | - | 43,541 |
| Due from other funds | 141,344 | - | - | 141,344 |
| Prepaid items | 2,111 | - | - | 2,111 |
| Total assets | $ 857,984 | $ 304,226 | $ - | $ 1,162,210 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | | |
| **Liabilities** | | | | |
| Accounts payable | 26,603 | $ - | $ - | $ 26,603 |
| Other payables | 52,786 | - | - | 52,786 |
| Total liabilities | 79,389 | - | - | 79,389 |
| **Deferred Inflows of Resources** | | | | |
| Unavailable revenue - property taxes | 10,213 | - | - | 10,213 |
| Total deferred inflows of resources | 10,213 | - | - | 10,213 |
| **Fund Balances** | | | | |
| Nonspendable - inventory | 2,111 | - | - | 2,111 |
| Restricted for capital projects | - | 304,226 | - | 304,226 |
| Committed for building maintenance | 9,736 | - | - | 9,736 |
| Committed for public safety | 7,601 | | | |
| Committed for public works | 21,784 | | | |
| Unassigned | 727,150 | - | - | 727,150 |
| Total fund balances | 768,382 | 304,226 | - | 1,072,608 |
| Total liabilities, deferred inflows of resources and fund balances | $ 857,984 | $ 304,226 | $ - | $ 1,162,210 |

The accompanying notes are an integral part of these financial statements.

City of Nicholls, Georgia
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2015

| | | |
|---|---|---|
| **Total Governmental Fund Balances** | | $ 1,072,608 |
| **Amounts reported for governmental activities in the statement of net position are different because:** | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. | | |
| Cost of capital assets | $ 2,437,416 | |
| Less accumulated depreciation | (880,987) | 1,556,429 |
| Other assets are not available to pay for current period expenditures and therefore are deferred in the funds. | | |
| Property taxes | | 10,213 |
| Deferred outflows of resources are not due and payable in the current period and therefore are not reported in the funds. The deferred outflows of resources consist of pension related differences between projected and actual earnings on plan investments. | | 2,415 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Net pension liability | | (6,553) |
| Deferred inflows of resources are not available to pay for current period expenditures and therefore are not reported in the funds. These deferred inflows of resources consist of pension related experience differences. | | (16,064) |
| **Net Position of Governmental Activities** | | $ 2,619,048 |

The accompanying notes are an integral part of these financial statements.

City of Nicholls, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

| | General | SPLOST 2012 | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 438,933 | $ - | $ - | $ 438,933 |
| Licenses and permits | 9,940 | - | - | 9,940 |
| Intergovernmental | 271,257 | 186,323 | - | 457,580 |
| Charges for services | 124,136 | - | - | 124,136 |
| Fines and forfeitures | 33,771 | - | - | 33,771 |
| Investment earnings | 2,384 | 939 | - | 3,323 |
| Miscellaneous | 24,762 | - | - | 24,762 |
| Total revenues | 905,183 | 187,262 | - | 1,092,445 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 116,003 | - | - | 116,003 |
| Judiciary | 6,783 | - | - | 6,783 |
| Public safety | 362,695 | - | - | 362,695 |
| Public works | 288,629 | - | - | 288,629 |
| Culture and recreation | 11,837 | - | - | 11,837 |
| Housing and development | 10,724 | - | - | 10,724 |
| Capital outlay | - | 47,725 | 7,710 | 55,435 |
| Total expenditures | 796,671 | 47,725 | 7,710 | 852,106 |
| Excess (deficiency) of revenues over expenditures | 108,512 | 139,537 | (7,710) | 240,339 |
| Net change in fund balances | 108,512 | 139,537 | (7,710) | 240,339 |
| **Fund balances, beginning of year** | 659,870 | 164,689 | 7,710 | 832,269 |
| **Fund balances, end of year** | $ 768,382 | $ 304,226 | $ - | $ 1,072,608 |

The accompanying notes are an integral part of these financial statements.

City of Nicholls, Georgia
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Government-Wide Statement of Activities
For the Year Ended June 30, 2015

| | | | |
|---|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | | $ 240,339 |
| **Amounts reported for governmental activities in the statement of activities are different because:** | | | |
| Governmental funds report capital outlays as expenditures on the governmental fund type operating statement. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the capitalized capital outlays exceeded depreciation expense in the current period. | | | |
| | Depreciation expense | $ (57,716) | |
| | Capital outlay | 10,000 | (47,716) |
| Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level. | | | |
| | Property taxes: | | |
| | Deferred at 06/30/14 | $ (10,490) | |
| | Deferred at 06/30/15 | 10,213 | (277) |
| **Change in Net Position of Governmental Activities** | | | $ 192,346 |

The accompanying notes are an integral part of these financial statements.

City of Nicholls, Georgia
Proprietary Funds
Statement of Net Position
June 30, 2015

| | Business-Type Activities - Enterprise Funds | |
|---|---|---|
| | Water and Sewer | Total |
| **Assets** | | |
| **Current Assets:** | | |
| Cash and cash equivalents | $ 558,250 | $ 558,250 |
| Accounts receivable, net | 75,415 | 75,415 |
| Restricted assets: | | |
| Cash | 255,818 | 255,818 |
| Prepaid items | 5,926 | 5,926 |
| Total current assets | 895,409 | 895,409 |
| **Noncurrent Assets:** | | |
| Property, plant and equipment, net | 8,488,602 | 8,488,602 |
| Total assets | 9,384,011 | 9,384,011 |
| **Deferred Outflows of Resources** | | |
| Pension investment return | 1,635 | 1,635 |
| Total deferred outflows of resources | 1,635 | 1,635 |
| **Liabilities** | | |
| **Current Liabilities:** | | |
| Payable from current assets: | | |
| Accounts payable | 19,760 | 19,760 |
| Accrued liabilities | 3,016 | 3,016 |
| Due other funds | 141,344 | 141,344 |
| | 164,120 | 164,120 |
| Payable from restricted assets: | | |
| Accrued interest | 4,963 | 4,963 |
| Note payable, current | 54,761 | 54,761 |
| Revenue bonds payable, current | 77,059 | 77,059 |
| Customer deposits | 25,719 | 25,719 |
| | 162,502 | 162,502 |
| Total current liabilities | 326,622 | 653,244 |
| **Noncurrent Liabilities:** | | |
| Note payable, net of current portion | 259,401 | 259,401 |
| Revenue bonds payable, net of current portion | 2,761,054 | 2,761,054 |
| Net pension liability | 4,438 | 4,438 |
| Total noncurrent liabilities | 3,024,893 | 3,024,893 |
| Total liabilities | 3,351,515 | 3,678,137 |
| **Deferred Inflows of Resources** | | |
| Pension experience differences | 10,880 | 10,880 |
| Total deferred inflows of resources | 10,880 | 10,880 |
| **Net Position** | | |
| Net investment in capital assets | 5,336,327 | 5,336,327 |
| Restricted for debt service | 255,818 | 255,818 |
| Unrestricted | 431,106 | 431,106 |
| Total net position | $ 6,023,251 | $ 6,023,251 |

The accompanying notes are an integral part of these financial statements.

