CITY OF QUITMAN, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

CITY OF QUITMAN, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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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, 2017, 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. Because of the matter described in the Basis for Disclaimer of Opinions paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for audit opinions.

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.

Basis for Disclaimer of Opinions

The internal control procedures of the City of Quitman, Georgia are deficient in regards to financial reporting and cannot be relied upon. Furthermore, the City of Quitman, Georgia was unable to provide adequate documentation to support the reported assets, liabilities, revenues and expenditures and, therefore, we were unable to apply the auditing procedures necessary to form a conclusion about whether the financial statements are fairly presented in accordance with accounting principles generally accepted in the United States of America. In addition, changes in management personnel precluded us from making the appropriate inquiries of these matters.

Disclaimer of Opinions

Because of the significance of the matter described in the "Basis for Disclaimer of Opinions" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Quitman, Georgia as of June 30, 2017, and the respective changes in financial position for the year then ended. Accordingly, we do not express opinions on these financial statements.

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

We were engaged to conduct an audit 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.

Because of the significance of the matter described in the "Basis for Disclaimer of Opinions" paragraph above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2019 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

Macon, Georgia
July 22, 2019

CITY OF QUITMAN, GEORGIA

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 3,176,470	$ 1,717,799	$ 4,894,269
Investments	177,723	1,914,707	2,092,430
Taxes receivable	40,362	-	40,362
Accounts receivable, net of allowances	25,117	1,125,823	1,150,940
Notes receivable	576,779	-	576,779
Due from other governments	89,980	-	89,980
Internal balances	(478,378)	478,378	-
Inventories	-	305,501	305,501
Prepaid expenses	92,640	19,970	112,610
Capital assets:			
Nondepreciable	298,477	708,741	1,007,218
Depreciable, net of accumulated depreciation	2,159,128	5,793,018	7,952,146
Total assets	6,158,298	12,063,937	18,222,235
DEFERRED OUTFLOWS OF RESOURCES			
Contributions subsequent to the measurement date	99,441	28,048	127,489
Differences between expected and actual experience	55,042	15,524	70,566
Total deferred outflows of resources	154,483	43,572	198,055
LIABILITIES			
Accounts payable	93,362	478,374	571,736
Accrued liabilities	74,875	39,346	114,221
Customer deposits payable	-	281,913	281,913
Notes payable due within one year	51,384	-	51,384
Notes payable due in more than one year	653,292	-	653,292
Compensated absences due within one year	74,010	22,539	96,549
Compensated absences due in more than one year	8,223	2,504	10,727
Net pension liability	732,630	206,639	939,269
Total liabilities	1,687,776	1,031,315	2,719,091
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience	28,697	8,094	36,791
Changes in assumptions	2,734	771	3,505
Net difference between projected and actual earnings on pension plan investments	4,217	1,189	5,406
Total deferred inflows of resources	35,648	10,054	45,702
NET POSITION			
Net investment in capital assets	1,752,929	6,501,759	8,254,688
Restricted for:			
Capital projects	1,321,507	-	1,321,507
Economic development	680,539	-	680,539
Public safety	3,193	-	3,193
Unrestricted	831,189	4,564,381	5,395,570
Total net position	$ 4,589,357	$ 11,066,140	$ 15,655,497

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, 2017

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	$ 1,008,267	$ 280,507	$ 85,057	$ -
Public safety	1,941,311	62,922	-	-
Public works	423,997	168,144	-	409,496
Recreation	139,411	-	-	-
Housing and development	7,396	-	-	-
Interest on long-term debt	32,043	-	-	-
Total governmental activities	3,552,425	511,573	85,057	409,496
Business-type activities:				
Water and sewer	1,080,878	1,218,630	-	-
Electric	4,475,167	6,060,377	-	-
Gas	776,267	801,450	-	-
Telecommunication	547,733	451,194	-	-
Sanitation	465,567	372,258	-	-
Total business-type activities	7,345,612	8,903,909	-	-
Total primary government	$ 10,898,037	$ 9,415,482	$ 85,057	$ 409,496
General revenues:				
Property taxes				
Sales taxes				
Business taxes				
Other taxes				
Unrestricted investment earnings				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
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
$ (642,703)	$ -	$ (642,703)
(1,878,389)	-	(1,878,389)
153,643	-	153,643
(139,411)	-	(139,411)
(7,396)	-	(7,396)
(32,043)	-	(32,043)
(2,546,299)	-	(2,546,299)
-	137,752	137,752
-	1,585,210	1,585,210
-	25,183	25,183
-	(96,539)	(96,539)
-	(93,309)	(93,309)
-	1,558,297	1,558,297
(2,546,299)	1,558,297	(988,002)
399,634	-	399,634
214,579	-	214,579
245,100	-	245,100
73,057	-	73,057
28,859	12,000	40,859
1,399,440	(1,399,440)	-
2,360,669	(1,387,440)	973,229
(185,630)	170,857	(14,773)
4,774,987	10,895,283	15,670,270
$ 4,589,357	$ 11,066,140	$ 15,655,497

