CITY OF QUITMAN, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

CITY OF QUITMAN, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison information for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the City's Net Pension Liability and Related Ratios (on page 45) and the Schedule of City Contributions (on page 46) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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 August 25, 2017, 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
August 25, 2017

CITY OF QUITMAN, GEORGIA

STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 3,088,340	$ 1,522,058	$ 4,610,398
Investments	176,818	1,600,189	1,777,007
Taxes receivable	41,324	-	41,324
Accounts receivable, net of allowances	39,116	1,417,126	1,456,242
Notes receivable	676,614	-	676,614
Due from other governments	97,755	-	97,755
Internal balances	(193,622)	193,622	-
Inventories	-	234,705	234,705
Prepaid expenses	77,962	29,549	107,511
Capital assets:			
Nondepreciable	231,953	708,741	940,694
Depreciable, net of accumulated depreciation	2,191,402	6,187,302	8,378,704
Total assets	6,427,662	11,893,292	18,320,954
DEFERRED OUTFLOWS OF RESOURCES			
Contributions subsequent to the measurement date	90,350	24,990	115,340
Differences between expected and actual experience	64,712	17,899	82,611
Net difference between projected and actual earnings on pension plan investments	76,637	21,198	97,835
Total deferred outflows of resources	231,699	64,087	295,786
LIABILITIES			
Accounts payable	93,952	546,536	640,488
Accrued liabilities	46,505	1,161	47,666
Due to other governments	17,239	19,254	36,493
Customer deposits payable	-	226,493	226,493
Notes payable due within one year	49,382	-	49,382
Notes payable due in more than one year	708,308	-	708,308
Compensated absences due within one year	90,126	25,498	115,624
Compensated absences due in more than one year	10,014	2,833	12,847
Net pension liability	805,718	222,859	1,028,577
Total liabilities	1,821,244	1,044,634	2,865,878
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience	57,639	15,943	73,582
Changes in assumptions	5,491	1,519	7,010
Total deferred inflows of resources	63,130	17,462	80,592
NET POSITION			
Net investment in capital assets	1,665,665	6,896,043	8,561,708
Restricted for:			
Capital projects	1,213,752	-	1,213,752
Economic development	662,307	-	662,307
Public safety	5,006	-	5,006
Unrestricted	1,228,257	3,999,240	5,227,497
Total net position	$ 4,774,987	$ 10,895,283	$ 15,670,270

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, 2016

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	$ 829,076	$ 139,609	$ 71,971	$ -
Public safety	1,861,192	57,064	-	-
Public works	408,954	167,538	-	458,245
Recreation	149,848	-	-	-
Housing and development	13,941	-	-	-
Interest on long-term debt	29,102	-	-	-
Total governmental activities	3,292,113	364,211	71,971	458,245
Business-type activities:				
Water and sewer	1,048,625	988,824	-	-
Electric	4,564,417	6,454,486	-	-
Gas	570,499	717,900	-	-
Telecommunication	580,170	493,443	-	-
Sanitation	449,923	403,907	-	-
Total business-type activities	7,213,634	9,058,560	-	-
Total primary government	$ 10,505,747	$ 9,422,771	$ 71,971	$ 458,245
General revenues:				
Property taxes				
Sales taxes				
Business taxes				
Other taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
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**
$ (617,496)	$ -	$ (617,496)
(1,804,128)	-	(1,804,128)
216,829	-	216,829
(149,848)	-	(149,848)
(13,941)	-	(13,941)
(29,102)	-	(29,102)
(2,397,686)	-	(2,397,686)
-	(59,801)	(59,801)
-	1,890,069	1,890,069
-	147,401	147,401
-	(86,727)	(86,727)
-	(46,016)	(46,016)
-	1,844,926	1,844,926
(2,397,686)	1,844,926	(552,760)
400,964	-	400,964
206,919	-	206,919
226,275	-	226,275
94,375	-	94,375
28,536	6,439	34,975
7,363	-	7,363
1,268,046	(1,268,046)	-
2,232,478	(1,261,607)	970,871
(165,208)	583,319	418,111
4,940,195	10,311,964	15,252,159
$ 4,774,987	$ 10,895,283	$ 15,670,270

CITY OF QUITMAN, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

ASSETS	General	Sales Tax Fund	Nonmajor Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	$ 1,825,164	$ 1,149,150	$ 114,026	$ 3,088,340
Investments	-	-	176,818	176,818
Taxes receivable, net	41,324	-	-	41,324
Accounts receivable	39,116	-	-	39,116
Notes receivable	104,663	-	571,951	676,614
Due from other funds	77,690	-	1,187	78,877
Due from other governments	24,462	73,293	-	97,755
Prepaid expenditures	77,962	-	-	77,962
Total assets	$ 2,190,381	$ 1,222,443	$ 863,982	$ 4,276,806
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 85,261	$ 8,691	$ -	$ 93,952
Accrued liabilities	46,505	-	-	46,505
Due to other funds	272,499	-	-	272,499
Due to other governments	17,239	-	-	17,239
Total liabilities	421,504	8,691	-	430,195
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	36,108	-	-	36,108
Total deferred inflow of resources	36,108	-	-	36,108
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	77,962	-	-	77,962
Long-term notes receivable	88,050	-	-	88,050
Restricted for:				
Capital projects	-	1,213,752	-	1,213,752
Economic development	-	-	662,307	662,307
Public safety	-	-	5,006	5,006
Committed to:				
Cemetery maintenance	-	-	196,669	196,669
Unassigned	1,566,757	-	-	1,566,757
Total fund balances	1,732,769	1,213,752	863,982	3,810,503
Total liabilities, deferred inflow of resources, and fund balances	$ 2,190,381	$ 1,222,443	$ 863,982	