City of Nicholls, Georgia
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2015

| | Business-Type Activities - Enterprise Funds | |
|---|---|---|
| | Water and Sewer | Total |
| **Operating revenues** | | |
| Water billings | $ 337,159 | $ 337,159 |
| Sewer billings | 499,418 | 499,418 |
| Other | 3,344 | 3,344 |
| Total operating revenues | 839,921 | 839,921 |
| **Operating expenses** | | |
| Salaries and wages | 167,910 | 167,910 |
| Group insurance | 46,473 | 46,473 |
| Payroll taxes | 10,278 | 10,278 |
| Retirement contributions | 7,192 | 7,192 |
| Insurance | 17,517 | 17,517 |
| Communications | 2,324 | 2,324 |
| Advertising | 597 | 597 |
| Professional services | 10,571 | 10,571 |
| Repairs and maintenance | 36,040 | 36,040 |
| Water testing and fees | 20,855 | 20,855 |
| Operating supplies | 16,936 | 16,936 |
| Utilities | 77,753 | 77,753 |
| Vehicle Operations | 12,122 | 12,122 |
| Bad debts | 4,133 | 4,133 |
| Depreciation | 338,221 | 338,221 |
| Total operating expenses | 768,922 | 768,922 |
| Operating Income (Loss) | 70,999 | 70,999 |
| **Non-operating revenues (expenses):** | | |
| Interest expense | (145,216) | (145,216) |
| Interest income | 2,545 | 2,545 |
| Total non-operating revenues (expenses) | (142,671) | (142,671) |
| Change in net position | (71,672) | (71,672) |
| **Net position, beginning of year, as restated** | 6,094,923 | 6,094,923 |
| **Net position, end of year** | $ 6,023,251 | $ 6,023,251 |

The accompanying notes are an integral part of these financial statements.

City of Nicholls, Georgia
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2015

| | Business-Type Activities - Enterprise Funds | |
|---|---|---|
| | Water and Sewer | Total |
| **Cash Flows from Operating Activities** | | |
| Cash received from customers | $ 839,318 | $ 839,318 |
| Cash payments to suppliers for goods and services | (187,556) | (187,556) |
| Cash payments to employees for services | (234,110) | (234,110) |
| Receipt of customer deposits, net | 5,424 | 5,424 |
| Net cash provided (used) by operating activities | 423,076 | 423,076 |
| **Cash Flows from Non-capital Financing Activities** | | |
| Increase in interfund loan payable | 20,237 | 20,237 |
| Net cash provided (used) by non-capital financing activities | 20,237 | 20,237 |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Principal paid on capital debt | (123,995) | (123,995) |
| Acquisition of capital assets | - | - |
| Interest paid on capital debt | (144,616) | (144,616) |
| Net cash used by capital and related financing activities | (268,611) | (268,611) |
| **Cash Flows from Investing Activities** | | |
| Interest on cash and cash equivalents | 2,545 | 2,545 |
| Net cash provided by investing activities | 2,545 | 2,545 |
| Net increase (decrease) in cash | 177,247 | 177,247 |
| Cash, beginning of year | 636,821 | 636,821 |
| Cash, end of year | $ 814,068 | $ 814,068 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:** | | |
| Operating income (loss) | $ 70,999 | $ 70,999 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation expense | 338,221 | 338,221 |
| Changes in assets and liabilities: | | |
| Receivables, net | 3,528 | 3,528 |
| Prepaid items | (2,207) | (2,207) |
| Decrease in deferred outflows of resources | 21,450 | 21,450 |
| Accounts payable | 9,368 | 9,368 |
| Accrued expenses | 509 | 509 |
| Customer deposits payable | 5,424 | 5,424 |
| Decrease in net pension liability | (12,011) | (12,011) |
| Decrease in deferred inflows of resources | (12,205) | (12,205) |
| Net cash provided by (used in) operating activities | $ 423,076 | $ 423,076 |

The accompanying notes are an integral part of these financial statements.

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Nicholls, Georgia was incorporated under the laws of the State of Georgia, and operates under a mayor-council form of government. The Mayor and a five member council govern the City and are elected to four-year terms.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City does not follow subsequent private-sector guidance for its enterprise fund.

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

### *1-A. Reporting Entity*

The financial reporting entity consists of the primary government and other organizations that are included to insure that the financial statements to be misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources: The City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provided financial support to, the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

Based upon the above criteria for component units, the City has no component units that should be discretely presented.

***Related Organizations*** – The following is a related organization for which the City appoints one or more of the Board of Directors but it does not meet any of the reporting entity criteria:

- Southern Georgia Regional Commission

***Joint Ventures*** – The City participates in the following joint venture:

***Southern Georgia Regional Commission*** (SGRC) - The City, in conjunction with cities and counties in the eighteen county South Georgia area are members of the Southern Georgia Regional Commission (SGRC). Membership in a regional commission (RC) is automatic for each municipality and county in the state. The Official Code of Georgia Annotated Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The SGRC council membership includes the chief elected official of each county and the chief elected official of one municipality in each county. Additional council members are appointed from the region by the Governor, Lieutenant Governor and the Speaker of the House of Representatives. Separate financial statements are available at the following address: Southern Georgia Regional Commission. 327 West Savannah Avenue, Valdosta, GA 31503, or by calling 229-333-5277.

### *1-B. Basis of Presentation*

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Government-wide Financial Statements*** - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally 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 direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 instead as general revenues. The City does not allocate indirect expenses to functions in the statement of activities.

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

Major individual governmental funds are reported as separate columns.

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

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

General Fund - The General Fund is the main operating fund of the City. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

2012 SPLOST Fund – The 2012 SPLOST Fund is used to account for the collection and disbursement of the 2012 1% Special Local Option Sales Tax (SPLOST) funds to be used for the acquisition of equipment or construction of major capital facilities or infrastructure and other projects.

***Proprietary Funds*** - Proprietary Funds are accounted for using economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, changes in net position and cash flows. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary fund:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

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. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *1-C. Measurement Focus*

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

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

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

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

### *1-D. Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. The proprietary fund uses the accrual basis of accounting at both reporting levels. Fiduciary funds are reported on the accrual basis at the fund reporting level. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

***Revenues – Non - exchange Transactions*** – Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 3-C). Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, charges for services and federal and state grants.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Unearned Revenue*** – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On both the government-fund financial statements and the government-wide financial statements, revenues are deferred for:

- Grants and entitlements received before the eligibility requirements are met (e.g., cash advances).

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

### *1-E. Assets, Liabilities and Fund Equity*

#### *1-E-1. Cash, Cash Equivalents, and Investments*

The City has defined cash and cash equivalents to include cash on hand, demand deposits, amounts with fiscal agents and investments with an original maturity of three months or less. Time deposits are classified as cash and cash equivalents without regard to maturity date.

The City, during the year, invested funds in demand deposits of local banks. Investments are stated at cost.

Georgia law authorizes the City to invest in the following type of obligations:

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

#### *1-E-2. Receivables*

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

#### *1-E-3. Interfund Balances*

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental activities column of the statement of net position.

#### *1-E-4. Consumable Inventories*

The costs of inventories are recorded as expenditures when purchased in all funds. The costs of inventories at year end, if any, are not considered material to the financial statements.

#### *1-E-5. Prepaid Items*

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed. At the fund reporting level, an equal amount of the fund balance is reserved, as this amount is not available for general appropriations.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *1-E-6. Restricted Assets*

Proceeds from certain revenues and other resources in the Water and Sewer Fund, Special Revenue Funds and Capital Project Funds are classified as restricted assets on the balance sheet because their use has been restricted by the City Council, applicable statutes or agreements.

### *1-E-7. Capital Assets*

Capital assets purchased by the government fund types are recorded as expenditures at the time of purchase. Such assets are capitalized at cost if a unit cost is $5,000 or more in the general capital assets. The City's policy is to capitalize significant interest costs incurred during construction as a part of the cost of capital assets. Gifts or contributions are recorded at their estimated fair market value on the date donated.

