CITY OF QUITMAN, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

CITY OF QUITMAN, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

Page

Table of Contents i

FINANCIAL SECTION

Independent Auditor's Report ..... 1 - 3
Management's Discussion and Analysis ..... 4 - 14
Basic Financial Statements:
- Government-wide Financial Statements:
  - Statement of Net Position 15
  - Statement of Activities ..... 16 and 17
- Fund Financial Statements:
  - Balance Sheet – Governmental Funds 18
  - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 19
  - Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities 20
  - Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund 21
  - Statement of Net Position – Proprietary Funds ..... 22 and 23
  - Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds ..... 24 and 25
  - Statement of Cash Flows – Proprietary Funds ..... 26 - 29
- Notes to Financial Statements ..... 30 - 56

Required Supplementary Information:
- Schedule of Changes in the City's Net Pension Liability and Related Ratios 57
- Schedule of City Contributions 58

Combining Statements and Schedules:
- Combining Balance Sheet – Nonmajor Governmental Funds 59
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 60
- Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds 61

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* ..... 62 and 63
Schedule of Findings and Responses ..... 64 - 68
Schedule of Prior Year Findings 69

FINANCIAL SECTION

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council
Quitman, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Quitman, Georgia (the "City")**, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Quitman, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quitman, Georgia as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund 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 8 and Note 16, the City implemented 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 Statement No. 68*, as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 14), the Schedule of Changes in the City's Net Pension Liability and Related Ratios (on page 57) and the Schedule of City Contributions (on page 58) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Quitman, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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 our opinion, the combining and 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*, we have also issued our report dated June 28, 2016, on our consideration of the City of Quitman, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Quitman, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Albany, Georgia
June 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Quitman, Georgia's (the City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the fiscal 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.

Financial Highlights

- The City's total assets exceeded its total liabilities by $15,252,159 (net position) for the fiscal year reported.

- Total net position is comprised of the following:

  (1) Net investment in capital assets of $8,911,677 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  (2) Net position restricted of $1,685,139 by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net position of $4,655,343 represents 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 $4,028,336 this year. This compares to the prior year ending fund balance of $3,972,105, showing an increase of $56,231 during the current year. Unassigned fund balance of $1,958,709 at June 30, 2015 shows a $220,325 decrease from the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $1,958,709 or 61.3% of total general fund expenditures.

- Overall, the City continues to maintain a reasonably strong financial position in its general fund, in spite of a somewhat depressed economy.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document 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 basic 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 financial 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 activities between funds.

The first of these government-wide statements is the *Statement of Net Position.* This is the government-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 of 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 fiscal 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.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by property and sales taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, culture and recreation and housing and development. Business-type activities include the gas, electric, water and sewer, sanitation and telecommunication systems.

The government-wide financial statements are presented on pages 15-17 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 nonmajor funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass 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 spendable 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 the 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 operating statement provide a reconciliation to assist in understanding the differences between these two perspectives. In addition, the City presents its general fund budget to actual comparison statement as a basic financial statement.

The basic governmental fund financial statements are presented on pages 18-20 of this report.

The budgetary comparison statement for the general fund is included within this section.

Individual fund information for nonmajor governmental funds is found in combining statements in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The five City proprietary funds are classified as enterprise funds. This enterprise funds essentially encompasses the same functions reported as business-type activities in the government-wide statements. These services are provided to customers external to the City.

The City's net position at fiscal year-end is $15,252,159. The following table provides a summary of the City's net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Assets:						
Current	$ 4,185,883	$ 4,148,191	$ 4,017,895	$ 3,411,052	$ 8,203,778	$ 7,559,243
Noncurrent:						
Capital assets	2,461,712	2,464,002	7,276,743	7,696,122	9,738,455	10,160,124
Total assets	6,647,595	6,612,193	11,294,638	11,107,174	17,942,233	17,719,367
Deferred outflows	105,864	-	31,759	-	137,623	-
Total assets and deferred outflows	$ 6,753,459	$ 6,612,193	$ 11,326,397	$ 11,107,174	$ 18,079,856	$ 17,719,367
Liabilities:						
Current liabilities	$ 303,514	$ 292,659	$ 757,882	$ 744,803	$ 1,061,396	$ 1,037,462
Long-term liabilities	1,349,733	839,329	208,548	2,659	1,558,281	841,988
Total liabilities	1,653,247	1,131,988	966,430	747,462	2,619,677	1,879,450
Deferred inflows	160,017	-	48,003	-	208,020	-
Total liabilities and deferred inflows	1,813,264	1,131,988	1,014,433	747,462	2,827,697	1,879,450
Net position:						
Net investment in capital assets	1,634,934	1,565,847	7,276,743	7,696,122	8,911,677	9,261,969
Restricted	1,685,139	1,509,342	-	-	1,685,139	1,509,342
Unrestricted	1,620,122	2,405,016	3,035,221	2,663,590	4,655,343	5,068,606
Total net position	$ 4,940,195	$ 5,480,205	$ 10,311,964	$ 10,359,712	$ 15,252,159	$ 15,839,917

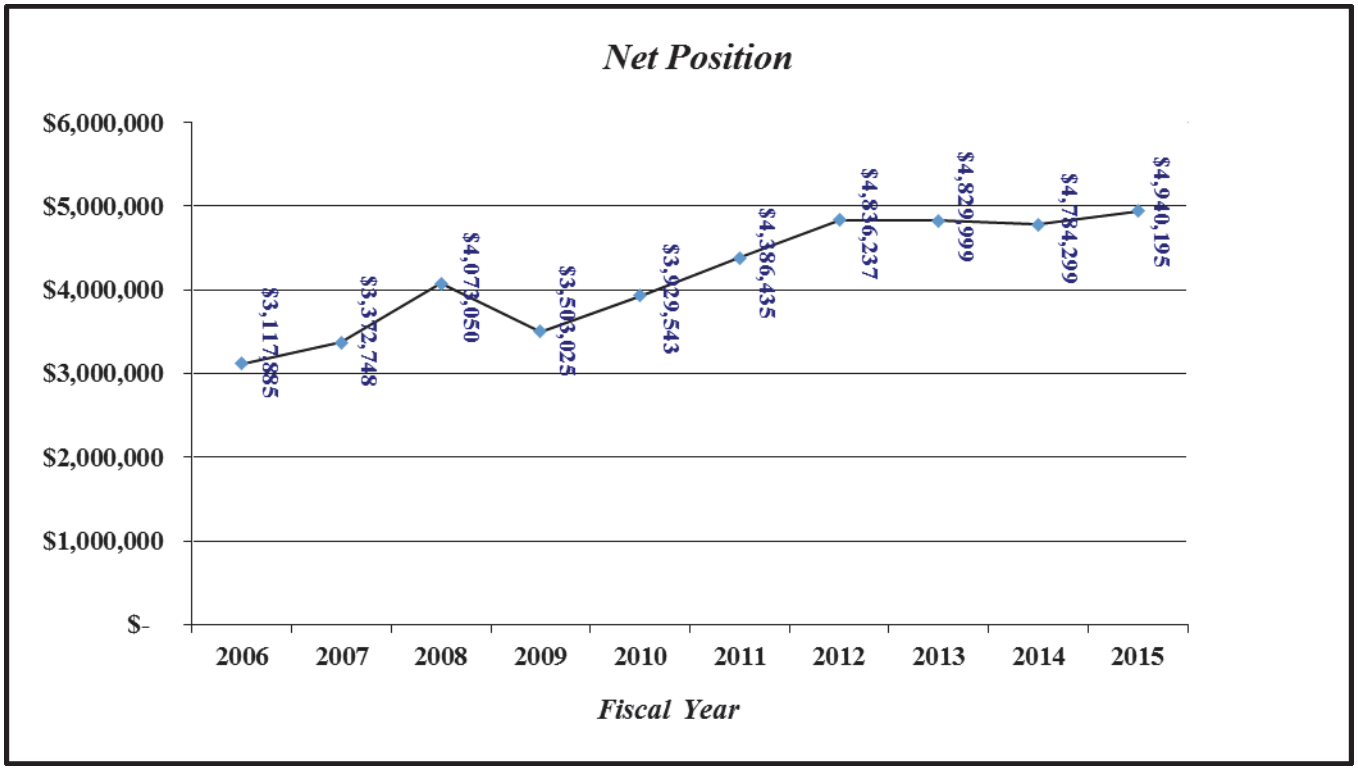
The City continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 13.8 to 1 (as compared to 14.2 to 1 at June 30, 2014). The current ratio for business-type activities is 5.3 to 1. At June 30, 2014, the current ratio was 7.7 to 1.

For the City overall, the current ratio is to 4.8 to 1 (as compared to 7.2 to 1 at June 30, 2014). These ratios are strong.

The City reported positive balances in net position for both governmental and business-type activities. Net position increased $155,896 for governmental activities and increased by $169,726 for business-type activities. The City's overall financial position increased during fiscal year 2015.

Note that 33.1% of the governmental activities' net position is tied up in capital. The City uses these capital assets to provide services to its citizens. However, with business type activities, the City has spent 70.6% of its net position on capital. Capital assets in the business-type activities also provide utility services, but they also generate revenues for this fund. 58.4% of the City's total net position is included in capital assets as compared to 58.4% at June 30, 2014.

The following chart reports the City's governmental activities' net position balances from fiscal year 2006 - 2015.



From fiscal year 2006 to fiscal year 2015, net position increased $1,822,310 or 58.4%.