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.	2,423,355
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	36,108
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. The deferred outflows of resources consist of pension related items.	231,699
Long-term liabilities are not due and payable in the current period and are, therefore, not reported in the funds.	(857,830)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(805,718)
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 items.	(63,130)
Net position of governmental activities	$ 4,774,987

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, 2016

	General	Sales Tax Fund	Nonmajor Governmental Funds	Totals Governmental Funds
Revenues				
Property taxes	$ 405,773	$ -	$ -	$ 405,773
Sales taxes	206,919	-	-	206,919
Insurance premium taxes	226,275	-	-	226,275
Other taxes	94,375	-	-	94,375
Licenses and permits	51,811	-	-	51,811
Intergovernmental	120,462	288,877	119,745	529,084
Charges for services	186,156	-	-	186,156
Fines and forfeitures	43,574	-	6,986	50,560
Rent revenue	56,250	-	-	56,250
Interest revenue	15,189	1,132	13,347	29,668
Other revenues	19,434	-	-	19,434
Total revenues	1,426,218	290,009	140,078	1,856,305
Expenditures				
Current:				
General government	799,384	-	-	799,384
Public safety	1,880,698	-	3,816	1,884,514
Public works	364,895	-	-	364,895
Recreation	142,742	-	-	142,742
Housing and development	6,441	-	7,500	13,941
Capital outlay	-	128,105	-	128,105
Debt service:				
Principal	69,088	-	-	69,088
Interest	30,407	-	-	30,407
Total expenditures	3,293,655	128,105	11,316	3,433,076
Excess (deficiency) of revenues under expenditures	(1,867,437)	161,904	128,762	(1,576,771)
Other financing sources (uses)				
Transfers in	1,592,813	-	-	1,592,813
Transfers out	(147,205)	(94,033)	-	(241,238)
Proceeds from the sale of capital assets	7,363	-	-	7,363
Total other financing sources (uses)	1,452,971	(94,033)	-	1,358,938
Net change in fund balances	(414,466)	67,871	128,762	(217,833)
Fund balances, beginning of year	2,147,235	1,145,881	735,220	4,028,336
Fund balances, end of year	$ 1,732,769	$ 1,213,752	$ 863,982	$ 3,810,503

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, 2016

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(217,833)
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.		45,172
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(83,529)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(4,809)
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.		69,088
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		26,703
Net change in net position - governmental activities	$	(165,208)

-

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, 2016

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Property taxes	$ 487,000	$ 487,000	$ 405,773	$ (81,227)
Sales taxes	212,500	212,500	206,919	(5,581)
Insurance premium taxes	200,000	200,000	226,275	26,275
Other taxes	81,000	81,000	94,375	13,375
Licenses and permits	51,000	51,000	51,811	811
Intergovernmental	-	-	120,462	120,462
Charges for services	168,500	168,500	186,156	17,656
Fines and forfeitures	40,000	40,000	43,574	3,574
Rent revenue	51,250	51,250	56,250	5,000
Interest revenue	13,000	13,000	15,189	2,189
Other revenues	458,000	458,000	19,434	(438,566)
Total revenues	1,762,250	1,762,250	1,426,218	(336,032)
Expenditures:				
Current:				
General government:				
Legislative	58,380	58,380	60,780	(2,400)
Commission division	74,900	74,900	68,613	6,287
Financial administration	763,110	763,110	669,991	93,119
Total general government	896,390	896,390	799,384	97,006
Public safety:				
Police	1,124,995	1,124,995	1,022,273	102,722
Fire	867,600	867,600	801,546	66,054
Animal control	53,000	53,000	56,879	(3,879)
Total public safety	2,045,595	2,045,595	1,880,698	164,897
Public works	245,750	245,750	364,895	(119,145)
Recreation	159,150	159,150	142,742	16,408
Housing and development	12,700	12,700	6,441	6,259
Debt service:				
Principal	30,000	30,000	69,088	(39,088)
Interest	-	-	30,407	(30,407)
Total debt service	30,000	30,000	99,495	(69,495)
Total expenditures	3,389,585	3,389,585	3,293,655	95,930
Deficiency of revenues under expenditures	(1,627,335)	(1,627,335)	(1,867,437)	(240,102)
Other financing sources (uses)				
Transfers in	1,627,335	1,627,335	1,592,813	(34,522)
Transfers out	-	-	(147,205)	(147,205)
Proceeds from the sale of capital assets	-	-	7,363	7,363
Total other financing sources (uses)	1,627,335	1,627,335	1,452,971	(174,364)
Net change in fund balances	-	-	(414,466)	(414,466)
Fund balances, beginning of year	2,147,235	2,147,235	2,147,235	-
Fund balances, end of year	$ 2,147,235	$ 2,147,235	$ 1,732,769	$ (414,466)

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

CITY OF QUITMAN, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Water and Sewer Fund	Electric Fund	Gas Fund
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 193,551	$ 749,211	$ 196,176
Investments	294,007	1,208,944	97,238
Accounts receivable, net of allowances	146,726	1,067,545	100,188
Due from other funds	94,905	104,070	90,335
Inventories	11,209	196,988	15,908
Prepaid expenses	14,009	8,607	4,455
Total current assets	754,407	3,335,365	504,300
NONCURRENT ASSETS			
Capital assets:			
Nondepreciable	690,014	-	14,727
Depreciable, net of accumulated depreciation	4,901,359	1,238,682	46,247
Total noncurrent assets	5,591,373	1,238,682	60,974
Total assets	6,345,780	4,574,047	565,274
DEFERRED OUTFLOWS OF RESOURCES			
Contributions subsequent to the measurement date	9,612	9,612	3,844
Differences between expected and actual experience	6,884	6,884	2,754
Net difference between projected and actual earnings on pension plan investments	8,153	8,153	3,261
Total deferred outflows of resources	24,649	24,649	9,859
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	48,022	397,682	26,573
Accrued liabilities	524	150	408
Due to other funds	2,606	-	70
Customer deposits payable	33,349	169,646	23,498
Compensated absences, current portion	8,791	15,076	334
Due to other governments	-	-	-
Total current liabilities	93,292	582,554	50,883
NONCURRENT LIABILITIES			
Compensated absences, net of current portion	977	1,675	37
Net pension liability	85,715	85,715	34,286
Total long-term liabilities	86,692	87,390	34,323
Total liabilities	179,984	669,944	85,206
DEFERRED INFLOWS OF RESOURCES			
Changes in assumptions	584	584	234
Differences between expected and actual experience	6,132	6,132	2,453
Total deferred inflows of resources	6,716	6,716	2,687
NET POSITION			
Investment in capital assets	5,591,373	1,238,682	60,974
Unrestricted	592,356	2,683,354	426,266
Total net position	$ 6,183,729	$ 3,922,036	$ 487,240