CITY OF QUITMAN, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

ASSETS	General	Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 1,703,381	$ 1,272,854	$ 200,235	$ 3,176,470
Investments	-	-	177,723	177,723
Taxes receivable, net	40,362	-	-	40,362
Accounts receivable	25,117	-	-	25,117
Notes receivable	83,331	-	493,448	576,779
Due from other funds	83,061	-	9,914	92,975
Due from other governments	28,668	61,312	-	89,980
Prepaid expenditures	92,640	-	-	92,640
Total assets	$ 2,056,560	$ 1,334,166	$ 881,320	$ 4,272,046
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 80,703	$ 12,659	$ -	$ 93,362
Accrued liabilities	74,875	-	-	74,875
Due to other funds	571,353	-	-	571,353
Total liabilities	726,931	12,659	-	739,590
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	34,620	-	-	34,620
Total deferred inflow of resources	34,620	-	-	34,620
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	92,640	-	-	92,640
Long-term notes receivable	83,331	-	-	83,331
Restricted for:				
Capital projects	-	1,321,507	-	1,321,507
Economic development	-	-	680,539	680,539
Public safety	-	-	3,193	3,193
Committed to:				
Cemetery maintenance	-	-	197,588	197,588
Unassigned	1,119,038	-	-	1,119,038
Total fund balances	1,295,009	1,321,507	881,320	3,497,836
Total liabilities, deferred inflow of resources, and fund balances	$ 2,056,560	$ 1,334,166	$ 881,320	

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.	2,457,605
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	34,620
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.	154,483
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(786,909)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(732,630)
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.	(35,648)
Net position of governmental activities	$ 4,589,357

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, 2017

	General	Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 401,122	$ -	$ -	$ 401,122
Sales taxes	214,579	-	-	214,579
Insurance premium taxes	245,100	-	-	245,100
Other taxes	73,057	-	-	73,057
Licenses and permits	57,462	-	-	57,462
Intergovernmental	148,796	303,435	40,908	493,139
Charges for services	189,304	-	-	189,304
Fines and forfeitures	56,859	-	-	56,859
Rent revenue	61,521	-	-	61,521
Interest revenue	11,350	1,414	17,509	30,273
Other revenues	130,483	15,944	-	146,427
Total revenues	1,589,633	320,793	58,417	1,968,843
Expenditures				
Current:				
General government	983,186	-	-	983,186
Public safety	1,906,297	-	1,829	1,908,126
Public works	258,859	-	39,250	298,109
Recreation	186,038	-	-	186,038
Housing and development	7,396	-	-	7,396
Capital outlay	-	213,038	-	213,038
Debt service:				
Principal	53,014	-	-	53,014
Interest	32,043	-	-	32,043
Total expenditures	3,426,833	213,038	41,079	3,680,950
Excess (deficiency) of revenues under expenditures	(1,837,200)	107,755	17,338	(1,712,107)
Other financing sources (uses)				
Transfers in	1,416,714	-	-	1,416,714
Transfers out	(17,274)	-	-	(17,274)
Total other financing sources (uses)	1,399,440	-	-	1,399,440
Net change in fund balances	(437,760)	107,755	17,338	(312,667)
Fund balances, beginning of year	1,732,769	1,213,752	863,982	3,810,503
Fund balances, end of year	$ 1,295,009	$ 1,321,507	$ 881,320	$ 3,497,836

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, 2017

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

Net change in fund balances - total governmental funds	$	(312,667)
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.		34,250
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,488)
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.		53,014
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		41,261
Net change in net position - governmental activities	$	(185,630)