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

Depreciation on all assets is provided using the straight-line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Primary Government: | |
| Buildings | 25-50 |
| Water and sewer system | 10-40 |
| Improvements | 25 |
| Equipment, vehicles and furniture | 7-10 |
| Infrastructure | 25-50 |

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

### *1-E-8. Compensated Absences*

Full-time, permanent employees are granted vacation benefits to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination.

The estimated current portion of the liability for vested vacation and sick leave benefits attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds. The amounts attributable to the proprietary fund are charged to expense and a corresponding liability.

### *1-E-9. Accrued Liabilities and Long-term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Notes are recognized as a liability in the governmental fund financial statements when due.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *1-E-10. Deferred Inflows/Outflows*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City did not have any items that qualify for reporting in this category for the year ended June 30, 2015 with the exception of the pension items discussed below.

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

The City also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period.

### *1-E-11. Fund Equity*

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

***Fund Balance*** – Fund balances may be classified as follows:

- ***Nonspendable*** – Fund balances are reported as Nonspendable when amounts cannot be spent because they are either (a) not in a 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 Council 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 a motion. The fund balance must result from a specific revenue stream committed for a specific purpose. Only the City Council may modify or rescind the commitment.
- ***Assigned*** – Fund balances are reported as assigned when amounts are restrained by the City Councils intent to be used for specific purposes, but are neither restricted nor committed. By motion, only the City Council can authorize an assignment of fund balances. Also, any of the fund balance reported at year-end that is included in the subsequent years' budget is reported as assigned.
- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Net Position Flow Assumptions*** – In order to report net position as restricted – net position and an unrestricted – net position of the government-wide and proprietary fund financial statements, the City has established a flow assumption policy. It is the City's policy to use restricted – net position first before using unrestricted – net position.

***Fund Balance Flow Assumptions*** – It is the City's policy to consider restricted fund balance to have been used before any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

***Net Position*** – Net position represents the difference between assets and liabilities. The net invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment amount is also adjusted by any bond issuance deferral amounts. Net position is 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. All other net position is reported as unrestricted.

### *1-E-12. Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the City, those revenues are charges for services for providing water and sewer services. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund. Nonoperating revenues are investment earnings and operating grants. Nonoperating expenses include the loss on the disposition of capital assets.

### *1-E-13. Interfund Activity*

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and in the after non-operating revenues/expenses section in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between funds reported in the governmental activities column are eliminated.

### *1-E-14. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and the related notes. Accordingly, actual results could differ from those estimates.

### *1-E-15. Comparative Data*

Comparative total data for the prior year have been presented only for individual in the financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

## *NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY*

***2-A. Budgetary Information*** – The City adopts an annual operating budget for all governmental funds except the capital projects funds, which have an adopted annual budget. The budget resolution reflects the total of each department's appropriation in each fund.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles with the exception of the capital projects funds, which have project length budgets, rather than annual budgets.

The appropriated budget is prepared by fund, function, and department. The Mayor may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the department level. The council did make supplementary budget appropriations during the year.

The original 2015 budget was amended during the year. All unexpended annual appropriations lapse at year-end.

## *NOTE 3 - DETAILED NOTES ON ALL FUNDS*

### *3-A. Deposits*

***Deposits*** – The City's cash and investment policy limits deposits to demand and money market accounts and time deposits at local banks. The City's deposits shall be secured by Federal Depositary Insurance Corporation (FDIC) coverage and/or bank pledges. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

***Custodial Credit Risk – Deposits*** - The custodial credit risk for deposits is the risk that, in the event of bank failure, the City's deposits may not be recovered.

As of June 30, 2014, all of the City's deposits were covered either by FDIC coverage or collateralized by the financial institution or a combination of the two. At year-end the bank balances of the City's demand and time deposits were $1,751,064 and the carrying amount was $1,750,438.

Cash and cash equivalents reconciliation:

| | Cash and Cash Equivalents |
|---|---|
| Fund Reporting Level: | |
| Governmental Funds - Balance Sheet | $ 936,996 |
| Proprietary Fund Type Statement of Net Assets | 814,068 |
| Total | $ 1,751,064 |

## NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

### *3-B. Receivables*

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate including the applicable allowance for uncollectible accounts are as follows:

| | Taxes | Accounts | Inter-governmental | Gross Receivables | Less: Allowance for Uncollectibles | Net Receivables |
|---|---|---|---|---|---|---|
| General | $ 11,043 | $ 37,401 | $ 43,541 | $ 91,985 | $ (10,226) | $ 81,759 |
| Water and sewer | - | 89,491 | - | 89,491 | (14,076) | 75,415 |
| Total | 11,043 | 126,892 | 43,541 | 181,476 | $ (24,302) | $ 157,174 |
| Less allowance for uncollectibles | - | (24,302) | - | (24,302) | | |
| Net receivables | $ 11,043 | $ 102,590 | $ 43,541 | $ 157,174 | | |

### *3-C. Property Taxes*

The major receivable of the County is property taxes receivable. Property is appraised and a lien on such property becomes enforceable 60 days after the final notification of delinquency of property taxes. Property tax millage rates are usually adopted in September and tax bill are rendered in October.
The City's property tax calendar for 2014 was as follows:
Property taxes attached as an enforceable lien on property as of January 1, 2014. The tax levy was approved on August 4, 2014. Taxes became due on December 20, 2014 and became delinquent on January 15, 2015.

### *3-D. Capital Assets*

**Governmental Activities:**

| | Balance 6/30/2014 | Additions | Deductions | Balance 6/30/2015 |
|---|---|---|---|---|
| Capital assets, not being depreciated | | | | |
| Land | $ 67,862 | - | - | $ 67,862 |
| Construction in Progress | - | - | - | - |
| Total capital assets, not being depreciated | 67,862 | - | - | 67,862 |
| Depreciable capital assets | | | | |
| Buildings and improvements | 1,386,864 | 10,000 | - | 1,396,864 |
| Machinery and equipment | 436,226 | - | - | 436,226 |
| Infrastructure | 536,463 | - | - | 536,463 |
| Total depreciable capital assets | 2,359,553 | 10,000 | - | 2,369,553 |
| Total capital assets | 2,427,415 | 10,000 | - | 2,437,415 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 493,979 | 35,553 | - | 529,532 |
| Machinery and equipment | 234,886 | 8,751 | - | 243,637 |
| Infrastructure | 94,405 | 13,412 | - | 107,817 |
| Total accumulated depreciation | 823,270 | 57,716 | - | 880,986 |
| Governmental activities capital assets, net | $ 1,604,145 | $ (47,716) | $ - | $ 1,556,429 |

## NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities depreciation expense:

| | |
|---|---|
| General government | $ 3,999 |
| Public safety | 10,374 |
| Public works | 19,471 |
| Culture and recreation | 23,872 |
| Total | $ 57,716 |

**Business Type Activities:**

| | Balance 6/30/2014 | Additions | Deductions | Balance 6/30/2015 |
|---|---|---|---|---|
| Capital assets, not being depreciated | | | | |
| Land | $ 143,374 | - | - | $ 143,374 |
| Total capital assets, not being depreciated | 143,374 | - | - | 143,374 |
| Depreciable capital assets: | | | | |
| Machinery and equipment | 13,532,777 | - | - | 13,532,777 |
| Total capital assets, being depreciated | 13,532,777 | - | - | 13,532,777 |
| Total capital assets | 13,676,151 | - | - | 13,676,151 |
| Less accumulated depreciation: | | | | |
| Machinery and equipment | 4,849,328 | 338,221 | - | 5,187,549 |
| Total accumulated depreciation | 4,849,328 | 338,221 | - | 5,187,549 |
| Business-type activities capital assets, net | $ 8,826,823 | $ (338,221) | $ - | $ 8,488,602 |

### *3-E. Interfund Receivables, Payables and Transfers*

***Interfund Balances*** – Interfund balances at June 30, 2015, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenses occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made.

| Payable to: | Payable from: Water and sewer fund |
|---|---|
| General fund | $ 141,344 |

### 3-F. Short-term Debt

The City did not incur any short-term debt during the year.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

### 3-G. Long-term Debt

***Business-type Activities*** – The City has two Water and Sewer revenue bonds outstanding and a note payable outstanding at June 30, 2015 for its business-type activities.