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

Telecommunication Fund	Sanitation Fund	Totals
$ 40,036	$ 343,084	$ 1,522,058
-	-	1,600,189
44,884	57,783	1,417,126
38,951	-	328,261
10,600	-	234,705
2,478	-	29,549
136,949	400,867	5,131,888
-	4,000	708,741
1,014	-	6,187,302
1,014	4,000	6,896,043
137,963	404,867	12,027,931
1,922	-	24,990
1,377	-	17,899
1,631	-	21,198
4,930	-	64,087
48,018	26,241	546,536
79	-	1,161
54,273	77,690	134,639
-	-	226,493
1,297	-	25,498
-	19,254	19,254
103,667	123,185	953,581
144	-	2,833
17,143	-	222,859
17,287	-	225,692
120,954	123,185	1,179,273
117	-	1,519
1,226	-	15,943
1,343	-	17,462
1,014	4,000	6,896,043
19,582	277,682	3,999,240
$ 20,596	$ 281,682	$ 10,895,283

CITY OF QUITMAN, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Water and Sewer Fund	Electric Fund	Gas Fund
OPERATING REVENUES			
Charges for services	$ 988,824	$ 6,403,261	$ 717,900
Other services	-	51,225	-
Total operating revenues	988,824	6,454,486	717,900
OPERATING EXPENSES			
Personal services	153,704	199,563	85,481
Costs of operations	185,168	4,199,251	422,657
Supplies	333,558	86,566	53,770
Depreciation	376,195	79,037	8,591
Total operating expenses	1,048,625	4,564,417	570,499
Operating income (loss)	(59,801)	1,890,069	147,401
NONOPERATING REVENUES			
Interest income	1,388	4,711	232
Total nonoperating income	1,388	4,711	232
Income (loss) before contributions and transfers	(58,413)	1,894,780	147,633
CAPITAL CONTRIBUTIONS	83,529	-	-
TRANSFERS			
Transfers in	-	-	-
Transfers out	(301,861)	(1,168,065)	(159,479)
Total transfers	(301,861)	(1,168,065)	(159,479)
Change in net position	(276,745)	726,715	(11,846)
NET POSITION (DEFICIT), beginning of year	6,460,474	3,195,321	499,086
NET POSITION, end of year	$ 6,183,729	$ 3,922,036	$ 487,240

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

Telecommunication Fund	Sanitation Fund	Totals
$ 480,394	$ 403,907	$ 8,994,286
13,049	-	64,274
493,443	403,907	9,058,560
49,752	-	488,500
508,625	449,727	5,765,428
21,387	196	495,477
406	-	464,229
580,170	449,923	7,213,634
(86,727)	(46,016)	1,844,926
-	108	6,439
-	108	6,439
(86,727)	(45,908)	1,851,365
-	-	83,529
277,830	-	277,830
-	-	(1,629,405)
277,830	-	(1,351,575)
191,103	(45,908)	583,319
(170,507)	327,590	10,311,964
$ 20,596	$ 281,682	$ 10,895,283

CITY OF QUITMAN, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Water and Sewer Fund	Electric Fund	Gas Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 885,821	$ 6,311,792	$ 688,555
Payments to suppliers	(482,163)	(4,360,444)	(475,748)
Payments to employees	(167,118)	(224,425)	(96,704)
Net cash provided by (used in) operating activities	236,540	1,726,923	116,103
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances to other funds	35,000	100,000	-
Advances from other funds	-	-	-
Transfers in	-	-	-
Transfers out	(301,861)	(1,168,065)	(159,479)
Net cash provided by (used in) noncapital financing activities	(266,861)	(1,068,065)	(159,479)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(1,255)	(266,275)	(232)
Interest and dividends received	1,388	4,711	232
Net cash provided by (used in) investing activities	133	(261,564)	-
Change in cash and cash equivalents	(30,188)	397,294	(43,376)
Cash and cash equivalents:			
Beginning of year	223,739	351,917	239,552
End of year	$ 193,551	$ 749,211	$ 196,176
Classified as:			
Cash and cash equivalents	$ 193,551	$ 749,211	$ 196,176

(Continued)

Telecommunication Fund	Sanitation Fund	Totals
$ 506,927	$ 475,310	$ 8,868,405
(526,618)	(435,646)	(6,280,619)
(50,844)	-	(539,091)
(70,535)	39,664	2,048,695
-	-	135,000
(235,000)	-	(235,000)
277,830	-	277,830
-	-	(1,629,405)
42,830	-	(1,451,575)
-	-	(267,762)
-	108	6,439
-	108	(261,323)
(27,705)	39,772	335,797
67,741	303,312	1,186,261
$ 40,036	$ 343,084	$ 1,522,058
$ 40,036	$ 343,084	$ 1,522,058