(This page is continued on the subsequent page)

The following table provides a summary of the City's changes in net position:

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Revenues:						
Program:						
Charges for services	$ 337,495	$ 300,966	$ 9,498,705	$ 9,111,320	$ 9,836,200	$ 9,412,286
Operating grants	87,557	80,950	-	-	87,557	80,950
Capital grants	301,611	386,438	-	-	301,611	386,438
General:						
Taxes	1,039,517	943,615	-	-	1,039,517	943,615
Other	19,105	29,335	5,496	118,075	24,601	147,410
Total revenues	1,785,285	1,741,304	9,504,201	9,229,395	11,289,486	10,970,699
Program Expenses:						
General government	728,446	763,466	-	-	728,446	763,466
Public safety	1,877,451	1,788,171	-	-	1,877,451	1,788,171
Public works	342,444	342,700	-	-	342,444	342,700
Culture and recreation	168,992	162,803	-	-	168,992	162,803
Housing and development	6,307	8,082	-	-	6,307	8,082
Interest	37,543	34,878	-	-	37,543	34,878
Gas	-	-	731,054	713,188	731,054	713,188
Electric	-	-	5,028,082	4,477,826	5,028,082	4,477,826
Water and sewer	-	-	1,069,789	1,099,141	1,069,789	1,099,141
Sanitation	-	-	351,099	363,133	351,099	363,133
Telecommuications	-	-	622,657	597,049	622,657	597,049
Total expenses	3,161,183	3,100,100	7,802,681	7,250,337	10,963,864	10,350,437
Excess (deficiency)	(1,375,898)	(1,358,796)	1,701,520	1,979,058	325,622	620,262
Transfers	1,531,794	2,009,002	(1,531,794)	(2,009,002)	-	-
Change in net position	155,896	650,206	169,726	(29,944)	325,622	620,262
Restatement	-	(695,906)	-	(217,474)	-	(913,380)
Beginning net position	4,784,299	4,829,999	10,142,238	10,389,656	14,926,537	15,219,655
Ending net position	$ 4,940,195	$ 4,784,299	$ 10,311,964	$ 10,142,238	$ 15,252,159	$ 14,926,537

GOVERNMENTAL REVENUES

The City is heavily reliant on both property taxes and sales taxes to support governmental operations and capital. Property taxes provided 29% of the City's total governmental revenues of fiscal year 2015 as compared with 26.6% in fiscal year 2014. Sales taxes are the second largest revenue source with $219,097 of revenues or 12.3% of the total revenues.

On the government-wide statement of activities, $87,557 is reported as operating grants for governmental activities. A majority of this revenue is from Brooks County Development Authority and was used to pay the principal and interest on the City's note payable.

On the government-wide statement of activities, $301,611 is reported as capital grants for governmental activities. Brooks County provided for SPLOST water & sewer projects. The City also received LMIG funds for roads/bridges from GA DOT.

Because of the City's healthy financial position, we have been able to earn $19,105 in unrestricted investment earnings to support governmental activities. Also, note that program revenues cover only 23% of governmental operating expenses. This means that the government's taxpayers and the City's other general governmental revenues fund 77% of the governmental activities.

As a result, the general economy and the economic success of City businesses have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

The public safety function makes up 59.4% of the total governmental activities expenses as compared to 57.7% in fiscal year 2014. In fiscal year 2015, general government totaled over $728,000.

This table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental Activities

	2015		2014	
	Total Cost of Services	**Net Cost of Services**	**Total Cost of Services**	**Net Cost of Services**
General government	$ 728,446	$ 502,300	$ 763,466	$ 550,519
Public safety	1,877,451	1,814,791	1,788,171	1,710,486
Public works	342,444	(95,413)	342,700	(135,022)
Culture and recreation	168,992	168,992	162,803	162,803
Housing and development	6,307	6,307	8,082	8,082
Interest	37,543	37,543	34,878	34,878
Total	$ 3,161,183	$ 2,434,520	$ 3,100,100	$ 2,331,746

After reducing gross expenses by program revenues, public safety totals 74.5% of the net cost of services.

BUSINESS-TYPE ACTIVITIES

The operating revenues for the enterprise funds were $387,385 or 4.3% above the 2014 amount and operating expenses increased $552,344 or about 7.6% above the 2014 amount. Within the total business type activities of the City, these activities reported $1,696,024 of operating income compared to an operating income of $1,860,983 in the prior year.

Gas Fund – Gas fund operating revenues decreased $54,594 or 5.7%. Operating expenses increased just $17,866 or 2.5%.

This fund transferred $115,888 to the general fund or 7.2% of the total amount transferred from the enterprise funds to the general fund. This transfer assists in supporting general fund administrative costs. After transfers, this fund reported a $64,868 increase in net position as compared to an increase of $199,872 in fiscal year 2014. At June 30, 2015, the net position totaled $499,086, of which $69,565 is tied up in capital assets.

Electric Fund – Electric fund operating revenues increased $476,471 or 7.7%. This increase relates to a change from flat rate billing to a seasonal billing due to a rate study performed by Electric Cities of Georgia. Total operating expenses increased $550,257 or 12.3%. The change is due to an increase in purchased electricity.

This fund transferred $1,161,123 to the general fund as compared to $1,661,313 in fiscal year 2014. At June 30, 2015, the fund reports net position of $3,195,321 of which 41.2% is tied up in capital assets.

Water and Sewer Fund – The water and sewer fund operating revenues decreased just $12,988. Operating expenses decreased $29,352 or 2.7%. Personal services increased $21,202 or 12.5% from fiscal year 2014 because the City filled a vacancy. The cost of supplies increased $10,467 or 3.1%.

This fund transferred $333,208 to the general fund. The transfer to the general fund assists in supporting general fund administrative costs. After transfers, this fund reported a $302,862 decrease in net position as compared to a $358,503 decrease in fiscal year 2014. This fund reports net position of approximately $6.5 million of which 91.1% is tied up in capital assets.

Sanitation Fund – The sanitation fund operating revenues decreased just $9,155. Operating expenses decreased $12,034 or just 3.3%. The fund reported a net increase in net position of $48,145. At June 30, 2015, this fund reported $327,590 in net position.

Telecommunications Fund – This fund's operating revenues decreased $9,349 or 1.7%. Operating expenses increased $25,608 or 4.3%.

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 financing requirements. Governmental funds reported ending fund balances of $4,028,336. Of this year-end total, $1,958,709 is unassigned indicating availability for continuing City service requirements. Fund balance in a non-spendable form includes $188,526. The amount of fund balance legally restricted totals $1,685,139, which includes $1,145,881 of SPLOST funds set aside for water and sewer projects. Finally, the City reports $195,962, which is committed to the maintenance of the cemetery.

Major Governmental Funds

The General Fund - The general fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance decreased by $118,651 or 5.2% over the June 30, 2014 amount.

Property taxes in fiscal year 2015 decreased just $9,205 or 2% below the fiscal year 2014 amount.

The local option sales taxes increased $11,651 or 5.6%. The increase is due to the City experiencing an increase in taxable sales.

Charges for services were up $28,718 or 22%. This increase relates to late charges from all of the utilities due to the city suspending its cut-off policy. Intergovernmental revenue decreased $6,557. Fines increased $8,829 or 18.7% due to additional tickets issued.

In total, the actual revenues were more than the fiscal year 2014 by $61,204.

The annual transfers from the three enterprise funds totaled $1,610,219 as compared to $2,171,230 in fiscal year 2014.

Total expenditures increased $121,645 or 4%.

General government expenditures decreased $25,915. In total, public safety, costs increased $129,838 or 7.4% over fiscal year 2014. Public works expenditures decreased just $379 from the last fiscal year amount.

The cost of most other expenditure functions was consistent with fiscal year 2014.

The general fund's ending unassigned fund balance of $1,958,709 represents the equivalent of 61.3% of annual expenditures, which is considered adequate, but not excessive. This compares to a 70.9% amount at June 30, 2014.

The Sales Tax Fund – This fund recognized their share of the special purpose local option sales taxes or $251,582. They spent $78,425 leaving a fund balance of $1,145,881.

The Proprietary Funds

The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Therefore, see the financial analysis presented above.

Budgetary Highlights

The General Fund – During fiscal year 2015, the budget was not amended.

Property taxes were $51,883 or 10.3% below the final budget. Sales taxes were just $1,597 above budget. The economy is relatively stagnant. The insurance premium taxes were $12,649 above the budget as this revenue stream is difficult to estimate.

Revenue from intergovernmental revenues was $136,265 over the adopted budget. Since the City generally does not budget for federal grants, the actual revenues realized exceed the adopted budget.

Fines were below the budget by $4,866. Other revenues were $503,890 below the final budget. In total, the City realized 79.4% of the estimated revenues as compared to 82.6% in fiscal year 2014.

On the expenditure side of the budget, expenditures varied from the adopted budget as discussed below.

In the general government function, financial administration expenditures were below the adopted budget by $140,399 or 19.4%.

In the public safety function, police expenditures were below the budget approximately $197,263, most of which relates to budgeted capital outlay that was not spent and personal services resulting from staff vacancies. Fire expenditures were below the budget by $102,443 or 11.9% again relating to personal services.

The City spent 98.6% of the authorized budget.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2015, was $2,461,712 and $7,276,743 respectively. The total decrease in this net investment was just $2,290 for governmental activities and $419,379 or a 5.4% decrease for business-type activities. The overall decrease was $421,669 for the City as a whole. See Note 6 for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year.