## *Water and Sewer Revenue Bonds:*

***1981 Series:***
On October 9, 1981, Water Revenue bonds were issued in the amount of $359,000 for the purpose of financing the cost of acquiring and constructing additions, extensions and improvements to its water system. The bonds are secured by a lien on and a pledge of the net revenues derived from its water and sewer system.

The bonds are being amortized with an annual installment of principal and interest, ranging in amounts from $20,200 to $24,150, at an interest rate of 5.0% per annum. Payments began December 1, 1981 and will end on December 1, 2020.

The revenue bond ordinance requires that certain funds or accounts be maintained. These accounts are the water revenue fund and water sinking fund. The revenue fund is to be used to deposit all revenues arising from the operations of the system. The water sinking fund is to be used for the annual accumulation of monies for the purpose of creating and maintaining a reserve equal to one annual principal and interest payment. At June 30, 2015 the water sinking fund account had a balance of $57,713.

There are several restrictions contained in the bond ordinance of the City's Water Bonds. The City is in general compliance with all significant limitations and restrictions.

***2000 Series:***
On August 28, 2000, Water and Sewer Revenue bonds were issued in the amount of $3,333,000. The purposes of the bonds are to provide for the acquisition, construction and installation of additions and improvements to the existing water and sewerage system of the City.

The bonds are to be amortized with a monthly installment of principal and interest in the amount of $15,132 at an interest rate of 4.5% per annum. Payments began August 28, 2001 and will end on August 28, 2040.

The bond ordinance provides for prescribing and revising rates and for collecting fees and charges for the services, facilities and commodities to be furnished by the system and all additions, extensions and improvements thereto, sufficient to provide funds (a) to pay the cost of maintaining, repairing, operating and insuring the System, (b) to pay the principal and interest on the City of Nicholls Water and Sewerage Revenue Bonds, Series 2000, including the reserves therefore, as the same become due and payable, (c) to pay the principal of and interest on this bond as the same become due and payable in the current sinking fund year, and to create and maintain a reserve to pay the same, (d) to maintain the Renewal and Extension Fund, and (e) to create a reserve for extensions and improvements to the System if one is desired and approved in accordance with the Ordinance.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

Annual debt service requirements for the two Water and Sewer revenue bonds as of June 30, 2015 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2016 | $ 77,059 | $ 127,025 | $ 204,084 |
| 2017 | 79,818 | 123,416 | 203,234 |
| 2018 | 82,704 | 119,680 | 202,384 |
| 2019 | 86,723 | 115,812 | 202,534 |
| 2020 | 89,880 | 111,754 | 201,634 |
| 2021-2025 | 435,070 | 497,000 | 932,070 |
| 2026-2030 | 515,828 | 392,092 | 907,920 |
| 2031-2035 | 645,711 | 262,209 | 907,920 |
| 2036-2040 | 808,299 | 99,621 | 907,920 |
| 2041 | 17,021 | 63 | 17,084 |
| | $ 2,838,113 | $ 1,848,671 | $ 4,686,784 |

*Note Payable – Georgia Environmental Facilities Authority*

The City obtained a loan from the Georgia Environmental Facilities Authority on March 01, 2002 in the amount of $870,918. The note proceeds were used for water system improvements. The note carries a 4.1% interest rate and is due in quarterly installments of $16,707 with the final installment due on September 1, 2020 in the amount of $16,661. Annual debt service requirements for this note payable as of June 30, 2015 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2016 | $ 54,761 | $ 12,066 | $ 66,827 |
| 2017 | 57,077 | 9,750 | 66,827 |
| 2018 | 59,437 | 7,390 | 66,827 |
| 2019 | 61,911 | 4,916 | 66,827 |
| 2020 | 64,485 | 2,342 | 66,827 |
| 2021 | 16,491 | 170 | 16,661 |
| | $ 314,162 | $ 36,634 | $ 350,796 |

## NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

### 3-G. Long-term Debt (Continued)

*Changes in Long-term Debt* - Changes in the City's long-term obligations consisted of the following for the year ended June 30, 2015:

| | Outstanding 6/30/2014 | Additions | Reductions | Outstanding 6/30/2015 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| *Business-type Activities:* | | | | | |
| Major Enterprise Fund | | | | | |
| Water and Sewer Fund: | | | | | |
| 1981 Series | $ 124,000 | $ - | $ (14,000) | $ 110,000 | $ 17,000 |
| 2000 Series | 2,785,517 | - | (57,404) | 2,728,113 | 60,059 |
| Note Payable | 366,753 | - | (52,591) | 314,162 | 54,761 |
| Total Water and Sewer Fund | $ 3,276,270 | $ - | $ (123,995) | $ 3,152,275 | $ 131,820 |

### 3-H. Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2015 are as follows:

| | Governmental Activities | Business-type Activities |
|---|---|---|
| Cost of capital assets | $ 2,437,415 | $ 13,676,151 |
| Less accumulated depreciation | 880,986 | 5,187,549 |
| Book value | 1,556,429 | 8,488,602 |
| Less capital related debt | - | 3,152,275 |
| Invested in capital assets, net of related debt | $ 1,556,429 | $ 5,336,327 |

## NOTE 4 - OTHER INFORMATION

### 4-A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. The City maintains property, liability, automobile and fidelity coverage.

There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

For its workers compensation coverage, the City is a member of the Georgia Municipal Association of Workers' Compensation Self Insurance Fund. The fund operates under the authority of O.C.G.A. 34-9-150 et Seq. The City pays into the fund its share of the fund's projected obligation for workers' compensation liability, administrative expenses, and other costs incurred by the fund. The City's share is adjusted by the board of the fund according to the claims experience of each participating member in accordance with criteria set forth in the bylaws of the fund. The fund makes payments to the employees of the members for workers compensation benefits pursuant to and in accordance with the claims procedures set forth in title 34, chapter 9 of O.C.G.A. The City is jointly and severally liable for all legal obligations of the fund, including, but not limited to, any obligations of the fund to pay claims against the fund arising out of any occurrence, incident, or accident covered under title 34, chapter 9 of O.C.G.A.

**NOTE 4 - OTHER INFORMATION (Continued)**

### 4-B. Commitments and Contingencies

2006 SPLOST Agreement – A Special 1% Local Option Sales Tax was passed in Coffee County in 2005, known as the 2006 SPLOST. As part of the 2006 SPLOST, the City originally had $1,053,000 in projects budgeted. The City of Nicholls, Coffee County and all other municipalities in Coffee County entered into an intergovernmental agreement that the County Detention Center is the sole priority one project associated with this SPLOST. In this regard, all SPLOST revenue received in the first fourteen months that the SPLOST is in effect shall be allocated to this project. After the first fourteen months, any SPLOST revenue received shall first be allocated to the county on a monthly basis in an amount sufficient to service this project cost. At year end, all projects had been completed and City of Nicholls had received a total of $52,083.