CITY OF QUITMAN, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	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)	$ (59,801)	$ 1,890,069	$ 147,401
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	376,195	79,037	8,591
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(14,528)	740	(19,370)
(Increase) decrease in inventories	20,409	(70,932)	3,236
Increase in due from other funds	(94,905)	(104,070)	(12,215)
(Increase) decrease in prepaid expenses	(4,279)	56	(717)
Increase in deferred outflows of resources	(14,063)	(11,945)	(3,507)
Increase (decrease) in accounts payable	20,433	(3,751)	(1,840)
Increase in due to other governments	-	-	-
Increase (decrease) in accrued liabilities	(16,915)	(13,919)	391
Increase in customer deposits	4,770	26,138	2,170
Increase (decrease) in due to other funds	1,660	(65,502)	70
Decrease in compensated absences	(729)	(2,463)	(598)
Increase (decrease) in net pension liability	27,578	15,951	(596)
Decrease in deferred inflows of resources	(9,285)	(12,486)	(6,913)
Net cash provided by (used in) operating activities	$ 236,540	$ 1,726,923	$ 116,103
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Capital asset additions contributed from other funds	$ 83,529	$ -	$ -

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

Telecommunication Fund	Sanitation Fund	Totals
$ (86,727)	$ (46,016)	$ 1,844,926
406	-	464,229
(1,550)	(6,287)	(40,995)
-	-	(47,287)
(38,951)	-	(250,141)
(335)	-	(5,275)
(2,813)	-	(32,328)
3,729	(4,977)	13,594
-	19,254	19,254
79	-	(30,364)
-	-	33,078
53,985	77,690	67,903
(2,017)	-	(5,807)
5,516	-	48,449
(1,857)	-	(30,541)
$ (70,535)	$ 39,664	$ 2,048,695
$ -	$ -	$ 83,529

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 Statement No.) 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 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 GASB Statement No. 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, 2016.

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 funds 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.

The ***Sanitation fund*** accounts for revenues and expenses relating to the sanitation 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 acquisition 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, 2016, 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 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 items that qualify for reporting in this category that are related to changes in its net pension liability.

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 represents an acquisition of fund balance/net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one 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. The City has items that qualify for reporting in the category related to its net pension liability and are reported in the government-wide and proprietary fund statements of net position.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

- ***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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

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 represents 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 is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is 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.

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 $857,830 difference are as follows:

Notes payable	$	(757,690)
Compensated absences		(100,140)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position of governmental activities*	$	(857,830)

Another element of that reconciliation explains that "deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $231,699 difference are as follows:

City contributions subsequent to the measurement date	$	90,350
Differences between expected and actual experience of economic/ demographic (gains)/losses		64,712
Net difference between projected and actual earnings on pension plan investments		76,637
Net adjustment to increase *fund balance - total governmental funds* to arrive at changes in *net position of governmental activities*	$	231,699

Another element of that reconciliation explains that "deferred inflows of resources are not available to pay for current expenditures and, therefore, are not reported in the funds." The details of this $63,130 difference are as follows:

Changes in assumptions	$	(57,639)
Differences between expected and actual experience of economic/ demographic (gains)/losses		(5,491)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at changes in *net position of governmental activities*	$	(63,130)

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 $45,172 difference are as follows:

Capital outlay	$	168,804
Depreciation expense		(123,632)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	45,172

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 $26,703 difference are as follows:

Compensated absences	$	27,019
Accrued interest		1,305
Change in pension and related deferred inflows and outflows of resources		(1,621)
Net adjustment to increase *net changes in fund balance - total governmental funds* to arrive at *changes in net position of governmental activities*	$	26,703

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, 2016:

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, 2016, 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	
Legislative	$ 2,400
Animal control	3,879
Public works	119,145
Debt service	69,495

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. As of June 30, 2016, the City's investments in the Municipal Competitive Trust were rated AA+ by Standard and Poor's.

At June 30, 2016, the City had the following investments:

Investments	Maturities	Fair Value
Certificates of Deposit	9 month weighted average	$ 568,063
Municipal Competitive Trust - Short-Term	75 days	978,724
Municipal Competitive Trust - Intermediate	549 days	230,220
		$ 1,777,007

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, 2016, the City had no uncollateralized deposits as defined by GASB pronouncements.

Fair value measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The investments in the Municipal Competitive Trust are classified in Level 2 of the fair value hierarchy and are valued using prices quoted for similar assets in active markets for those investments. The City's certificate of deposit is considered a nonparticipating interest-earning investment contract and, accordingly, is recorded at cost.

NOTE 5. RECEIVABLES

Receivables as of June 30, 2016, including the applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor Governmental	Water and Sewer	Electric
Receivables:				
Taxes	$ 122,390	$ -	$ -	$ -
Accounts	39,116	-	163,726	1,147,545
Notes	104,663	571,951	-	-
Gross receivables	266,169	571,951	163,726	1,147,545
Less: allowance for uncollectibles	(81,066)	-	(17,000)	(80,000)
Net total receivables	$ 185,103	$ 571,951	$ 146,726	$ 1,067,545

	Gas	Telecommunication	Nonmajor Enterprise Sanitation
Receivables:			
Taxes	$ -	$ -	$ -
Accounts	103,688	54,884	57,783
Notes	-	-	-
Gross receivables	103,688	54,884	57,783
Less: allowance for uncollectibles	(3,500)	(10,000)	-
Net total receivables	$ 100,188	$ 44,884	$ 57,783