The following table provides a summary of capital asset activity.

Capital Assets

	Governmental Activities				Business-type Activities			
	2015		2014		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%
Nondepreciable assets:								
Land	$ 231,953	100%	$ 231,953	100%	$ 708,741	100%	$ 708,741	89%
Construction in progress	-	0%	-	0%	-	0%	84,117	11%
Total nondepreciable assets	231,953	100%	231,953	100%	708,741	100%	792,858	100%
Depreciable assets:								
Buildings	1,653,740	36.7%	1,653,740	37.6%	1,420,540	8.0%	1,257,998	7.2%
Machinery and equipment	1,579,342	35.0%	1,471,992	33.4%	5,397,988	30.5%	5,397,988	30.8%
Infrastructure	1,276,074	28.3%	1,276,074	29.0%	10,885,590	62.0%	10,885,590	62.0%
Total depreciable assets	4,509,156	100.0%	4,401,806	100.0%	17,704,118	100.0%	17,541,576	100.0%
Less accumulated depreciation	2,279,397		2,169,757		11,136,116		10,638,312	
Book value - depreciable assets	2,229,759		2,232,049		6,568,002		6,903,264	
Percentage depreciated	51%		49%		63%		61%	
Book value - all assets	$ 2,461,712		$ 2,464,002		$ 7,276,743		$ 7,696,122	

At June 30, 2015, the depreciable capital assets for governmental activities were 51% depreciated. This percentage is slightly above the 2014 amount of 49%. This comparison indicates that the City is replacing its assets at almost the same rate as they are depreciating which is a positive indicator. Business-type activities were 63% depreciated as compared to 61% at June 30, 2014.

The increases in governmental activities machinery and equipment relates to the purchase of three trucks and four air conditioning units.

Long-term Debt

The outstanding debt balances at June 30, 2015 and 2014 follow:

Outstanding Borrowings

	Governmental Activities		Business-type Activities		Totals		% Change
	2015	2014	2015	2014	2015	2014	
Notes payable	$ 826,778	$ 898,155	$ -	$ -	$ 826,778	$ 898,155	-8%
Compensated absences	127,159	93,083	34,138	26,582	161,297	119,665	35%
Net pension liability	581,375	796,152	174,410	248,801	755,785	1,044,953	
Total	$ 1,535,312	$ 1,787,390	$ 208,548	$ 275,383	$ 1,743,860	$ 2,062,773	-15%

See Note 7 for additional information about the City's long-term debt.

Economic Conditions Affecting the City

The City is a small rural community located in South Georgia, approximately 10 miles from the Georgia-Florida state line. It's convenient location to both Interstate 75 and Interstate 10, two major U.S. arteries that allow you to travel from the east coast to the west coast or from the Florida Peninsula to the northeast, allow the City to offer the convenience of living within close proximity to nearby larger cities, yet enjoy the unhurried pace of a small southern town.

Since our City is located on U.S. route 84 near the above two referenced interstate highways, it is well positioned for markets in the southeast and has direct access to the State of Georgia's port for international trade. A new 250-acre industrial park, with rail service, is located just ½ mile from the City limits. The City's police and fire departments serve this industrial park.

The City's commercial and professional areas are comprised of numerous manufacturing businesses, convenience stores, professional offices, retail sales stores, private firms, retail food stores, restaurants, medical facilities and a hospital. The City plays host to the Presbyterian Homes, Inc., a 237-bed skilled nursing care facility and our largest employer.

The City is a "full-service" City offering its 4,638 citizens services such as electricity, gas, water, sewer, garbage collection, cable television and wireless internet service. The City's population was reduced in 2002 census from the 1990 census by 12.4%.

The City features a wide variety of restaurants, shops, cultural attractions, parks and other outdoor activities. Visitors are attracted to the City's numerous antique shops, its historical district and its rich cultural past.

The City is the County seat located within Brooks County. In the year 2009, the average weekly wage for all the employment sectors in the county was $501. This amount was less than the statewide average of $728. In Brooks County, agriculture is the largest employment sector providing 16.8% of the jobs. The other predominant employment sectors are services and forestry, and fishing. Statewide, the service industry is the largest employment sector, contributing 25.6% of the state's jobs.

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 to public accountability. If you have questions about this report or would like to request additional information, contact the City's Manager at 229-263-4166.

CITY OF QUITMAN, GEORGIA

STATEMENT OF NET POSITION

JUNE 30, 2015

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 3,407,936	$ 1,186,261	$ 4,594,197
Investments	176,120	1,332,427	1,508,547
Taxes receivable	42,650	-	42,650
Accounts receivable, net of allowances	41,834	1,376,131	1,417,965
Notes receivable	240,457	-	240,457
Due from other governments	99,744	-	99,744
Internal balances	88,616	(88,616)	-
Inventories	-	187,418	187,418
Prepaid expenses	88,526	24,274	112,800
Capital assets:			
Nondepreciable	231,953	708,741	940,694
Depreciable, net of accumulated depreciation	2,229,759	6,568,002	8,797,761
Total assets	6,647,595	11,294,638	17,942,233
DEFERRED OUTFLOWS OF RESOURCES			
Contributions subsequent to the measurement date	105,864	31,759	137,623
Total deferred outflows of resources	105,864	31,759	137,623
LIABILITIES			
Accounts payable	68,602	532,942	601,544
Accrued liabilities	29,898	31,525	61,423
Due to other governments	19,435	-	19,435
Customer deposits payable	-	193,415	193,415
Notes payable due within one year	71,136	-	71,136
Notes payable due in more than one year	755,642	-	755,642
Compensated absences due within one year	114,443	30,724	145,167
Compensated absences due in more than one year	12,716	3,414	16,130
Net pension liability	581,375	174,410	755,785
Total liabilities	1,653,247	966,430	2,619,677
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience	84,903	25,470	110,373
Changes in assumptions	8,088	2,427	10,515
Net difference between projected and actual earnings on pension plan investments	67,026	20,106	87,132
Total deferred inflows of resources	160,017	48,003	208,020
NET POSITION			
Net investment in capital assets	1,634,934	7,276,743	8,911,677
Restricted for:			
Capital projects	1,145,881	-	1,145,881
Economic development	537,426	-	537,426
Public safety	1,832	-	1,832
Unrestricted	1,620,122	3,035,221	4,655,343
Total net position	$ 4,940,195	$ 10,311,964	$ 15,252,159

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

CITY OF QUITMAN, GEORGIA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 728,446	$ 141,089	$ 85,057	$ -
Public safety	1,877,451	60,160	2,500	-
Public works	342,444	136,246	-	301,611
Recreation	168,992	-	-	-
Housing and development	6,307	-	-	-
Interest on long-term debt	37,543	-	-	-
Total governmental activities	3,161,183	337,495	87,557	301,611
Business-type activities:				
Water and sewer	1,069,789	1,019,934	-	-
Electric	5,028,082	6,631,880	-	-
Gas	731,054	911,649	-	-
Telecommunication	622,657	536,219	-	-
Sanitation	351,099	399,023	-	-
Total business-type activities	7,802,681	9,498,705	-	-
Total primary government	$ 10,963,864	$ 9,836,200	$ 87,557	$ 301,611
General revenues:				
Property taxes				
Sales taxes				
Business taxes				
Other taxes				
Unrestricted investment earnings				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year, as restated				
Net position, end of year				

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (502,300)	$ -	$ (502,300)
(1,814,791)	-	(1,814,791)
95,413	-	95,413
(168,992)	-	(168,992)
(6,307)	-	(6,307)
(37,543)	-	(37,543)
(2,434,520)	-	(2,434,520)
-	(49,855)	(49,855)
-	1,603,798	1,603,798
-	180,595	180,595
-	(86,438)	(86,438)
-	47,924	47,924
-	1,696,024	1,696,024
(2,434,520)	1,696,024	(738,496)
517,134	-	517,134
219,097	-	219,097
207,649	-	207,649
95,637	-	95,637
19,105	5,496	24,601
1,531,794	(1,531,794)	-
2,590,416	(1,526,298)	1,064,118
155,896	169,726	325,622
4,784,299	10,142,238	14,926,537
$ 4,940,195	$ 10,311,964	$ 15,252,159

CITY OF QUITMAN, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2015

ASSETS	General	Sales Tax Fund	Nonmajor Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	$ 1,906,599	$ 1,072,237	$ 429,100	$ 3,407,936
Investments	-	-	176,120	176,120
Taxes receivable, net	42,650	-	-	42,650
Accounts receivable	41,834	-	-	41,834
Notes receivable	110,457	-	130,000	240,457
Due from other funds	66,736	-	-	66,736
Due from other governments	26,100	73,644	-	99,744
Prepaid expenditures	88,526	-	-	88,526
Advances to other funds	100,000	-	-	100,000
Total assets	$ 2,382,902	$ 1,145,881	$ 735,220	$ 4,264,003
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 68,602	$ -	$ -	$ 68,602
Accrued liabilities	28,593	-	-	28,593
Due to other funds	78,120	-	-	78,120
Due to other governments	19,435	-	-	19,435
Total liabilities	194,750	-	-	194,750
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	40,917	-	-	40,917
Total deferred inflow of resources	40,917	-	-	40,917
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	88,526	-	-	88,526
Advance to other funds	100,000	-	-	100,000
Restricted for:				
Capital projects	-	1,145,881	-	1,145,881
Economic development	-	-	537,426	537,426
Public safety	-	-	1,832	1,832
Committed to:				
Cemetery maintenance	-	-	195,962	195,962
Unassigned	1,958,709	-	-	1,958,709
Total fund balances	2,147,235	1,145,881	735,220	4,028,336
Total liabilities, deferred inflow of resources, and fund balances	$ 2,382,902	$ 1,145,881	$ 735,220	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,461,712
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	40,917
Deferred outflows of resources related to City contributions subsequent to the measurement date are not due and payable in the current period and therefore are not reported in the governmental funds.	105,864
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.	(955,242)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(581,375)
Deferred inflows of resources are not available to pay for current expenditures and therefore are not reported in the funds. The deferred inflows of resources consist of pension related experience differences assumption changes, and differences between projected and actual earnings on plan investments.	(160,017)
Net position of governmental activities	$ 4,940,195