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

The City is a defendant in various legal proceedings and litigations arising in the normal course of operations. Although the outcome of these proceedings is not presently determinable, in the opinion of the city attorney, the resolution of these matters will not have a material adverse effect of the financial condition of the City.

### 4-C. Joint Ventures

O.C.G.A. 50-8-32 defines regional commissions "public agencies and instrumentalities of their members". Georgia law also provides that member governments are liable for any debts or obligations of an RC beyond its resources (O.C.G.A. 50-8-39).

### 4-D. Employee Retirement System

General Information about the Pension Plan

The City has established has established a defined benefit pension plan ("Plan") an contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multi-employer public employee retirement system that acts as a common investment and administrative agent for cities in the state of Georgia. Benefit provisions and all other requirements are established by GMEBS and the Adoption Agreement executed by the City.

All full-time employees are eligible for the plan with no waiting period beginning January 2015. Benefits vest after completing five years of service. Elected officials are not covered by the plan. Employees who retire after age 65 with 5 years of service or after age 55 with 10 years of credited service are entitled to a retirement benefit. The plan defines a full-time employee as one working at least 35 hours per week. Retirement benefits are 1.5% of final average earnings. Final average earnings are an average of the 5 highest consecutive years' earnings.

*Employees covered by the benefit terms.* At June 30, 2015, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 1 |
| Inactive employees entitled but not yet receiving benefits | 2 |
| Active employees | 11 |
| Total | 14 |

*Contributions.* Contributions are determined under the projected unit credit actuarial cost method. The GMEBS Board of Trustees has adopted an actual funding policy for determination of annual contributions. For the year ended June 30, 2015, the actuarially determined rate was 7.02% of annual pay. The City's contribution to the Plan totaled $29,398 for the year ended June 30, 2015.

**NOTE 4 - OTHER INFORMATION (Continued)**

Net Pension Liability

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumption and actuarial cost method* . The mortality and economic actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June30, 2014.

| Actuarial assumptions: | |
|---|---|
| Inflation | 3.25% |
| Salary increases | 3.25% plus service based merit increases |
| Investment rate of return | 7.75% |
| Post-retirement benefit increases | Not applicable |

| Mortality rates were based on the following: | |
|---|---|
| Healthy: | RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females |
| Disabled: | RP-2000 Disabled Retiree Mortality Table with sex-distinct rates |
| Plan termination basis (all lives): | 1994 Group Annuity Reserving Unisex Table |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return | Long-Term Nominal Real Rate of Return |
|---|---|---|---|
| Domestic equity | 50% | 5.95% | 9.20% |
| International equity | 15% | 6.45% | 9.70% |
| Fixed income | 25% | 1.55% | 4.80% |
| Real estate | 10% | 3.75% | 7.00% |
| Cash | 0% | | |
| Total | 100% | | |

*Discount rate*. The discount rate used to measure the total pension liability was 7.75 percent. The projection o cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTE 4 - OTHER INFORMATION (Continued)**

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at September 30, 2013 | $ 471,106 | $ 430,371 | $ 40,735 |
| Changes for the year: | | | |
| Service cost | 23,714 | - | 23,714 |
| Interest | 36,054 | - | 36,054 |
| Differences between expected and actual experience | (17,282) | - | (17,282) |
| Contributions - employer | - | 29,172 | (29,172) |
| Contributions - employee | - | - | - |
| Net investment income | - | 49,639 | (49,639) |
| Benefit payments, including refunds of employee contributions | (11,787) | (11,787) | - |
| Administrative expenses | - | (1,723) | 1,723 |
| Other | 4,858 | | 4,858 |
| Net changes | 35,557 | 65,301 | (29,744) |
| Balances at September 30, 2014 | $ 506,663 | $ 495,672 | $ 10,991 |

Changes in the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) of one percentage point higher (8.75%) than the current rate:

| | 1% Decrease -6.75% | Current Discount -7.75% | 1% Increase -6.75% |
|---|---|---|---|
| Net pension liability | $ 66,572 | $ 10,991 | $ (36,327) |

*Changes of Assumptions*

As a result of the plan change to provide immediate participation for Employees, for the Fiscal Year ending in 2016, the eligibility assumption has been changed from six months to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.

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

- The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.
- The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.

- The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where

normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.

- the inflation assumption was decreased from 3.50% to 3.25%
- The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increased ranged from 4.00% to 11.00% and include an inflation assumption of 3.25%

*Benefit Changes*

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

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS Retirement Trust financial report. The Georgia Municipal Employee Benefit System issues a publicly available financial report that includes financial statements and required supplementary information of GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling 404-688-0472. The plan's fiduciary net position has been determined on the same basis as that used by the plan.

The GMEBS's financial statements are prepared using the accrual basis of accounting. Contributions are recognized as revenues in the period in which the contributions are received. Investment income is recognized as earned by the GMEBS. The net appreciation (depreciation) in the fair value of investments held by the GMEBS is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the Statement of Net Position. Plan refunds, transfers and benefits to participants are recorded as they are received or paid. Other expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investments are reported at fair value as of the Statement of Net Position date.

Investments of the System consist of common and preferred stocks, corporate fixed income securities, equity and fixed income mutual funds, governmental and governmental agency securities, and real estate. There are no investments in any one organization other than the securities guaranteed by the U.S. government that represent five percent or more of plan net position. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in real estate funds are valued based n appraisals and valuations prepared by American Realty Advisors. Temporary cash and cash equivalent investments are reported at cost, which approximates fair value. Investments that do not have an established market are reported at estimated fair values.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of $22,322. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Dererred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 14,400 |
| Changes of assumptions | 4,050 | - |
| Net difference between projected and actual earnings of pension plan investments | - | 12,544 |
| Total | $ 4,050 | $ 26,944 |

**NOTE 4 - OTHER INFORMATION (Continued)**

Deferred outflows/(inflows) of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | |
|---|---|
| 2016 | $ (5,206) |
| 2017 | (5,206) |
| 2018 | (5,206) |
| 2019 | (5,206) |
| 2020 | (2,070) |
| Total | $ (22,894) |

### 4-E. Special Purpose Local Option Sales Tax (SPLOST)

On November 7, 2000, Coffee County voters approved a referendum imposing a special one percent retail sales and use tax for a limited period of time not to exceed five years or the collection of $17,675,640, whichever comes first, from the imposition date of April 1, 2001. The City of Nicholls was to be allocated 3.18% of the sales tax collected. This revenue is reported in the 2000 SPLOST special revenue fund. The purpose is to fund various capital projects of the City of Nicholls. A total of $805,380 has been collected. Of this amount, 100 % has been expended.

In 2005, Coffee County voters approved a referendum imposing a special one percent retail sales and use tax for a limited period of time of six years to collect an estimated $40,600,000 from the imposition date of April 1, 2006 The purpose is to fund various capital projects of the County, the City of Nicholls, the City of Broxton and the City of Ambrose. As mentioned in Note 4-B, the City entered into an intergovernmental agreement with the County. This revenue is reported in the 2006 SPLOST special revenue fund. The purpose is to fund various capital projects of the City of Nicholls. A total of $52,083 has been collected. Of this amount, 100 % has been expended.