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, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Property taxes	$ 487,000	$ 487,000	$ 401,122	$ (85,878)
Sales taxes	212,500	212,500	214,579	2,079
Insurance premium taxes	200,000	200,000	245,100	45,100
Other taxes	81,000	81,000	73,057	(7,943)
Licenses and permits	51,000	51,000	57,462	6,462
Intergovernmental	-	-	148,796	148,796
Charges for services	168,500	168,500	189,304	20,804
Fines and forfeitures	40,000	40,000	56,859	16,859
Rent revenue	51,250	51,250	61,521	10,271
Interest revenue	13,000	13,000	11,350	(1,650)
Other revenues	458,000	458,000	130,483	(327,517)
Total revenues	1,762,250	1,762,250	1,589,633	(172,617)
Expenditures:				
Current:				
General government:				
Legislative	58,380	58,380	53,582	4,798
Commission division	74,900	74,900	53,957	20,943
Financial administration	763,110	763,110	875,647	(112,537)
Total general government	896,390	896,390	983,186	(86,796)
Public safety:				
Police	1,124,995	1,124,995	1,000,176	124,819
Fire	897,600	897,600	845,792	51,808
Animal control	53,000	53,000	60,329	(7,329)
Total public safety	2,075,595	2,075,595	1,906,297	169,298
Public works	245,750	245,750	258,859	(13,109)
Recreation	159,150	159,150	186,038	(26,888)
Housing and development	12,700	12,700	7,396	5,304
Debt service:				
Principal	-	-	53,014	(53,014)
Interest	-	-	32,043	(32,043)
Total debt service	-	-	85,057	(85,057)
Total expenditures	3,389,585	3,389,585	3,426,833	(37,248)
Deficiency of revenues under expenditures	(1,627,335)	(1,627,335)	(1,837,200)	(209,865)
Other financing sources (uses)				
Transfers in	1,627,335	1,627,335	1,416,714	(210,621)
Transfers out	-	-	(17,274)	(17,274)
Total other financing sources (uses)	1,627,335	1,627,335	1,399,440	(227,895)
Net change in fund balances	-	-	(437,760)	(437,760)
Fund balances, beginning of year	1,732,769	1,732,769	1,732,769	-
Fund balances, end of year	$ 1,732,769	$ 1,732,769	$ 1,295,009	$ (437,760)

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

CITY OF QUITMAN, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Water and Sewer Fund	Electric Fund	Gas Fund
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 205,370	$ 1,109,868	$ 116,291
Investments	295,934	1,520,901	97,872
Accounts receivable, net of allowances	146,145	795,535	129,309
Due from other funds	201,668	327,579	113,782
Inventories	4,329	285,049	16,123
Prepaid expenses	5,170	5,932	5,906
Total current assets	858,616	4,044,864	479,283
NONCURRENT ASSETS			
Capital assets:			
Nondepreciable	690,014	-	14,727
Depreciable, net of accumulated depreciation	4,537,048	1,211,880	43,481
Total noncurrent assets	5,227,062	1,211,880	58,208
Total assets	6,085,678	5,256,744	537,491
DEFERRED OUTFLOWS OF RESOURCES			
Contributions subsequent to the measurement date	8,924	11,474	3,825
Differences between expected and actual experience	4,940	6,350	2,117
Total deferred outflows of resources	13,864	17,824	5,942
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	16,948	363,677	41,750
Accrued liabilities	33,760	776	4,734
Due to other funds	-	76,777	4,813
Customer deposits payable	50,538	205,140	26,235
Compensated absences, current portion	7,241	12,251	1,361
Total current liabilities	108,487	658,621	78,893
NONCURRENT LIABILITIES			
Compensated absences, net of current portion	805	1,361	151
Net pension liability	65,749	84,534	28,178
Total long-term liabilities	66,554	85,895	28,329
Total liabilities	175,041	744,516	107,222
DEFERRED INFLOWS OF RESOURCES			
Changes in assumptions	245	316	105
Net difference between projected and actual earnings on pension plan investments	378	487	162
Differences between expected and actual experience	2,576	3,310	1,104
Total deferred inflows of resources	3,199	4,113	1,371
NET POSITION			
Investment in capital assets	5,227,062	1,211,880	58,208
Unrestricted	694,240	3,314,059	376,632
Total net position	$ 5,921,302	$ 4,525,939	$ 434,840

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

Telecommunication Fund	Sanitation Fund	Totals
$ 29,148	$ 257,122	$ 1,717,799
-	-	1,914,707
15,943	38,891	1,125,823
-	-	643,029
-	-	305,501
2,962	-	19,970
48,053	296,013	5,726,829
-	4,000	708,741
609	-	5,793,018
609	4,000	6,501,759
48,662	300,013	12,228,588
3,825	-	28,048
2,117	-	15,524
5,942	-	43,572
27,527	28,472	478,374
76	-	39,346
-	83,061	164,651
-	-	281,913
1,686	-	22,539
29,289	111,533	986,823
187	-	2,504
28,178	-	206,639
28,365	-	209,143
57,654	111,533	1,195,966
105	-	771
162	-	1,189
1,104	-	8,094
1,371	-	10,054
609	4,000	6,501,759
(5,030)	184,480	4,564,381
$ (4,421)	$ 188,480	$ 11,066,140