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

CITY OF QUITMAN, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Sales Tax Fund	Nonmajor Governmental Funds	Totals Governmental Funds
Revenues				
Property taxes	$ 453,617	$ -	$ -	$ 453,617
Sales taxes	219,097	-	-	219,097
Insurance premium taxes	207,649	-	-	207,649
Other taxes	95,637	-	-	95,637
Licenses and permits	53,896	-	-	53,896
Intergovernmental	136,265	251,582	-	387,847
Charges for services	159,105	-	-	159,105
Fines and forfeitures	56,134	-	-	56,134
Rent revenue	57,250	-	-	57,250
Interest revenue	17,042	1,321	2,063	20,426
Other revenues	11,110	-	-	11,110
Total revenues	1,466,802	252,903	2,063	1,721,768
Expenditures				
Current:				
General government	702,416	-	-	702,416
Public safety	1,876,818	-	-	1,876,818
Public works	339,222	-	1,659	340,881
Recreation	160,852	-	-	160,852
Housing and development	6,307	-	-	6,307
Capital outlay	-	78,425	-	78,425
Debt service:				
Principal	71,377	-	-	71,377
Interest	38,680	-	-	38,680
Total expenditures	3,195,672	78,425	1,659	3,275,756
Deficiency of revenues under expenditures	(1,728,870)	174,478	404	(1,553,988)
Other financing sources (uses)				
Transfers in	1,610,219	-	-	1,610,219
Total other financing sources	1,610,219	-	-	1,610,219
Net change in fund balances	(118,651)	174,478	404	56,231
Fund balances, beginning of year	2,265,886	971,403	734,816	3,972,105
Fund balances, end of year	$ 2,147,235	$ 1,145,881	$ 735,220	$ 4,028,336

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

CITY OF QUITMAN, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$	56,231
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		76,135
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(78,425)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		3,139
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the principal payment on notes payable.		71,377
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		27,439
Net change in net position - governmental activities	$	155,896

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

CITY OF QUITMAN, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Property taxes	$ 505,500	$ 505,500	$ 453,617	$ (51,883)
Sales taxes	217,500	217,500	219,097	1,597
Insurance premium taxes	195,000	195,000	207,649	12,649
Other taxes	76,000	76,000	95,637	19,637
Licenses and permits	45,000	45,000	53,896	8,896
Intergovernmental	-	-	136,265	136,265
Charges for services	168,500	168,500	159,105	(9,395)
Fines and forfeitures	61,000	61,000	56,134	(4,866)
Rent revenue	51,250	51,250	57,250	6,000
Interest revenue	12,000	12,000	17,042	5,042
Other revenues	515,000	515,000	11,110	(503,890)
Total revenues	1,846,750	1,846,750	1,466,802	(379,948)
Expenditures:				
Current:				
General government:				
Legislative	57,892	57,892	52,464	5,428
Commission division	68,900	68,900	65,213	3,687
Financial administration	725,138	725,138	584,739	140,399
Total general government	851,930	851,930	702,416	149,514
Public safety:				
Police	1,266,230	1,266,230	1,068,967	197,263
Fire	859,238	859,238	756,795	102,443
Animal control	52,348	52,348	51,056	1,292
Total public safety	2,177,816	2,177,816	1,876,818	300,998
Public works	248,535	248,535	339,222	(90,687)
Recreation	174,350	174,350	160,852	13,498
Housing and development	12,700	12,700	6,307	6,393
Debt service:				
Principal	80,000	80,000	71,377	8,623
Interest	-	-	38,680	(38,680)
Total debt service	80,000	80,000	110,057	(30,057)
Total expenditures	3,545,331	3,545,331	3,195,672	349,659
Deficiency of revenues under expenditures	(1,698,581)	(1,698,581)	(1,728,870)	(30,289)
Other financing sources (uses)				
Transfers in	1,698,581	1,698,581	1,610,219	(88,362)
Total other financing sources	1,698,581	1,698,581	1,610,219	(88,362)
Net change in fund balances	-	-	(118,651)	(118,651)
Fund balances, beginning of year	2,265,886	2,265,886	2,265,886	-
Fund balances, end of year	$ 2,265,886	$ 2,265,886	$ 2,147,235	$ (118,651)

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

CITY OF QUITMAN, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2015

	Water and Sewer Fund	Electric Fund	Gas Fund
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 223,739	$ 351,917	$ 239,552
Investments	292,752	942,669	97,006
Accounts receivable	132,198	1,068,285	80,818
Due from other funds	-	-	78,120
Inventories	31,618	126,056	19,144
Prepaid expenses	9,730	8,663	3,738
Total current assets	690,037	2,497,590	518,378
NONCURRENT ASSETS			
Advance to other funds	35,000	100,000	-
Capital assets:			
Nondepreciable	690,014	-	14,727
Depreciable, net of accumulated depreciation	5,194,025	1,317,719	54,838
Total noncurrent assets	5,919,039	1,417,719	69,565
Total assets	6,609,076	3,915,309	587,943
DEFERRED OUTFLOWS OF RESOURCES			
Contributions subsequent to the measurement date	10,586	12,704	6,352
Total deferred outflows of resources	10,586	12,704	6,352
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	27,589	401,433	28,413
Accrued liabilities	17,439	14,069	17
Due to other funds	946	65,502	-
Customer deposits payable	28,579	143,508	21,328
Compensated absences, current portion	9,447	17,293	872
Total current liabilities	84,000	641,805	50,630
NONCURRENT LIABILITIES			
Compensated absences, net of current portion	1,050	1,921	97
Advance from other funds	-	-	-
Net pension liability	58,137	69,764	34,882
Total long-term liabilities	59,187	71,685	34,979
Total liabilities	143,187	713,490	85,609
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience	8,490	10,188	5,094
Changes in assumptions	809	971	485
Net difference between projected and actual earnings on pension plan investments	6,702	8,043	4,021
Total deferred inflows of resources	16,001	19,202	9,600
NET POSITION			
Investment in capital assets	5,884,039	1,317,719	69,565
Unrestricted (deficit)	576,435	1,877,602	429,521
Total net position (deficit)	$ 6,460,474	$ 3,195,321	$ 499,086

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

Telecommunication Fund	Nonmajor Enterprise Fund Sanitation Fund	Totals
$ 67,741	$ 303,312	$ 1,186,261
-	-	1,332,427
43,334	51,496	1,376,131
-	-	78,120
10,600	-	187,418
2,143	-	24,274
123,818	354,808	4,184,631
-	-	135,000
-	4,000	708,741
1,420	-	6,568,002
1,420	4,000	7,411,743
125,238	358,808	11,596,374
2,117	-	31,759
2,117	-	31,759
44,289	31,218	532,942
-	-	31,525
288	-	66,736
-	-	193,415
3,112	-	30,724
47,689	31,218	855,342
346	-	3,414
235,000	-	235,000
11,627	-	174,410
246,973	-	412,824
294,662	31,218	1,268,166
1,698	-	25,470
162	-	2,427
1,340	-	20,106
3,200	-	48,003
1,420	4,000	7,276,743
(171,927)	323,590	3,035,221
$ (170,507)	$ 327,590	$ 10,311,964

CITY OF QUITMAN, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Water and Sewer Fund	Electric Fund	Gas Fund
OPERATING REVENUES			
Charges for services	$ 1,019,934	$ 6,532,917	$ 911,649
Other services	-	98,963	-
Total operating revenues	1,019,934	6,631,880	911,649
OPERATING EXPENSES			
Personal services	191,171	240,258	75,049
Costs of operations	150,597	4,397,278	586,932
Supplies	346,012	303,964	54,656
Depreciation	382,009	86,582	14,417
Total operating expenses	1,069,789	5,028,082	731,054
Operating income (loss)	(49,855)	1,603,798	180,595
NONOPERATING REVENUES			
Interest income	1,776	3,299	161
Total nonoperating income	1,776	3,299	161
Income (loss) before contributions and transfers	(48,079)	1,607,097	180,756
CAPITAL CONTRIBUTIONS	78,425	-	-
TRANSFERS			
Transfers out	(333,208)	(1,161,123)	(115,888)
Total transfers	(333,208)	(1,161,123)	(115,888)
Change in net position	(302,862)	445,974	64,868
NET POSITION (DEFICIT), beginning of year, restated	6,763,336	2,749,347	434,218
NET POSITION (DEFICIT), end of year	$ 6,460,474	$ 3,195,321	$ 499,086