On March 15, 2011, Coffee County voters approved a referendum imposing a special one percent retail sales and use tax for a limited period of time of six years to collect an estimated $33,000,000 from the imposition date of April 1, 2012. The City of Nicholls was to be allocated 3.41% of the sales tax collected. This revenue is reported in the 2012 SPLOST special revenue fund. The purpose is to fund various capital projects of the City of Nicholls. A total of $588,385 has been collected as of June 30, 2015. Of this amount, 48.6% has been expended.

### 4-F Other Post-Employment Benefits

The City provides funding for continued healthcare benefits to retired employees. The Healthcare Plan, administered by Georgia Municipal Association, provides medical and prescription drug benefits to those who qualify. Continued healthcare benefits in the form of single coverage will be paid at 75% of the premium. All city employees may become eligible for post employment health care benefits if they retire with 20 or more years of service and are 55 years of age. This benefit is limited to a period until the employee reaches age 65, becomes eligible for a health insurance plan or becomes Medicare eligible, at which time the benefit terminates. Nonworking spouses of retirees who are eligible dependents of the retiring employee may be included in the health insurance plan. The City has the authority to amend or terminate this benefit. The Healthcare Plan was established by City Council and it may be amended by the same Council.

The Healthcare Plan is a single-employer defined benefit post-retirement healthcare. The City feels the Plan is immaterial and has not elected to advance fund the Plan, but rather maintains the Plan on a "pay as you go" basis. As of June 30, 2015, early retiree health insurance had no participants.

## NOTE 4 - OTHER INFORMATION (Continued)

### 4-G Changes in Accounting Principles

The City has determined that a restatement to the July 1, 2014 beginning net position was required to recognize the change in accounting principle for the implementation of Governmental Accounting Standards Board (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 No. 68*, as of July 1, 2014, through which accounting for pension plans and the related disclosure requirements were modified. This adjustment resulted in a change to the beginning net position of the City as follows:

| | Governmental Activities | Business-type Activities Water and Sewer Fund |
|---|---|---|
| Beginning net position, July 1, 2014, as previously reported | $ 2,446,904 | $ 6,111,372 |
| Change in accounting principle due to the implementation of GASB Statement No. 68 | (24,286) | (16,449) |
| Beginning net position, July 1, 2014, as restated | $ 2,422,618 | $ 6,094,923 |

# REQUIRED SUPPLEMENTARY INFORMATION

City of Nicholls, Georgia
Schedule of Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios

| | June 30, 2015 |
|---|---|
| **Total Pension Liability** | |
| Service cost | $ 23,714 |
| Interest | 36,054 |
| Differences between expected and actual experiences | (17,282) |
| Changes of assumptions | 4,858 |
| Benefit payments, including refunds of employee payments | (11,787) |
| **Net change in total pension liability** | 35,557 |
| **Total pension liability - beginning** | 471,106 |
| **Total pension liability - ending (a)** | $ 506,663 |
| **Plan Fiduciary Net Position** | |
| Contributions- employer | $ 29,172 |
| Contributions- employee | - |
| Net investment income | 49,639 |
| Benefit payments, including refunds of employee payments | (11,787) |
| Administrative expense | (1,723) |
| **Net change in fiduciary net position** | 65,301 |
| **Plan fiduciary net position - beginning** | 430,371 |
| **Plan fiduciary net position - ending (b)** | $ 495,672 |
| **Net pension liability - ending (a)-(b)** | $ 10,991 |
| **Plan fiduciary net position as a percentage of the total pension liability** | 97.83% |
| **Covered-employee payroll** | $ 357,103 |
| **Net pension liability as a percentage of covered employee payroll** | 3.08% |

**Notes to Schedule:**

2015 is the first fiscal year that data has been measured in accordance with GASB Statement 68. This schedule will present 10 years of information once it is accumulated.

City of Nicholls, Georgia
Schedule of Required Supplementary Information
Schedule of Contributions

| | June 30, 2015 |
|---|---|
| Actuarially determined contribution | $ 25,463 |
| Contributions in relation to the actuarially determined contributions | 26,904 |
| Contribution deficiency (excess) | $ (1,441) |
| Covered-employee payroll | $ 357,103 |
| Contributions as a percentage of covered-employee payroll | 7.53% |

**Notes to Schedule:**

Valuation date: January 1, 2015 with an interest adjustment to the fiscal year.

*Methods and assumptions used to determine contribution rates:*

| | |
|---|---|
| Actuarial cost method | Projected unit credit |
| Amortization method | Closed level dollar for remaining unfunded liability |
| Remaining amortization period | N/A |
| 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. |
| Assumed rate of return on investments | 7.75% |
| Projected salary increases | 3.25% plus service based merit increases |
| Cost of living adjustments | 0.00% |
| Retirement age | 65 with 5 years of service or after age 55 with 10 years of service |
| Mortality | RP-2000 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. |

*Benefit changes:* Effective January 1, 2015, the Plan was amended to provide for immediate participation of Employees. This change has no impact on service credited under the Plan and has no impact on benefits.

2015 is the first fiscal year that data has been measured in accordance with GASB Statement 68. This schedule will present 10 years of information once it is accumulated.

City of Nicholls, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

| | Budgeted Amounts | | | Variance with Final Budget Over (Under) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| **Revenues** | | | | |
| Property taxes | $ 252,750 | $ 252,750 | $ 258,825 | $ 6,075 |
| Local option sales & use taxes | 225,000 | 225,000 | 239,137 | 14,137 |
| Beverage excise taxes | 18,000 | 18,000 | 23,153 | 5,153 |
| Insurance premium taxes | 144,250 | 144,250 | 150,910 | 6,660 |
| Penalties and interest on delinquent taxes | - | - | 1,498 | 1,498 |
| Other taxes | 1,500 | 1,500 | 4,548 | 3,048 |
| Licenses and permits | 12,400 | 12,400 | 9,940 | (2,460) |
| Fines and forfeitures | 45,000 | 45,000 | 33,771 | (11,229) |
| Charges for services | 115,000 | 115,000 | 124,136 | 9,136 |
| Investment earnings | 2,000 | 2,000 | 2,384 | 384 |
| Intergovernmental | - | - | 32,119 | 32,119 |
| Miscellaneous | 9,400 | 9,400 | 24,762 | 15,362 |
| Total revenues | 825,300 | 825,300 | 905,183 | 79,883 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government: | | | | |
| Legislative | 15,000 | 15,000 | 14,038 | (962) |
| Elections | - | - | - | - |
| General administration | 111,600 | 102,000 | 101,965 | (35) |
| Total general government | 126,600 | 117,000 | 116,003 | (997) |
| Judiciary: | | | | |
| Municipal court | 16,000 | 16,000 | 6,783 | (9,217) |
| Total judiciary | 16,000 | 16,000 | 6,783 | (9,217) |
| Public safety: | | | | |
| Police | 335,000 | 335,000 | 332,575 | (2,425) |
| Jail | 4,000 | 5,500 | 5,021 | (479) |
| Fire department | 13,000 | 18,500 | 18,078 | (422) |
| E-911 | 15,000 | 12,300 | 7,021 | (5,279) |
| Total public safety | 367,000 | 371,300 | 362,695 | (8,605) |
| Public works: | | | | |
| Solid waste | 120,000 | 120,000 | 113,775 | (6,225) |
| Streets | 171,500 | 175,000 | 174,854 | (146) |
| Total public works | 291,500 | 295,000 | 288,629 | (6,371) |

City of Nicholls, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

| | Budgeted Amounts | | | Variance with Final Budget Over (Under) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| Culture and recreation: | | | | |
| Recreation | 4,500 | 4,500 | 3,165 | (1,335) |
| Library | 8,500 | 9,000 | 8,672 | (328) |
| Total culture and recreation | 13,000 | 13,500 | 11,837 | (1,663) |
| Housing and development: | | | | |
| Founders Day | 9,700 | 11,000 | 10,355 | (645) |
| Other | 1,500 | 1,500 | 369 | (1,131) |
| Total housing and development | 11,200 | 12,500 | 10,724 | (1,776) |
| Total expenditures | 825,300 | 825,300 | 796,671 | (28,629) |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ - | $ 108,512 | $ 108,512 |
| **Fund balances - beginning of year** | | 659,870 | 659,870 | |
| **Fund balances - end of year** | | $ 659,870 | $ 768,382 | |

Note:
Budgets for the general fund are adopted on a basis that is consistent with accounting principles generally accepted in the United States as applied to governments.

# COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

City of Nicholls, Georgia
General Fund
Comparative BalanceSheet
June 30, 2015 and 2014

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 632,770 | $ 537,410 |
| Receivables: | | |
| Accounts | 27,175 | 27,044 |
| Property taxes | 11,043 | 10,490 |
| Intergovernmental | 43,541 | 41,228 |
| Interfund | 141,344 | 121,827 |
| Prepaid items | 2,111 | 6,878 |
| **Total Assets** | $ 857,984 | $ 744,877 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | |
| **Liabilities** | | |
| Accounts payable | $ 26,603 | $ 25,564 |
| Other payables | 52,786 | 48,953 |
| **Total Liabilities** | 79,389 | 74,517 |
| **Deferred Inflows of Resources - Property Taxes** | 10,213 | 10,490 |
| **Total Liabilities and Deferred Inflows of Resources** | 89,602 | 85,007 |
| **Fund Balances** | | |
| Nonspendable - not in spendable form | 2,111 | 6,878 |
| Committed for building maintenance | 9,736 | 7,673 |
| Committed for public safety | 7,601 | 8,750 |
| Committed for public works | 21,784 | 12,008 |
| Unassigned | 727,150 | 624,561 |
| **Total Fund Balances** | 768,382 | 659,870 |
| **Total Liabilities and Deferred Inflows of Resources and Fund Balances** | $ 857,984 | $ 744,877 |

City of Nicholls, Georgia
General Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances
June 30, 2015 and 2014

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| **Revenues** | | |
| Taxes | $ 438,933 | $ 431,802 |
| Licenses and permits | 9,940 | 10,918 |
| Intergovernmental | 271,257 | 258,552 |
| Charges for services | 124,136 | 117,107 |
| Fines and forfeitures | 33,771 | 47,415 |
| Investment earnings | 2,384 | 2,583 |
| Miscellaneous | 24,762 | 16,060 |
| **Total Revenues** | 905,183 | 884,437 |
| **Expenditures:** | | |
| **Current:** | | |
| General government | 116,003 | 114,653 |
| Judiciary | 6,783 | 12,220 |
| Public safety | 362,695 | 370,822 |
| Public works | 288,629 | 326,847 |
| Culture and recreation | 11,837 | 14,664 |
| Housing and development | 10,724 | 8,656 |
| **Total Expenditures** | 796,671 | 847,862 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 108,512 | 36,575 |
| **Other Financing Sources (Uses):** | | |
| Transfers in | - | 6,293 |
| **Total Other Financing Sources (Uses):** | - | 6,293 |
| **Net Change in Fund Balances** | 108,512 | 42,868 |
| **Fund Balances, Beginning of Year** | 659,870 | 617,002 |
| **Fund Balances, End of Year** | $ 768,382 | $ 659,870 |

City of Nicholls, Georgia
2012 SPLOST Fund
Comparative Balance Sheet
June 30, 2015 and 2014

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 304,226 | $ 164,689 |
| Total Assets | $ 304,226 | $ 164,689 |
| **FUND BALANCE** | | |
| Restricted for capital projects | $ 304,226 | $ 164,689 |
| Total Fund Balance | $ 304,226 | $ 164,689 |

City of Nicholls, Georgia
2012 SPLOST Fund
Project Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Project Period Ended June 30, 2015

| | Project Length Budget | Current Year | Prior Years | Project Length Total | Variance With Project Budget |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Intergovernmental | $ 1,125,220 | $ 186,323 | $ 402,062 | $ 588,385 | $ (536,835) |
| Interest Income | - | 939 | 596 | 1,535 | 1,535 |
| **Total Revenues** | 1,125,220 | 187,262 | 402,658 | 589,920 | (535,300) |
| **Expenditures** | | | | | |
| Capital Outlay | | | | | |
| Public Safety Facilities | 250,000 | - | 187,886 | 187,886 | 62,114 |
| Public Works Facilities | 50,000 | - | 10,200 | 10,200 | 39,800 |
| Recreation Facilities | 300,000 | 10,000 | - | 10,000 | 290,000 |
| Municipal Buildings | 160,220 | - | - | - | 160,220 |
| Road, Streets and Bridge Improvements | 265,000 | 37,725 | 39,883 | 77,608 | 187,392 |
| Water/Sewer Improvements | 100,000 | - | - | - | 100,000 |
| **Total Expenditures** | 1,125,220 | 47,725 | 237,969 | 285,694 | 839,526 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | $ - | 139,537 | 164,689 | $ 304,226 | $ 304,226 |
| **Fund Balances - Beginning** | | 164,689 | - | | |
| **Fund Balances - Ending** | | $ 304,226 | $ 164,689 | | |

City of Nicholls, Georgia
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2015

| | 2000 SPLOST Fund | 2006 SPLOST Fund | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ - | $ - | $ - |
| **Total Assets** | $ - | $ - | $ - |
| **Liabilities and Fund Balances** | | | |
| **Liabilities:** | | | |
| Interfund Payable | $ - | $ - | $ - |
| **Total Liabilities** | - | - | - |
| **Fund Balances** | | | |
| Restricted for Capital projects | - | - | - |
| **Total Fund Balances** | - | - | - |
| **Total Liabilities and Fund Balances** | $ - | $ - | $ - |

City of Nicholls, Georgia
Combining Statement of Revenues, Expenditures and Changes In Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2015

| | 2000 SPLOST Fund | 2006 SPLOST Fund | Total |
|---|---|---|---|
| **Revenues** | | | |
| Intergovernmental | $ - | $ - | $ - |
| Interest Income | - | - | - |
| **Total Revenues** | - | - | - |
| **Expenditures** | | | |
| Capital outlay | 340 | 7,370 | 7,710 |
| **Total Expenditures** | 340 | 7,370 | 7,710 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | (340) | (7,370) | (7,710) |
| **Fund Balances - Beginning** | 340 | 7,370 | 7,710 |
| **Fund Balances - Ending** | $ - | $ - | $ - |

City of Nicholls, Georgia
2000 SPLOST Fund
Comparative Balance Sheet
June 30, 2015 and 2014

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ - | $ 1,060 |
| Total Assets | $ - | $ 1,060 |
| **LIABILITIES** | | |
| Payable: | | |
| Interfund | $ - | $ 720 |
| Total Liabilities | - | 720 |
| **FUND BALANCE** | | |
| Restricted for capital projects | - | 340 |
| Total Fund Balance | - | 340 |
| **Total Liabilities & Fund Balance** | $ - | $ 1,060 |