Property taxes. Property taxes were levied by the City on September 24, 2015 (levy date) based upon property values assessed as of January 1. The billings were mailed on October 10, 2015 and payable on or before December 20, 2015. The net receivables collected during the year ended June 30, 2016, and collected by August 31, 2016, are recognized as revenues in the year ended June 30, 2016. Net receivables estimated to be collected subsequent to August 31, 2016 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, 2016, 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	-	83,529	-	(83,529)	-
Total capital assets, not being depreciated	231,953	83,529	-	(83,529)	231,953
Capital assets, being depreciated:					
Buildings	1,653,740	-	-	-	1,653,740
Machinery and equipment	1,579,342	85,275	(153,505)	-	1,511,112
Infrastructure	1,276,074	-	-	-	1,276,074
Total capital assets, being depreciated	4,509,156	85,275	(153,505)	-	4,440,926
Less accumulated depreciation for:					
Buildings	(690,194)	(32,900)	-	-	(723,094)
Machinery and equipment	(1,364,919)	(65,211)	153,505	-	(1,276,625)
Infrastructure	(224,284)	(25,521)	-	-	(249,805)
Total accumulated depreciation	(2,279,397)	(123,632)	153,505	-	(2,249,524)
Total capital assets, being depreciated, net	2,229,759	(38,357)	-	-	2,191,402
Governmental activities capital assets, net	$ 2,461,712	$ 45,172	$ -	$ (83,529)	$ 2,423,355

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
Total capital assets, not being depreciated	708,741	-	-	-	708,741
Capital assets, being depreciated:					
Buildings	1,420,540	-	-	83,529	1,504,069
Machinery and equipment	5,397,988	-	-	-	5,397,988
Infrastructure	10,885,590	-	-	-	10,885,590
Total capital assets, being depreciated	17,704,118	-	-	83,529	17,787,647
Less accumulated depreciation for:					
Buildings	(928,723)	(37,997)	-	-	(966,720)
Machinery and equipment	(3,847,196)	(118,548)	-	-	(3,965,744)
Infrastructure	(6,360,197)	(307,684)	-	-	(6,667,881)
Total accumulated depreciation	(11,136,116)	(464,229)	-	-	(11,600,345)
Total capital assets, being depreciated, net	6,568,002	(464,229)	-	83,529	6,187,302
Business-type activities capital assets, net	$ 7,276,743	$ (464,229)	$ -	$ 83,529	$ 6,896,043

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

Governmental activities:	
General government	$ 47,679
Public safety	69,932
Recreation	6,021
Total depreciation expense - governmental activities	$ 123,632
Business - type activities	
Water and sewer	$ 376,195
Electric	79,037
Gas	8,591
Telecommunications	406
Total depreciation expense - business-type activities	$ 464,229

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Governmental activities:					
Notes payable	$ 826,778	$ -	$ (69,088)	$ 757,690	$ 49,382
Compensated absences	127,159	42,561	(69,580)	100,140	90,126
Net pension liability	581,375	393,996	(169,653)	805,718	-
Governmental activity long-term liabilities	$ 1,535,312	$ 436,557	$ (308,321)	$ 1,663,548	$ 139,508
Business-type activities:					
Compensated absences	$ 34,138	$ 5,685	$ (11,492)	$ 28,331	$ 25,498
Net pension liability	174,410	95,373	(46,924)	222,859	-
Business-type activity long-term liabilities	$ 208,548	$ 101,058	$ (58,416)	$ 251,190	$ 25,498

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, 2016:

Purpose	Original Amount	Interest Rate	Due Date	June 30, 2016
Building	$ 1,000,000	3.98%	2029	$ 757,690
				757,690
			Less current maturities	(49,382)
				$ 708,308

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

Fiscal Year Payable	Total	Principal	Interest
2017	$ 78,514	$ 49,382	$ 29,132
2018	78,515	51,384	27,131
2019	78,515	53,467	25,048
2020	78,514	55,634	22,880
2021	78,514	57,889	20,625
2022 - 2026	389,261	323,292	65,969
2027 - 2029	173,790	166,642	7,148
	$ 955,623	$ 757,690	$ 197,933

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, 2016, the date of the most recent actuarial valuation, there were 133 participants consisting of the following:

Inactive plan members or beneficiaries currently receiving benefits	45
Inactive plan members entitled to but not receiving benefits	27
Active plan members	61
	133

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, 2016, 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 $153,786 for the year ended June 30, 2016.

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, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2015.

Actuarial assumptions. The total pension liability in the January 1, 2015 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

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, 2015 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 shown 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, 2016, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	$ 3,968,291	$ 3,212,506	$ 755,785
Changes for the year:			
Service cost	73,125	-	73,125
Interest	296,608	-	296,608
Differences between expected and actual experience	110,149		110,149
Contributions - employer	-	176,069	(176,069)
Net investment income	-	40,508	(40,508)
Benefit payments, including refunds of employee contributions	(282,183)	(282,183)	-
Administrative expense	-	(9,487)	9,487
Net changes	197,699	(75,093)	272,792
Balances at June 30, 2016	$ 4,165,990	$ 3,137,413	$ 1,028,577

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%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	$ 1,455,125	$ 1,028,577	$ 662,611

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, 2016, the City recognized pension expense of $140,987. At June 30, 2016, 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	$ 82,611	$ (73,582)
Changes of assumptions	-	(7,010)
Net difference between projected and actual earnings on pension plan investments	97,835	-
Contributions subsequent to the measurement date	115,340	-
Total	$ 295,786	$ (80,592)

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 $115,340 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, 2017. 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	$	6,254
2017		6,254
2018		46,550
2019		40,796
Total	$	99,854

NOTE 9. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2016, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	
General Fund	Nonmajor Enterprise Fund	$	77,690
Electric Fund	Water & Sewer Fund		2,606
Water & Sewer Fund	Gas Fund		70
Water & Sewer Fund	Telecommunication Fund		54,273
Gas Fund	General Fund		90,335
Water & Sewer Fund	General Fund		40,562
Electric Fund	General Fund		101,464
Telecommunication Fund	General Fund		38,951
Nonmajor Governmental Funds	General Fund		1,187
		$	407,138

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)

Interfund transfers:

	Transfers In		
Transfers Out	General Fund	Telecommunications Fund	Total
General Fund	$ -	$ 147,205	$ 147,205
Water & Sewer Fund	266,861	35,000	301,861
Electric Fund	1,072,440	95,625	1,168,065
Gas Fund	159,479	-	159,479
Sales Tax Fund	94,033	-	94,033
Total	$ 1,592,813	$ 277,830	$ 1,870,643

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, 2016. 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, 2016, the City paid $6,765 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 65% of the proceeds and Brooks County shall receive 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, 2016, 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 $4,061,158 in 2016.