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

Telecommunication Fund	Nonmajor Enterprise Fund Sanitation Fund	Totals
$ 532,818	$ 398,952	$ 9,396,270
3,401	71	102,435
536,219	399,023	9,498,705
50,366	-	556,844
526,056	351,084	6,011,947
31,439	15	736,086
14,796	-	497,804
622,657	351,099	7,802,681
(86,438)	47,924	1,696,024
39	221	5,496
39	221	5,496
(86,399)	48,145	1,701,520
-	-	78,425
-	-	(1,610,219)
-	-	(1,610,219)
(86,399)	48,145	169,726
(84,108)	279,445	10,142,238
$ (170,507)	$ 327,590	$ 10,311,964

CITY OF QUITMAN, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Water and Sewer Fund	Electric Fund	Gas Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 1,030,354	$ 6,555,920	$ 939,356
Payments to suppliers	(504,850)	(4,626,588)	(618,382)
Payments to employees	(194,651)	(244,625)	(80,242)
Net cash provided by (used in) operating activities	330,853	1,684,707	240,732
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	-	-	-
Transfers out	(333,208)	(1,161,123)	(115,888)
Net cash provided by (used in) noncapital financing activities	(333,208)	(1,161,123)	(115,888)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(1,169)	(241,936)	(162)
Interest and dividends received	1,776	3,299	161
Net cash provided by (used in) investing activities	607	(238,637)	(1)
Change in cash and cash equivalents	(1,748)	284,947	124,843
Cash and cash equivalents:			
Beginning of year	225,487	66,970	114,709
End of year	$ 223,739	$ 351,917	$ 239,552
Classified as:			
Cash and cash equivalents	$ 223,739	$ 351,917	$ 239,552

(Continued)

Telecommunication Fund	Nonmajor Enterprise Fund Sanitation Fund	Totals
$ 539,836	$ 402,924	$ 9,468,390
(550,294)	(347,944)	(6,648,058)
(51,436)	-	(570,954)
(61,894)	54,980	2,249,378
100,000	-	100,000
-	-	(1,610,219)
100,000	-	(1,510,219)
-	-	(243,267)
39	221	5,496
39	221	(237,771)
38,145	55,201	501,388
29,596	248,111	684,873
$ 67,741	$ 303,312	$ 1,186,261
$ 67,741	$ 303,312	$ 1,186,261

CITY OF QUITMAN, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Water and Sewer Fund	Electric Fund	Gas Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$ (49,855)	$ 1,603,798	$ 180,595
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	382,009	86,582	14,417
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	9,514	(118,940)	29,374
(Increase) decrease in inventories	3,930	70,932	(1,265)
Increase in due from other funds	-	-	(1,382)
Decrease in prepaids and other assets	240	834	1,230
Increase in deferred outflows of resources	(144)	(173)	(87)
Increase (decrease) in accounts payable	(12,411)	2,888	23,241
Increase (decrease) in accrued liabilities	3,270	1,992	(108)
Increase (decrease) in customer deposits	906	7,228	(285)
Increase in due to other funds	-	35,752	-
Increase in compensated absences	2,188	4,368	280
Decrease in net pension liability	(24,795)	(29,756)	(14,878)
Increase in deferred inflows of resources	16,001	19,202	9,600
Net cash provided by (used in) operating activities	$ 330,853	$ 1,684,707	$ 240,732
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Capital asset additions contributed from other funds	$ 78,425	$ -	$ -

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

Telecommunication Fund	Nonmajor Enterprise Fund Sanitation Fund	Totals
$ (86,438)	$ 47,924	$ 1,696,024
14,796	-	497,804
3,617	3,901	(72,534)
-	-	73,597
-	-	(1,382)
75	-	2,379
(28)		(432)
7,126	3,155	23,999
-	-	5,154
-	-	7,849
-	-	35,752
720	-	7,556
(4,962)	-	(74,391)
3,200	-	48,003
$ (61,894)	$ 54,980	$ 2,249,378
$ -	$ -	$ 78,425

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

The City was incorporated in 1859 and operates under a Board – Manager form of government. The City Manager is the head of the administrative branch of government. As such, he is responsible for the day-to-day operations of city government. The legislative authority of the City is vested in the Mayor and three (3) Council members with an appointed City Manager. The City provides the following services and operations as authorized by its charter: public safety (police and fire); public works; recreation; planning and zoning; general administrative services; and public utilities (water, sewer, electric, gas, telecommunications and sanitation). As required by generally accepted accounting principles, the financial statements of the reporting entity include the accounts of all City operations and all activities of the City.

Based on criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity" as amended by GASB 39 "Determining Whether Certain Organizations are Component Units" and GASB No 61 "The Financial Reporting Entity", the City was determined to have no component units as of June 30, 2015.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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.*

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property taxes, sales taxes, franchise taxes, licenses and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The ***Sales Tax fund*** is a capital projects fund used to account for construction of water and sewer system improvements. Financing is provided by a special purpose sales and use tax.

The City reports the following major proprietary funds:

The ***Water and Sewer fund*** accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The ***Electric fund*** accounts for the provision of electrical services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The ***Gas fund*** accounts for the provision of gas services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The ***Telecommunication fund*** accounts for revenues and expenses relating to the cable and internet services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

Additionally, the City reports the following fund type:

The ***special revenue funds*** account for revenue sources that are legally restricted or committed for expenditures of specific purposes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function, gas and electric function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services provided. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Statutes authorize the City to invest in obligations of the United States and of its agencies and instrumentalities, bonds of the State of Georgia and its agencies, instrumentalities and political subdivisions, certificates of deposit of national or state banks that are fully insured or collateralized by United States obligations, repurchase agreements and Georgia Fund 1, the Local Government Investment Pool.

Cash deposits are reported at carrying amount, which reasonably estimates fair value.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Inventory and Prepaid Items

Inventory in the proprietary funds is valued at the lower of cost or market. The City accounts for inventory on the purchase basis. Prepaid expenses/expenditures are accounted for using the consumption method. A prepaid expense/expenditure is recognized when a cash expense/expenditure is made for goods or services that were purchased for consumption, but not consumed as of June 30.

F. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” in the fund financial statements. Short-term interfund loans are classified as “interfund receivables/payables”. Long-term interfund loans are classified as advances.

G. Grants from Other Governments

Federal and state governmental units represent an important source of supplementary funding used to finance housing, business development employment, construction programs, capital asset additions and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in both governmental and proprietary funds. Grant contributions in the proprietary funds, which are for the purpose of construction activities, land easement, or capital asset acquisitions, are recorded as capital contributions within the statement of revenues and expenses. For all funds, a grant receivable is recorded when the City has a right to receive the related grant amounts.

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets, not including infrastructure, with an initial, individual cost of $5,000 and an estimated useful life in excess of one year. Infrastructure assets capitalized have an original cost of $250,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended June 30, 2015, no interest was capitalized.

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

Buildings and improvements	20-50 years
Infrastructure	20-50 years
Machinery and equipment	3-15 years

I. Long-Term Obligations

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. Therefore, all sick pay is expensed when incurred. The City does allow for employees to accumulate earned but unused vacation time with such time being fully vested when earned. For the City's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Deferred Outflows / Inflows of Resources

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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category that is related to changes in its net pension liability. Any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

In addition to liabilities, the balance sheet and statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance 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 type of item, arising only under a modified accrual basis of accounting that qualifies for reporting in this category. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes not received within 60 days after year end. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. Additionally, the separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has three items that qualify for reporting in the category related to the City's Retirement Plan and are reported in the government-wide and proprietary fund statements of net position. 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 inflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows / Inflows of Resources (Continued)

Changes in actuarial assumptions, which adjust the net pension liability, are also recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Lastly, the differences between projected investment return on pension investments and actual return on those investments is deferred and amortized against pension expense over a five year period, resulting in recognition as a deferred inflow of resources.

L. Fund Equity

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

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

- ***Nonspendable*** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- ***Restricted*** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- ***Committed*** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.

- ***Assigned*** - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's Manager to assign fund balances.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

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

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City of Quitman Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $955,242 difference are as follows:

Notes payable	$	(826,778)
Compensated absences		(127,159)
Accrued interest payable		(1,305)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position of governmental activities*	$	(955,242)

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this $76,135 difference are as follows:

Capital outlay	$	185,775
Depreciation expense		(109,640)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	76,135

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this $27,439 difference are as follows:

Compensated absences	$	(34,076)
Accrued interest		1,137
Change in pension and related deferred inflows and outflows of resources		60,378
Net adjustment to increase *net changes in fund balance - total governmental funds* to arrive at *changes in net position of governmental activities*	$	27,439

NOTE 3. LEGAL COMPLIANCE – BUDGETS

Budgets and Budgetary Accounting

The City followed these procedures in establishing the budgetary data reflected in the financial statements for the fiscal year ended June 30, 2015:

1. The City Council prepares a proposed operating budget for the year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the City offices to obtain taxpayer comments.
3. After the public hearing, the City Council formally adopts the budget.
4. The budget is employed as a management control device during the year.
5. Formal budgetary integration is employed as a management control device during the year for all the governmental funds and the enterprise funds. Budgets for the enterprise funds are prepared for planning and control purposes only.
6. Budgets for the governmental funds and the enterprise funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Budget amounts are as originally adopted or as amended by the City Council.