City of Nicholls, Georgia
2000 SPLOST Fund
Project Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Project Period Ended June 30, 2015

| | Project Length Budget | Current Year | Prior Years | Project Length Total | Variance With Project Budget |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Intergovernmental | $ 806,160 | $ - | $ 805,380 | $ 805,380 | $ (780) |
| **Total Revenues** | 806,160 | - | 805,380 | 805,380 | (780) |
| **Expenditures** | | | | | |
| Capital Outlay | | | | | |
| Public Safety Facilities | 104,879 | - | 103,759 | 103,759 | 1,120 |
| Public Safety Equipment | 107,893 | - | 107,893 | 107,893 | - |
| Road Improvements | 301,530 | 340 | 301,530 | 301,870 | (340) |
| Recreation Facilities | 85,905 | - | 85,905 | 85,905 | - |
| Administrative Buildings | 48,202 | - | 48,202 | 48,202 | - |
| Community Center | - | - | - | - | - |
| Library | 67,975 | - | 67,975 | 67,975 | - |
| Water/Sewer Utilities | 19,908 | - | 19,908 | 19,908 | - |
| **Total Expenditures** | 736,292 | 340 | 735,172 | 735,512 | 780 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 69,868 | (340) | 70,208 | 69,868 | - |
| **Other Financing Sources (Uses):** | | | | | |
| Transfers out | (69,868) | - | (69,868) | (69,868) | - |
| **Total Other Financing Sources (Uses)** | (69,868) | - | (69,868) | (69,868) | - |
| **Net Changes in Fund Balances** | $ - | (340) | 340 | $ - | $ - |
| **Fund Balances - Beginning** | | 340 | - | | |
| **Fund Balances - Ending** | | $ - | $ 340 | | |

City of Nicholls, Georgia
2006 SPLOST Fund
Comparative Balance Sheet
June 30, 2015 and 2014

| | June 30, 2015 | June 30, 2014 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ - | $ 7,370 |
| Total Assets | $ - | $ 7,370 |
| **LIABILITIES** | | |
| Payable: | | |
| Interfund | $ - | $ - |
| Total Liabilities | - | - |
| **FUND BALANCE** | | |
| Restricted for capital projects | - | 7,370 |
| Total Fund Balance | - | 7,370 |
| **Total Liabilities & Fund Balance** | $ - | $ 7,370 |

City of Nicholls, Georgia
2006 SPLOST Fund
Project Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Project Period Ended June 30, 2015

| | Project Length Budget | Current Year | Prior Years | Project Length Total | Variance With Project Budget |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Intergovernmental | $ 1,053,000 | $ - | $ 52,083 | $ 52,083 | $ (1,000,917) |
| **Total Revenues** | 1,053,000 | - | 52,083 | 52,083 | (1,000,917) |
| **Expenditures** | | | | | |
| Capital Outlay | | | | | |
| Public Safety Facilities | 353,000 | - | 36,213 | 36,213 | 316,787 |
| Road Improvements | 250,000 | 7,370 | 8,500 | 15,870 | 234,130 |
| Recreation Facilities | 350,000 | - | - | - | 350,000 |
| Water/Sewer Utilities | 100,000 | - | - | - | 100,000 |
| **Total Expenditures** | 1,053,000 | 7,370 | 44,713 | 52,083 | 1,000,917 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | - | (7,370) | 7,370 | - | - |
| **Net Changes in Fund Balances** | $ - | (7,370) | 7,370 | $ - | $ - |
| **Fund Balances - Beginning** | | 7,370 | - | | |
| **Fund Balances - Ending** | | $ - | $ 7,370 | | |

# COMPLIANCE SECTION

# *Robert W. Goodman*

*Certified Public Accountant*

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## 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*

City Council
City of Nicholls, Georgia

I have audited, in accordance with the auditing standards general accepted in the United State 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 Nicholls, Georgia as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Nicholls, Georgia's basic financial statements and have issued my report thereon dated January 21, 2016.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered the City of Nicholls, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Nicholls, Georgia's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Nicholls, 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.

My 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weakness may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies. (2008-3).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Nicholls, Georgia's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Nicholls, Georgia's Response to Findings**

City of Nicholls, Georgia's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. City of Nicholls, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Nicholls, Georgia'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 City of Nicholls, Georgia's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robert W Goodman CPA

Alma, Georgia
January 21, 2016

## 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 | x | no |
| Significant deficiency(es) identified not considered to be material weakness(es) | x | yes | | no |
| Noncompliance material to financial statements noted? | | yes | x | no |

## Section II - Findings Related to the Audit of the Financial Statements

*Significant Deficiency*

**2008-3**

Condition: There is not an appropriate segregation of duties between recording, distribution, reconciliation of cash accounts and other operational functions within various City departments.

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Effect: The failure to segregate out the accounting duties among multiple persons presents the opportunity for misappropriation of assets, mainly cash.

Recommendation: The duties of recording, distribution, reconciliation of cash accounts and other operational functions should be segregated between employees.

Views of officials: Management concurs with the above finding, and is working toward developing better internal controls over the accounting functions with the limited number personnel available.

City of Nicholls, Georgia
Schedule of Expenditures of Special Purpose
Local Option Sales Tax Proceeds
For the Year Ended June 30, 2015

| Project | Original Estimated Cost | Current Estimated Cost | Expenditures | | |
|---|---|---|---|---|---|
| | | | Prior Years | Current Year | Total To Date |
| **2000 SPLOST:** | | | | | |
| Public Safety Facilities | $ 125,000 | $ 103,759 | $ 103,759 | $ - | $ 103,759 |
| Public Safety Equipment | 125,000 | 107,893 | 107,893 | - | 107,893 |
| Road Improvements | 323,290 | 301,870 | 301,530 | 340 | 301,870 |
| Recreation Facilities | 50,000 | 85,905 | 85,905 | - | 85,905 |
| Cultural Facilities | 50,000 | - | - | - | - |
| Administrative Buildings | 76,400 | 48,202 | 48,202 | - | 48,202 |
| Community Center | 100,000 | - | - | - | - |
| Library | 105,210 | 67,975 | 67,975 | - | 67,975 |
| Water/Sewer Utility Improvements | 127,100 | 89,776 | 89,776 | - | 89,776 |
| Total | $ 1,082,000 | $ 805,380 | $ 805,040 | $ 340 | $ 805,380 |
| **2006 SPLOST:** | | | | | |
| Public Safety Facilities | $ 353,000 | $ 36,213 | $ 36,213 | $ - | $ 36,213 |
| Roads, Streets and Bridges | 250,000 | 15,870 | 8,500 | 7,370 | 15,870 |
| Recreation | 350,000 | - | - | - | - |
| Water Tank Improvements | 100,000 | - | - | - | - |
| Total | $ 1,053,000 | $ 52,083 | $ 44,713 | $ 7,370 | $ 52,083 |
| **2012 SPLOST:** | | | | | |
| Public Safety Facilities | $ 250,000 | $ 250,000 | $ 187,886 | $ - | $ 187,886 |
| Public Works Facilities | 50,000 | 50,000 | 10,200 | - | 10,200 |
| Recreation Facilities | 300,000 | 300,000 | - | 10,000 | 10,000 |
| Municipal Buildings | 160,220 | 160,220 | - | - | - |
| Roads, Streets and Bridges | 265,000 | 265,000 | 39,883 | 37,725 | 77,608 |
| Water/Sewer Improvements | 100,000 | 100,000 | - | - | - |
| Total | $ 1,125,220 | $ 1,125,220 | $ 237,969 | $ 47,725 | $ 285,694 |