At June 30, 2016, the outstanding debt of MEAG was approximately $6.4 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $46.9 million at June 30, 2016.

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.

CITY OF QUITMAN, GEORGIA

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

	2016	2015
Total pension liability		
Service cost	**$ 73,125**	$ 76,464
Interest on total pension liability	**296,608**	300,350
Differences between expected and actual experience	**110,149**	(147,162)
Changes in assumptions	**-**	(14,019)
Changes of benefit terms	**-**	-
Benefit payments, including refunds of employee contributions	**(282,183)**	(245,652)
Net change in total pension liability	**197,699**	(30,019)
Total pension liability - beginning	**3,968,291**	3,998,310
Total pension liability - ending (a)	**$ 4,165,990**	$ 3,968,291
Plan fiduciary net position		
Contributions - employer	**$ 176,069**	$ 177,448
Net investment income	**40,508**	334,867
Benefit payments, including refunds of employee contributions	**(282,183)**	(245,652)
Administrative expense	**(9,487)**	(7,514)
Other	**-**	-
Net change in plan fiduciary net position	**(75,093)**	259,149
Plan fiduciary net position - beginning	**3,212,506**	2,953,357
Plan fiduciary net position - ending (b)	**$ 3,137,413**	$ 3,212,506
City's net pension liability - ending (a) - (b)	**$ 1,028,577**	$ 755,785
Plan fiduciary net position as a percentage of the total pension liability	**75.31%**	80.95%
Covered-employee payroll	**$ 1,738,241**	$ 1,797,953
City's net pension liability as a percentage of covered - employee payroll	**59.17%**	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

	2016	2015	2014
Actuarially determined contribution	**$ 153,786**	$ 183,497	$ 175,431
Contributions in relation to the actuarially determined contribution	**153,786**	183,497	175,431
Contribution deficiency (excess)	**$ -**	$ -	$ -
Covered-employee payroll	**$ 1,797,953**	$ 1,772,955	$ 1,726,408
Contributions as a percentage of covered-employee payroll	**8.55%**	10.35%	10.16%

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 **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 **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 **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, 2016

	Special Revenue Funds			
ASSETS	EDA Revolving Loan Fund	Asset Forfeiture Fund	Cemetery Trust Fund	Totals
Cash and cash equivalents	$ 89,169	$ 5,006	$ 19,851	$ 114,026
Investments	-	-	176,818	176,818
Note receivable	571,951	-	-	571,951
Due from other funds	1,187	-	-	1,187
Total assets	$ 662,307	$ 5,006	$ 196,669	$ 863,982
FUND BALANCES				
Restricted for:				
Economic development	$ 662,307	$ -	$ -	$ 662,307
Public safety	-	5,006	-	5,006
Committed to:				
Cemetery maintenance	-	-	196,669	196,669
Total fund balances	662,307	5,006	196,669	863,982
Total liabilities and fund balances	$ 662,307	$ 5,006	$ 196,669	$ 863,982

CITY OF QUITMAN, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	EDA Revolving Loan Fund	Asset Forfeiture Fund	Cemetery Trust Fund	Totals
Revenues:				
Fines and forfeitures	$ -	$ 6,986	$ -	$ 6,986
Intergovernmental	119,745	-	-	119,745
Interest revenue	12,636	4	707	13,347
Total revenues	132,381	6,990	707	140,078
Expenditures:				
Public safety	-	3,816	-	3,816
Housing and development	7,500	-	-	7,500
Total expenditures	7,500	3,816	-	11,316
Excess of revenues over expenditures	124,881	3,174	707	128,762
Net change in fund balances	124,881	3,174	707	128,762
Fund balances, beginning of year	537,426	1,832	195,962	735,220
Fund balances, end of year	$ 662,307	$ 5,006	$ 196,669	$ 863,982

CITY OF QUITMAN, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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	$ 24,250	$ 4,360,975
SPLOST II					
Sewer Projects	$ 1,449,000	$ 1,530,274	$ 1,463,968	$ 66,306	$ 1,530,274
Water Projects	1,449,000	1,449,000	81,991	-	81,991
Totals	$ 2,898,000	$ 2,979,274	$ 1,545,959	$ 66,306	$ 1,612,265
SPLOST III					
Water & Sewer Projects, Roads, Streets, and Sidewalk Projects	$ 1,608,036	$ 1,608,036	$ -	$ 131,582	$ 131,582
Totals	$ 1,608,036	$ 1,608,036	$ -	$ 131,582	$ 131,582

Total expenditures	$ 222,138
Sales Tax Fund:	
Expenditures	$ 128,105
Transfers out	94,033
Total	$ 222,138

Note: Transfers out were used to provide a local match to a state grant for roads.

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, 2016, and the related notes to the financial statements, which collectively comprise the City of Quitman, Georgia's basic financial statements and have issued our report thereon dated August 25, 2017.

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 2016-002 through 2016-009 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 2016-001 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
August 25, 2017

CITY OF QUITMAN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016 due to the total amount expended being less than $750,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2016 - 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, 2016, 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.

CITY OF QUITMAN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016 - 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, 2016 audit.

Context: See above condition.