Encumbrances

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

Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2015, the following departments had excesses of actual expenditures over appropriations, which were funded by available fund balance and larger than anticipated revenues:

	Excess
General Fund	
Public works	$ 90,687
Debt service	30,057

NOTE 4. DEPOSITS AND INVESTMENTS

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

At June 30, 2015, the City had the following investments:

Investments	Maturities	Fair Value
Certificates of Deposit	13 month weighted average	$ 565,877
Municipal Competitive Trust - Short Term	N/A	942,670
		$ 1,508,547

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

Custodial credit risk – deposits. The City does not have a formal custodial credit risk policy. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2015, the City had no uncollateralized deposits as defined by GASB pronouncements.

NOTE 5. RECEIVABLES

Receivables as of June 30, 2015, including the applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor Governmental	Water and Sewer	Electric
Receivables:				
Taxes	$ 93,206	$ -	$ -	$ -
Accounts	41,834	-	132,198	1,068,285
Notes	110,457	130,000	-	-
Gross receivables	245,497	130,000	132,198	1,068,285
Less: allowance for uncollectibles	(50,556)	-	-	-
Net total receivables	$ 194,941	$ 130,000	$ 132,198	$ 1,068,285

	Gas	Telecommunication	Nonmajor Enterprise Sanitation
Receivables:			
Taxes	$ -	$ -	$ -
Accounts	80,818	43,334	51,496
Notes	-	-	-
Gross receivables	80,818	43,334	51,496
Less: allowance for uncollectibles	-	-	-
Net total receivables	$ 80,818	$ 43,334	$ 51,496

Property taxes. Property taxes were levied by the City on September 11, 2014 (Levy Date) based upon property values assessed as of January 1. The billings were mailed on October 10, 2014 and payable on or before December 20, 2014. The net receivables collected during the year ended June 30, 2015, and collected by August 31, 2015, are recognized as revenues in the year ended June 30, 2015. Net receivables estimated to be collected subsequent to August 31, 2015 are recorded as revenue when received. Taxes not paid by January 1 are subject to property tax liens. Property tax revenues are recognized when levied to the extent they result in current receivables.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	$ 231,953	$ -	$ -	$ -	$ 231,953
Construction in progress	-	78,425	-	(78,425)	-
Total capital assets, not being depreciated	231,953	78,425	-	(78,425)	231,953
Capital assets, being depreciated:					
Buildings	1,653,740	-	-	-	1,653,740
Machinery and equipment	1,471,992	107,350	-	-	1,579,342
Infrastructure	1,276,074	-	-	-	1,276,074
Total capital assets, being depreciated	4,401,806	107,350	-	-	4,509,156
Less accumulated depreciation for:					
Buildings	(656,912)	(33,282)	-	-	(690,194)
Machinery and equipment	(1,314,082)	(50,837)	-	-	(1,364,919)
Infrastructure	(198,763)	(25,521)	-	-	(224,284)
Total accumulated depreciation	(2,169,757)	(109,640)	-	-	(2,279,397)
Total capital assets, being depreciated, net	2,232,049	(2,290)	-	-	2,229,759
Governmental activities capital assets, net	$ 2,464,002	$ 76,135	$ -	$ (78,425)	$ 2,461,712

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	$ 708,741	$ -	$ -	$ -	$ 708,741
Construction in progress	84,117	-	-	(84,117)	-
Total capital assets, not being depreciated	792,858	-	-	(84,117)	708,741
Capital assets, being depreciated:					
Buildings	1,257,998	-	-	162,542	1,420,540
Machinery and equipment	5,397,988	-	-	-	5,397,988
Infrastructure	10,885,590	-	-	-	10,885,590
Total capital assets, being depreciated	17,541,576	-	-	162,542	17,704,118
Less accumulated depreciation for:					
Buildings	(895,483)	(33,240)	-	-	(928,723)
Machinery and equipment	(3,717,386)	(129,810)	-	-	(3,847,196)
Infrastructure	(6,025,443)	(334,754)	-	-	(6,360,197)
Total accumulated depreciation	(10,638,312)	(497,804)	-	-	(11,136,116)
Total capital assets, being depreciated, net	6,903,264	(497,804)	-	162,542	6,568,002
Business-type activities capital assets, net	$ 7,696,122	$ (497,804)	$ -	$ 78,425	$ 7,276,743

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

Governmental activities:	
General government	$ 45,877
Public safety	55,504
Recreation	8,259
Total depreciation expense - governmental activities	$ 109,640
Business - type activities	
Water and sewer	$ 382,009
Electric	86,582
Gas	14,417
Telecommunications	14,796
Total depreciation expense - business-type activities	$ 497,804

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended June 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Governmental activities:					
Notes payable	$ 898,155	$ -	$ (71,377)	$ 826,778	$ 71,136
Compensated absences	93,083	64,270	(30,194)	127,159	114,443
Net pension liability	796,152	292,820	(507,597)	581,375	-
Governmental activity long-term liabilities	$ 1,787,390	$ 357,090	$ (609,168)	$ 1,535,312	$ 185,579
Business-type activities:					
Compensated absences	$ 26,582	$ 29,313	$ (21,757)	$ 34,138	$ 30,724
Net pension liability	248,801	91,508	(165,899)	174,410	-
Business-type activity long-term liabilities	$ 275,383	$ 120,821	$ (187,656)	$ 208,548	$ 30,724

Compensated absences are generally liquidated by the General Fund.

Notes Payable. The City has incurred debt to a financial institution for the purchase of equipment and buildings. These notes are as follows at June 30, 2015:

Purpose	Original Amount	Interest Rate	Due Date	Balance at June 30, 2015
Equipment	$ 188,092	5.13%	2016	$ 26,149
Building	1,000,000	3.98%	2029	800,629
				826,778
			Less current maturities	(71,136)
				$ 755,642

The notes payable debt service requirements to maturity, including interest are as follows:

Fiscal Year Payable	Total	Principal	Interest
2016	$ 103,515	$ 71,136	$ 32,379
2017	81,212	51,853	29,359
2018	78,515	51,384	27,131
2019	78,515	53,467	25,048
2020	78,514	55,634	22,880
2021 - 2025	389,260	310,569	78,691
2026 - 2029	247,786	232,735	15,051
	$ 1,057,317	$ 826,778	$ 230,539

NOTE 8. PENSION PLAN

Plan Description

The City, as authorized by the City Council, has established a non-contributory defined benefit pension plan (The City of Quitman Retirement Plan), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive between 1% and 1.75% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City Council, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or 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.

As of January 1, 2015, the date of the most recent actuarial valuation, there were 125 participants consisting of the following:

Inactive plan members or beneficiaries currently receiving benefits	43
Inactive plan members entitled to but not receiving benefits	28
Active plan members	63
	134

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For the year ended June 30, 2015, the active member contribution rate was 4.00% of annual pay and the City's contribution rate was 8.42% of annual payroll. City contributions to the Plan were $156,677 for the year ended June 30, 2015.

NOTE 8. PENSION PLAN (CONTINUED)

Net Pension Liability of the City

Effective July 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension liability was measured as of September 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2014 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014.

Actuarial assumptions. The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% - 8.75%, including inflation
Investment rate of return	7.75 %, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2013.

Cost of living adjustments were assumed to be 3.25% although the Plan allowance for annual cost of living adjustment is variable, as established by the City Council, in an amount not to exceed 4%.

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 table on the following page.

NOTE 8. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

Asset class	Target Allocation	Long-term expected real rate of return*
Domestic equity	50%	5.95 %
Internation equity	15%	6.45
Fixed income	25%	1.55
Real estate	10%	3.75
Cash	-%	
Total	100%	

* Rates show are net of the 3.25% assumed rate of inflation

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

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended June 30, 2015, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	$ 3,998,310	$ 2,953,357	$ 1,044,953
Changes for the year:			
Service cost	76,464	-	76,464
Interest	300,350	-	300,350
Differences between expected and actual experience	(147,162)		(147,162)
Contributions - employer	-	177,448	(177,448)
Net investment income	-	334,867	(334,867)
Benefit payments, including refunds of employee contributions	(245,652)	(245,652)	-
Administrative expense	-	(7,514)	7,514
Other charges	(14,019)	-	(14,019)
Net changes	(30,019)	259,149	(289,168)
Balances at June 30, 2015	$ 3,968,291	$ 3,212,506	$ 755,785

NOTE 8. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	$ 1,168,843	$ 755,785	$ 401,985

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2014 and the current sharing pattern of costs between employer and employee.

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 $96,300. 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	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (110,373)
Changes of assumptions	-	(10,515)
Net difference between projected and actual earnings on pension plan investments	-	(87,132)
Contributions subsequent to the measurement date	137,623	-
Total	$ 137,623	$ (208,020)

NOTE 8. PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

City contributions subsequent to the measurement date of $137,623 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2016	$ (62,079)
2017	(62,079)
2018	(62,079)
2019	(21,783)
Total	$ (208,020)

NOTE 9. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2015, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Electric Fund	$ 65,502
General Fund	Water & Sewer Fund	946
General Fund	Telecommunication Fund	288
Gas Fund	General Fund	78,120
		$ 144,856

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

NOTE 9. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Telecommunication Fund	$ 100,000
Water & Sewer Fund	Telecommunication Fund	35,000
Electric Fund	Telecommunication Fund	100,000
		$ 235,000

Advances to/from other funds result from the loaning of funds to the Telecommunication Fund for operations.

Interfund transfers:

	Transfers Out			
Transfers In	Water and Sewer Fund	Electric Fund	Gas Fund	Total
General Fund	$ 333,208	$ 1,161,123	$ 115,888	$ 1,610,219
Total	$ 333,208	$ 1,161,123	$ 115,888	$ 1,610,219

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10. RELATED ORGANIZATION

The City's governing body is responsible for appointing one or more members of the Board of Directors for the following organizations:

Brooks County Public Library Board of Trustees
Quitman-Brooks County Airport Authority
Brooks County Board of Health
Quitman-Brooks County Chamber of Commerce
Quitman Development Authority
Quitman Housing Authority

The City has no further accountability for these organizations.

NOTE 11. RELATED PARTY TRANSACTIONS

The City borrowed $1,000,000 on August 21, 2008 from Citizens National Bank to finance the purchase of a building. The terms of this note are disclosed in Note 7 of the financial statements.

The building was deeded to the Brooks County Development Authority ("the Authority"). The Authority leases the building to Crown Health Care Laundry Services, LLC. The lease payments are used to pay the principal and interest of the City's loan at Citizens National Bank. The City Manager's spouse is the director of the Authority. The City also provided $75,000 in operating capital for the Authority during the fiscal year ended June 30, 2015. The related party transactions were conducted in the normal course of business with management and the City Council in full knowledge of the transactions and relationships.

NOTE 12. JOINT VENTURES

Southern Georgia Regional Commission

Under Georgia law, the City, in conjunction with other cities and counties in the south Georgia area, is a member of the Southern Georgia Regional Commission (RC) and is required to pay annual dues thereto. During its fiscal year ended June 30, 2015, the City paid $6,807 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from: Southern Georgia Regional Commission, 327 W. Savannah St., Valdosta, Georgia 30601.

Industrial Development Park

For the purpose of encouraging and promoting the expansion and development of industrial and commercial facilities within the City, the City of Quitman and Brooks County entered into a joint agreement for the acquisition and development of an industrial park area. The City will maintain the infrastructure of the park once construction is completed. Separate financial statements are not available.

NOTE 12. JOINT VENTURES (CONTINUED)

Landfill

The City and Brooks County have entered into an agreement to establish and operate a sanitary landfill operation for the mutual advantage of the governments. The City and Brooks County amended the original agreement (dated April 3, 1974) on March 4, 1992. This amendment changed the day to day management of the landfill to become the responsibility of the County as of February 1, 1992. Upon closure of the landfill, the present equipment shall be sold and the City shall receive sixty-five percent (65%) of the proceeds and Brooks County shall receive thirty-five percent (35%) of the proceeds. The City has no financial obligation related to the closure or post closure of the landfill. Separate financial statements are not available.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in a number of legal matters, which either have or could result in litigation. The nature of the lawsuits varies considerably. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Grant Contingencies

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, City management believes such disallowances, if any, will not be significant.

Agreements with the Municipal Electric Authority of Georgia

The Municipal Electric Authority of Georgia (MEAG) is a public corporation and an instrumentality of the State of Georgia created to supply electricity to local government electric distribution systems. As provided by state law, MEAG establishes rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate any of its projects for profit unless any such profits inure to the benefit of the public.

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreements with the Municipal Electric Authority of Georgia (Continued)

As of June 30, 2015, the City is an electric utility participant in MEAG and obligated to purchase all of its bulk power supply requirements from MEAG for a period not to exceed 50 years. The City has agreed to purchase all of its future power and energy requirements in excess of that received by the City through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by the MEAG. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each participating City has guaranteed a portion of the unpaid debt based on their individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations. Payments to MEAG are made monthly based on KWH usage. The total payments under these contracts amounted to $4,154,489 in 2015.

At June 30, 2015, the outstanding debt of MEAG was approximately $6.5 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $19.6 million at June 30, 2015.

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. All major risks are covered by commercial insurance. There were no significant reductions in insurance coverage from prior year, and there have been no settlements that exceed the City’s insurance coverage during the past three years.

NOTE 15. DEFICIT NET POSITION

For the year ended June 30, 2015, the Telecommunication Fund had a deficit net position of $170,507. This deficit is expected to be reduced through increased user charges and transfers from the General Fund.

NOTE 16. CHANGE IN ACCOUNTING PRINCIPLE

The City has determined that restatements to the July 1, 2014 beginning net position of the City’s governmental activities and business-type activities were required to recognize the change in accounting principle for 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 Statement No. 68*, through which accounting for pension plans and the related disclosure requirements were modified.

NOTE 16. CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

This adjustment resulted in a change to the beginning net position of the City's governmental activities and business-type activities as follows:

Governmental activities net position, as previously reported	$	5,480,205
Adjustment needed to properly report net pension liability		(796,152)
Adjustment needed to properly report the City's contributions as deferred outflows of resources		100,246
Governmental activities net position, as restated for the fiscal year ended June 30, 2014	$	4,784,299

Business-type activities net position, as previously reported	$	10,359,712
Adjustment needed to properly report net pension liability		(248,801)
Adjustment needed to properly report the City's contributions as deferred outflows of resources		31,327
Business-type activities net position, as restated for the fiscal year ended June 30, 2014	$	10,142,238

Additionally, the following proprietary funds were required to record this adjustment, which resulted in a change to the beginning net position as follows:

	Water and Sewer Fund	Electric Fund	Gas Fund	Telecommunication Fund
Net position, as previously reported	$ 6,835,826	$ 2,836,336	$ 477,713	$ (69,608)
Adjustment needed to properly report net pension liability	(82,932)	(99,520)	(49,760)	(16,589)
Adjustment needed to properly report the City's contributions as deferred outflows of resources	10,442	12,531	6,265	2,089
Net position, as restated for the fiscal year ended June 30, 2014	$ 6,763,336	$ 2,749,347	$ 434,218	$ (84,108)

CITY OF QUITMAN, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2015
Total pension liability	
Service cost	$ 76,464
Interest on total pension liability	300,350
Differences between expected and actual experience	(147,162)
Changes in assumptions	(14,019)
Changes of benefit terms	-
Benefit payments, including refunds of employee contributions	(245,652)
Net change in total pension liability	(30,019)
Total pension liability - beginning	3,998,310
Total pension liability - ending (a)	$ 3,968,291
Plan fiduciary net position	
Contributions - employer	$ 177,448
Net investment income	334,867
Benefit payments, including refunds of employee contributions	(245,652)
Administrative expense	(7,514)
Other	-
Net change in plan fiduciary net position	259,149
Plan fiduciary net position - beginning	2,953,357
Plan fiduciary net position - ending (b)	$ 3,212,506
City's net pension liability - ending (a) - (b)	$ 755,785
Plan fiduciary net position as a percentage of the total pension liability	80.95%
Covered-employee payroll	$ 1,797,953
City's net pension liability as a percentage of covered - employee payroll	42.04%

Notes to the schedule
The schedule will present 10 years of information once it is accumulated.

CITY OF QUITMAN, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS

	2015	2014
Actuarially determined contribution	$ 153,786	$ 183,497
Contributions in relation to the actuarially determined contribution	153,786	183,497
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	1,797,953	1772955
Contributions as a percentage of covered-employee payroll	8.55%	10.35%

Notes to the Schedule

Valuation Date	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial Assumptions:	
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%

The schedule will present 10 years of information once it is accumulated.

CITY OF QUITMAN, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The **Asset Forfeiture Fund** accounts for confiscated assets awarded to the Police's Department to be spent on law enforcement at the discretion of the Police Chief.

The **EDA Revolving Loan Fund** accounts for grant proceeds that are to be used as capital for loans to businesses to create jobs in the City.

The **Cemetery Trust Fund** is used to account for revenues that are to be used for the maintenance of the City's cemetery.

CITY OF QUITMAN, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	Special Revenue Funds			
ASSETS	EDA Revolving Loan Fund	Asset Forfeiture Fund	Cemetery Trust Fund	Totals
Cash and cash equivalents	$ 407,426	$ 1,832	$ 19,842	$ 429,100
Investments	-	-	176,120	176,120
Note receivable	130,000	-	-	130,000
Total assets	$ 537,426	$ 1,832	$ 195,962	$ 735,220
FUND BALANCES				
Restricted for:				
Economic development	$ 537,426	$ -	$ -	$ 537,426
Public safety	-	1,832	-	1,832
Committed to:				
Cemetery maintenance	-	-	195,962	195,962
Total fund balances	537,426	1,832	195,962	735,220
Total liabilities and fund balances	$ 537,426	$ 1,832	$ 195,962	$ 735,220

CITY OF QUITMAN, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			
	EDA Revolving Loan Fund	Asset Forfeiture Fund	Cemetery Trust Fund	Totals
Revenues:				
Interest revenue	$ 1,319	$ -	$ 744	$ 2,063
Total revenues	1,319	-	744	2,063
Expenditures:				
Public works	-	-	1,659	1,659
Total expenditures	-	-	1,659	1,659
Excess (deficiency) of revenues over (under) expenditures	1,319	-	(915)	404
Net change in fund balances	1,319	-	(915)	404
Fund balances, beginning of year	536,107	1,832	196,877	734,816
Fund balances, end of year	$ 537,426	$ 1,832	$ 195,962	$ 735,220

CITY OF QUITMAN, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Project Description	Original Costs	Estimated Costs	Expenditures		
			Prior Years	Current Year	Total
		SPLOST I			
Sewer Projects	$ 3,000,000	$ 4,700,000	$ 4,336,725	$ -	$ 4,336,725
		SPLOST II			
Sewer Projects	$ 1,449,000	$ 1,449,000	$ 1,385,543	$ 78,425	$ 1,463,968
Water Projects	1,449,000	1,449,000	81,991	-	81,991
Totals	$ 2,898,000	$ 2,898,000	$ 1,467,534	$ 78,425	$ 1,545,959

COMPLIANCE SECTION

MAULDIN & JENKINS

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

To the Honorable Mayor and Members
of the City Council
Quitman, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Quitman, Georgia (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Quitman, Georgia's basic financial statements and have issued our report thereon dated June 28, 2016. As discussed in Note 8 and Note 16, the City implemented 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 Statement No. 68*, as of July 1, 2014. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2015-002 through 2015-006 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-001 to be a significant deficiency.