Effect: Adjustments to the various funds of the City were required to properly state beginning fund balance/net positions. These adjustments were as follows:

- General Fund: An adjustment to increase fund balance by $76,028, decrease revenue by $6,035, and increase expenditures by $69,993;
- SPLOST Fund: An adjustment to decrease fund balance by $79,830 and decrease expenditures in the same amount;
- Water & Sewer Fund: An adjustment to decrease net position by $276,433, decrease revenue by $79,594, and decrease expenses by $356,027;
- Electric Fund: An adjustment to increase net position by $51,295, decrease revenue by $3,201, and increase expenses by $48,094;
- Gas Fund: An adjustment to decrease net position by $4,437, increase revenue by $169, and decrease expenses by $4,268;
- Telecommunications Fund: An adjustment to decrease fund balance by $18,690, and decrease expenditures in the same amounts;
- Sanitation Fund: An adjustment to increase fund balance by $14,841, decrease revenue by $17,513, and decrease expenditures by $2,672; and
- Cemetery Fund: An adjustment to decrease fund balance by $1,046 and increase revenue in the same amount.

Cause: Review of the equity roll forward was not performed in the General Fund, SPLOST Fund, Water & 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)

2016 - 003. Management of 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 receivables in the General Fund, SPLOST Fund, Water & Sewer Fund, Electric Fund, Gas Fund, Telecommunication Fund, Sanitation Fund, and EDA Revolving Loan Fund as of June 30, 2016.

Context: See above condition.

Effect: Adjustments to the various funds of the City were required to properly state receivables and related revenues. These adjustments were as follows:

- General Fund: Adjustments to increase receivables by $60,914, increase revenues $74,110, and decrease liabilities by $13,196;
- SPLOST Fund: Adjustments to increase due from other governments and related revenues by $73,293.
- Water & Sewer Fund: An adjustment to increase receivables by $33,594, increase revenue by $50,594, and increase expenses by $17,000;
- Electric Fund: An adjustment to increase receivables by $278,548 and increase revenue by $358,548 and increase expenses by $80,000;
- Gas Fund: An adjustment to increase receivables by $40,682, increase revenue by $44,182, and increase expenses by $3,500;
- Telecommunications Fund: An adjustment to increase receivables by $24,766, increase revenue by $34,766, and increase expenses by $10,000;
- Sanitation Fund: Adjustments to decrease receivables by $4,329, increase revenue by $171, and increase expenses by $4,500 was required to be recorded in the Sanitation Fund; and
- EDA Revolving Loan Fund: An adjustment to decrease notes receivable and revenues in the amount of $1,659.

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.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016 - 004. Management of Capital Asset Accounts

Criteria: Generally accepted accounting principles 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 acquisition value on the date of the donation.

Condition: The City did not properly record capital assets in the Water & Sewer Fund, Electric Fund, Gas Fund, and Telecommunication Fund during the year ended June 30, 2016.

Context: See above condition.

Effect: Adjustments to the various funds of the City were required to properly record capital assets. These adjustments were as follows:

- Water & Sewer Fund: Adjustments to decrease capital assets, net of accumulated depreciation by $292,666, increase revenues by $83,529, and increase expenses by $376,195;
- Electric Fund: An adjustment to increase depreciation expense and accumulated depreciation by $79,037;
- Gas Fund: An adjustment to increase depreciation expense and accumulated depreciation by $8,591; and
- Telecommunications Fund: An adjustment to increase depreciation expense and accumulated depreciation by $406.

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.

2016 - 005. Management of Prepaid Items

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

Condition: The City did not properly adjust prepaid items in the General Fund, Water & Sewer Fund, Electric Fund, Gas Fund, and Telecommunication Fund as of June 30, 2016 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, 2016.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016 - 005. Management of Prepaid Items (Continued)

Effect: Adjustments to the various funds of the City were required to properly record prepaid items. These adjustments were as follows:

- General Fund: An adjustment to decrease prepaid items and increase expenditures by $10,274;
- Water & Sewer Fund: An adjustment to increase prepaid items and decrease expenses by $4,279;
- Electric Fund: An adjustment to decrease prepaid items and increase expenses by $56;
- Gas Fund: An adjustment to increase prepaid items and decrease expenses by $717; and
- Telecommunications Fund: An adjustment to increase prepaid items and decrease expenses by $335.

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.

2016 - 006. Management of Inventory

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

Condition: The City did not properly adjust inventory in the Water & Sewer Fund, Electric Fund, and Gas Fund as of June 30, 2016 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, 2016.

Effect: Adjustments to the various funds of the City were required to properly record inventory. These adjustments were as follows:

- Water & Sewer Fund: An adjustment to decrease inventory and increase expense in the amount of $20,409;
- Electric Fund: An adjustment to increase inventory and decrease expenses in the amount of $70,932; and
- Gas Fund: An adjustment to decrease inventory and increase expenses in the amount of $3,235.

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.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016 - 006. Management of Inventory (Continued)

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

2016 - 007. Management of Due To/From and Transfer (Internal) Accounts

Criteria: Generally accepted accounting principles require consideration of the collectability of receivables of all kinds, whether external or internal to the City.

Condition: During fiscal year 2016, the City did not properly account for and use due to/from accounts and transfers in the General Fund, SPLOST Fund, Water and Sewer Fund, Electric Fund, Gas Fund, Telecommunications Fund, and Sanitation Fund in conjunction with the operations of the City as appropriate.

Context: We addressed the matter with the City and management was able to determine the appropriate adjustments so as to properly state the balance of due to/from and interfund transfer accounts at June 30, 2016.