Compliance and Other Matters

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

The City of Quitman, Georgia's Responses to Findings

The City of Quitman, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Quitman, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Albany, Georgia
June 28, 2016

CITY OF QUITMAN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	_X_ yes ____ no
Significant deficiencies identified not considered to be material weaknesses?	_X_ yes ____ none reported
Noncompliance material to financial statements noted?	___ yes _X_ no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2015 due to the total amount expended being less than $500,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2015 - 001. Segregation of Duties

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

Condition: For the fiscal year ended June 30, 2015, we noted a lack of proper segregation of duties within the City Finance Department.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures, specifically the same person preparing the deposit is reviewing the completed deposit and comparing it to the daily receipt report and the employee that is involved in the cash receipt function is also involved in the accounts receivable function.

Effect: Failure to properly segregate duties between recording, distribution and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

Recommendation: The duties of recording, distribution and reconciliation of accounts should be segregated among employees.

Views of Responsible Officials and Planned Corrective Action: We concur. We will work with staff to segregate duties and apply compensating controls to the extent possible.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2015 - 002. Management of Audit Adjusting Entries

Criteria: Significant balances and transactions in any operation should be recorded, reconciled, reviewed and adjusted on a monthly basis. Specifically, recording of accepted audited adjusting entries should be recorded in the accounting records.

Condition: The City did not properly record the audit adjusting entries in the General Fund, SPLOST Fund, Water and Sewer Fund, Electric Fund, Gas Fund, Telecommunications Fund, Sanitation Fund, and Cemetery Fund identified in the fiscal year ended June 30, 2014 audit.

Context: See above condition.

Effect: An adjustment to decrease fund balance by $211,872, increase taxes receivable by $1,733, decrease accounts receivable by $3,196, decrease notes receivable by $201,440, decrease due from other governments by $7,914, increase unavailable revenue – property taxes by $97, increase revenues by $846, and decrease expenditures by $112 was required to be recorded in the General Fund. An adjustment to increase fund balance by $79,830 and increase expenditures in the same amount was required to be recorded in the SPLOST Fund. An adjustment to decrease net position by $301,183, increase investments by $1,548, increase inventory by $2,174, decrease capital assets by $280,920, increase compensated absences by $3,974, and decrease expenses by $20,011 was required to be recorded in the Water and Sewer Fund. An adjustment to decrease net position by $189,828, increase investments by $335,164, decrease inventory by $38,158, decrease notes receivable by $405,561, decrease capital assets by $86,582, decrease compensated absences by $4,687, and increase expenses by $622 was required to be recorded in the Electric Fund. An adjustment to increase net position by $40,838, increase inventory by $531, increase capital assets by $33,479, decrease compensated absences by $6,701, decrease revenues by $190, and decrease expenses by $63 was required to be recorded in the Gas Fund. An adjustment to decrease net position by $28,935, decrease capital assets by $29,187, and decrease compensated absences by $252 was required to be recorded in the Telecommunications Fund. An adjustment to increase net position by $1,102 and decrease accounts receivable in the same amount was required to be recorded in the Sanitation Fund. An adjustment to increase fund balance by $624 and increase investments in the same amount was required to be recorded in the Cemetery Fund.

Cause: Review of the equity roll forward was not performed in the General Fund, SPLOST Fund, Water and Sewer Fund, Electric Fund, Gas Fund, Telecommunications Fund, Sanitation Fund, and Cemetery Fund.

Recommendation: We recommend the City implement procedures to ensure all audit adjustments are recorded and all equity accounts reconciled to the year-end financial statements.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen procedures to ensure audit adjustments are recorded and all equity accounts are reconciled at year end.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2015 - 003. Management of Accounts Receivable Accounts

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. As a part of these processes, the City should review all revenue transactions to determine reporting in the proper period.

Condition: The City did not properly adjust accounts receivable in the General Fund, Water and Sewer Fund, Electric Fund, Telecommunication Fund, and Sanitation Fund as of June 30, 2015.

Context: See above condition.

Effect: Adjustments to increase accounts receivable by $6,558 and increase revenues in the same amount were required to be recorded in the General Fund. An adjustment to decrease accounts receivable by $6,578 and increase expenses in the same amount was required to be recorded in the Water and Sewer Fund. An adjustment to decrease accounts receivable by $47,526 and increase expenses in the same amount was required to be recorded in the Electric Fund. An adjustment to decrease accounts receivable by $7,106 and increase expenses in the same amount was required to be recorded in the Telecommunication Fund. Adjustments to increase accounts receivable by $14,841, increase revenue by $17,513, and increase expenses by $2,672 was required to be recorded in the Sanitation Fund.

Cause: The City did not review all revenue transactions after year-end to determine reporting in the proper period.

Recommendation: We recommend that the City establish procedures to review all revenue transactions after year-end to determine reporting in the proper period.

Views of Responsible Official and Planned Corrective Action: We concur. We will establish procedures to review all revenue transactions after year-end to determine reporting in the proper period.

2015 - 004. Management of Capital Asset Accounts

Criteria: Generally accepted accounting principles generally require the reporting of all capital assets at their historical cost, which is written off periodically, or depreciated, in a systematic and rational manner. Assets donated by outside parties should also be reported, but at the estimated fair value on the date of the donation.

Condition: The City did not properly record contributed capital assets in the Water and Sewer Fund, Electric Fund, Gas Fund, and Telecommunication Fund during the year ended June 30, 2015.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2015 - 004. Management of Capital Asset Accounts (Continued)

Context: See above condition.

Effect: Adjustments to increase capital assets by $240,967, increase accumulated depreciation by $544,551, increase revenues by $78,425, and increase expenses by $382,009 were required to be recorded in the Water and Sewer Fund. An adjustment to increase accumulated depreciation by $86,582 and increase expenses in the same amount was required to be recorded in the Electric Fund. An adjustment to increase accumulated depreciation by $14,417 and increase expenses in the same amount was required to be recorded in the Gas Fund. An adjustment to increase accumulated depreciation by $14,796 and increase expenses in the same amount was required to be recorded in the Telecommunication Fund.

Recommendation: We recommend the City review all capital asset activity and verify that all assets are being properly recorded.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will review all capital asset activity and properly record depreciation expense.

2015 - 005. Management of Prepaid Items

Criteria: Generally accepted accounting principles direct prepaid items accounted for using the consumption method be reported as assets and defer the recognition of an expenditure/expense in the period in which the prepaid item is consumed.

Condition: The City did not properly adjust prepaid items in the General Fund, Water and Sewer Fund, Electric Fund, Gas Fund, and Telecommunication Fund as of June 30, 2015 in accordance with the above criteria.

Context: We addressed this matter with City officials and they were able to determine the adjustments needed for prepaid items in these funds as of June 30, 2015.

Effect: An adjustment to increase prepaid items by $78,779 and decrease expenditures in the same amount was required to be recorded in the General Fund. An adjustment to increase prepaid items by $9,730 and decrease expenses in the same amount was required to be recorded in the Water and Sewer Fund. An adjustment to increase prepaid items by $8,663 and decrease expenses in the same amount was required to be recorded in the Electric Fund. An adjustment to increase prepaid items by $3,738 and decrease expenses in the same amount was required to be recorded in the Gas Fund. An adjustment to increase prepaid items by $2,143 and decrease expenses in the same amount was required to be recorded in the Telecommunication Fund.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2015 - 005. Management of Prepaid Items (Continued)

Cause: Prepaid items were not properly adjusted at year end.

Recommendation: We recommend the City strengthen procedures to ensure prepaid items are properly adjusted at year end.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen procedures to ensure prepaid items are adjusted at year end.

2015 - 006. Management of Inventory

Criteria: Generally accepted accounting principles direct significant amounts of inventory to be reported as an asset and defer the recognition of an expenditure/expense in the period in which the inventory is consumed.

Condition: The City did not properly adjust inventory in the Water and Sewer Fund, Electric Fund, and Gas Fund as of June 30, 2015 in accordance with the above criteria.

Context: We addressed this matter with City officials and they were able to determine the adjustments needed for inventory in these funds as of June 30, 2015.

Effect: An adjustment to decrease inventory in the amount of $3,930 and increase expenses for the same amount was required to be recorded in the Water and Sewer Fund. An adjustment to decrease inventory in the amount of $70,932 and increase expenses for the same amount was required to be recorded in the Electric Fund. An adjustment to increase inventory in the amount of $1,264 and decrease expenses for the same amount was required to be recorded in the Gas Fund.

Cause: Inventory was not properly adjusted at year end.

Recommendation: We recommend the City strengthen procedures to ensure inventory is properly adjusted at year end.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen procedures to ensure inventory is adjusted at year end.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

CITY OF QUITMAN, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2014 - 001. Segregation of Duties

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

Condition: For the fiscal year ended June 30, 2014, we noted a lack of proper segregation of duties within the City Finance Department.

Auditee Response/Status: Unresolved – See current year financial audit finding 2015-001.