Effect: Adjustments to the various funds of the City were required to properly record internal accounts. These adjustments were as follows:

- General Fund: An adjustment to increase due from other funds in the amount of $1,318,374, decrease expenditures by $10,776, increase transfers in $964,497, increase revenue $31,387, increase liabilities by $311,424 and decrease assets by $290;
- SPLOST Fund: An adjustment to increase transfers out and decrease due from other funds in the amount of $94,033;
- Water and Sewer Fund; An adjustment to decrease amount due from other funds in the amount of $167,729, increase expense in the amount of $2,729, and increase transfers out in the amount of $165,000;
- Electric Fund: An adjustment to increase due to other funds in the amount of $1,154,498, increase expense in the amount of $7,237, increase transfers out in the amount of $865,733, and decrease revenue in the amount of $281,528;
- Gas Fund: An adjustment to decrease due from other funds in the amount of $147,709, to decrease revenue in the amount of $28,645, to increase expense $1,503, and to increase transfers out in the amount of $117,561;
- Telecommunications Fund: An adjustment to decrease due from other funds in the amount of $278,146, to increase expense in the amount of $316, and to increase transfers out in the amount of $277,830; and
- Sanitation Fund: An adjustment to increase due to other funds in the amount of $61,937, to decrease accounts payable in the amount of $25,886 and to increase expenses in the amount of $36,051.

Cause: Due to/from and transfer (internal) accounts are not being properly utilized and recorded.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016 - 007. Management of Due To/From and Transfer (Internal) Accounts (Continued)

Recommendation: We recommend that all interfund activity be properly recorded through the due to/from and transfer accounts as appropriate.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen procedures to ensure internal accounts are properly recorded.

2016 - 008. Accounting and Reporting of Expenditures, Expenses, Accounts Payable and Accrued Expenses

Criteria: Generally accepted accounting principles require timely reporting of all current liabilities when goods have been received or services have been performed, regardless of the timing of related cash flows.

Condition: The City did not properly adjust expenditures, expenses, account payable, and accrued expenses in the General, Fund, SPLOST Fund, Water & Sewer Fund, Electric Fund, Gas Fund, Telecommunications Fund, and Sanitation Fund as of June 30, 2016 in accordance with the above criteria.

Context: We addressed this matter with City officials, who were able to ultimately determine the propriety of all respective details and reconciliations as of and for the year ended June 30, 2016.

Effect: Adjustments to the various funds of the City were required to properly record liabilities and related expenditures/expenses. These adjustments were as follows:

- General Fund: An adjustment to increase liabilities in the amount $54,155, to increase expenses in the amount of $67,363 and to increase revenue in the amount of $13,208;
- SPLOST Fund: An adjustment to increase accounts payable and expenditures in the amount of $8,691;
- Water & Sewer Fund: An adjustment to increase accounts payable in the amount $28,360, increase expenses in the amount of $27,631 and to decrease compensated absences payable in the amount of $729;
- Electric Fund: An adjustment to increase accounts payable in the amount $382,758, increase expenses in the amount of $380,295 and decrease compensated absences in the amount of $2,463;
- Gas Fund: An adjustment to increase accounts payable in the amount $26,573, increase expenses in the amount of $25,975 and decrease compensated absences in the amount of $598;
- Sanitation Fund: An adjustment to increase accounts payable and expenses in the amount $45,495; and
- Telecommunications Fund: An adjustment to increase accounts payable in the amount $48,018, increase expenses in the amount of $46,001, and decrease compensated absences in the amount of $2,017.

Cause: There was an overall lack of understanding of expenditure/expense recognition principles and a lack of appropriate controls relative to the proper preparation and review of expenditure/expense/payables reconciliations at the City during the fiscal year.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

Recommendation: We recommend that the City reconcile all accounts payable and accrued expenses in a timely manner to ensure all transactions are being properly recognized during the correct period. Further, any expenditures for construction in progress incurred by a related fund should be appropriately reflected by the receiving fund in the proper period.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen procedures to ensure liabilities are properly recorded.

2016 - 009. Investments

Criteria: Significant balances and transactions in any operation should be recorded, reconciled, reviewed and adjusted on a monthly basis. Specifically, activity of all investment accounts should be monitored and reconciled in a timely manner.

Condition: The City did not record the current year activity of the Municipal Competitive Trust Account (MCT) during the year ended June 30, 2016.

Context: See above condition.

Effect: An adjustment to increase investments in the amount of $266,274, increase interest revenue in the amount of $4,444, and decrease expense in the amount of $261,830 was required in the Electric Fund.

Cause: Review and reconciliation of the MCT accounts was not performed during the current year.

Recommendation: We recommend the City implement procedures to ensure all investment accounts are monitored and reconciled in a timely manner.

Views of Responsible Officials and Planned Corrective Action: We concur. We will strengthen procedures to ensure all investment accounts are monitored and reconciled in a timely manner.

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, 2016

2015 - 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, 2015, we noted a lack of proper segregation of duties within the City Finance Department.

Auditee Response/Status: Unresolved – See current year financial audit finding 2016-001.

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 & Sewer Fund, Electric Fund, Gas Fund, Telecommunications Fund, Sanitation Fund, and Cemetery Fund identified in the fiscal year ended June 30, 2015 audit.

Auditee Response/Status: Unresolved – See current year financial audit finding 2016-002.

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 & Sewer Fund, Electric Fund, Telecommunication Fund, and Sanitation Fund as of June 30, 2015.

Auditee Response/Status: Unresolved – See current year financial audit finding 2016-003.

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 & Sewer Fund, Electric Fund, Gas Fund, and Telecommunication Fund during the year ended June 30, 2015.

Auditee Response/Status: Unresolved – See current year financial audit finding 2016-004.

CITY OF QUITMAN, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 & Sewer Fund, Electric Fund, Gas Fund, and Telecommunication Fund as of June 30, 2015 in accordance with the above criteria.

Auditee Response/Status: Unresolved – See current year financial audit finding 2016-005.

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 & Sewer Fund, Electric Fund, and Gas Fund as of June 30, 2015 in accordance with the above criteria.

Auditee Response/Status: Unresolved – See current year financial audit finding 2016-006.