CITY OF QUITMAN, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Water and Sewer Fund	Electric Fund	Gas Fund
OPERATING REVENUES			
Charges for services	$ 1,218,630	$ 5,944,734	$ 801,450
Other services	-	115,643	-
Total operating revenues	1,218,630	6,060,377	801,450
OPERATING EXPENSES			
Personal services	163,225	241,504	103,313
Costs of operations	218,686	4,048,888	628,851
Supplies	334,656	110,723	41,337
Depreciation	364,311	74,052	2,766
Total operating expenses	1,080,878	4,475,167	776,267
Operating income (loss)	137,752	1,585,210	25,183
NONOPERATING REVENUES			
Interest income	2,069	9,189	634
Total nonoperating income	2,069	9,189	634
Income (loss) before transfers	139,821	1,594,399	25,817
TRANSFERS			
Transfers in	-	-	-
Transfers out	(402,248)	(990,496)	(78,217)
Total transfers	(402,248)	(990,496)	(78,217)
Change in net position	(262,427)	603,903	(52,400)
NET POSITION, beginning of year	6,183,729	3,922,036	487,240
NET POSITION (DEFICIT), end of year	$ 5,921,302	$ 4,525,939	$ 434,840

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

Telecommunication Fund	Sanitation Fund	Totals
$ 435,619	$ 372,258	$ 8,772,691
15,575	-	131,218
451,194	372,258	8,903,909
67,739	-	575,781
456,730	464,311	5,817,466
22,859	1,256	510,831
405	-	441,534
547,733	465,567	7,345,612
(96,539)	(93,309)	1,558,297
1	107	12,000
1	107	12,000
(96,538)	(93,202)	1,570,297
71,521	-	71,521
-	-	(1,470,961)
71,521	-	(1,399,440)
(25,017)	(93,202)	170,857
20,596	281,682	10,895,283
$ (4,421)	$ 188,480	$ 11,066,140

CITY OF QUITMAN, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Water and Sewer Fund	Electric Fund	Gas Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 1,127,031	$ 6,221,149	$ 756,362
Payments to suppliers	(568,697)	(4,279,002)	(656,677)
Payments to employees	(144,409)	(240,976)	(101,353)
Net cash provided by (used in) operating activities	413,925	1,701,171	(1,668)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	-
Transfers out	(402,248)	(990,496)	(78,217)
Net cash used in noncapital financing activities	(402,248)	(990,496)	(78,217)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(47,250)	-
Net cash used in capital and related financing activities	-	(47,250)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(1,927)	(313,390)	(634)
Interest and dividends received	2,069	10,622	634
Net cash provided by (used in) investing activities	142	(302,768)	-
Change in cash and cash equivalents	11,819	360,657	(79,885)
Cash and cash equivalents:			
Beginning of year	193,551	749,211	196,176
End of year	$ 205,370	$ 1,109,868	$ 116,291
Classified as:			
Cash and cash equivalents	$ 205,370	$ 1,109,868	$ 116,291

Telecommunication Fund	Sanitation Fund	Totals
$ 464,813	$ 396,521	$ 8,965,876
(489,964)	(482,590)	(6,476,930)
(57,259)	-	(543,997)
(82,410)	(86,069)	1,944,949
71,521	-	71,521
-	-	(1,470,961)
71,521	-	(1,399,440)
-	-	(47,250)
-	-	(47,250)
-	-	(315,951)
1	107	13,433
1	107	(302,518)
(10,888)	(85,962)	195,741
40,036	343,084	1,522,058
$ 29,148	$ 257,122	$ 1,717,799
$ 29,148	$ 257,122	$ 1,717,799

CITY OF QUITMAN, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	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)	$ 137,752	$ 1,585,210	$ 25,183
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	364,311	74,052	2,766
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	581	272,010	(29,121)
(Increase) decrease in inventories	6,880	(88,061)	(215)
(Increase) decrease in due from other funds	(106,763)	(223,509)	(23,447)
(Increase) decrease in prepaid expenses	8,839	2,675	(1,451)
(Increase) decrease in deferred outflows of resources	10,785	6,825	3,917
Increase (decrease) in accounts payable	(31,074)	(34,005)	15,177
Decrease in due to other governments	-	-	-
Increase (decrease) in accrued liabilities	33,236	626	4,326
Increase in customer deposits	17,189	35,494	2,737
Increase (decrease) in due to other funds	(2,606)	76,777	4,743
Increase (decrease) in compensated absences	(1,722)	(3,139)	1,141
Increase (decrease) in net pension liability	(19,966)	(1,181)	(6,108)
Increase (decrease) in deferred inflows of resources	(3,517)	(2,603)	(1,316)
Net cash provided by (used in) operating activities	$ 413,925	$ 1,701,171	$ (1,668)

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

Telecommunication Fund	Sanitation Fund	Totals
$ (96,539)	$ (93,309)	$ 1,558,297
405	-	441,534
28,941	18,892	291,303
10,600	-	(70,796)
38,951	-	(314,768)
(484)	-	9,579
(1,012)	-	20,515
(20,491)	2,231	(68,162)
-	(19,254)	(19,254)
(3)	-	38,185
-	-	55,420
(54,273)	5,371	30,012
432	-	(3,288)
11,035	-	(16,220)
28	-	(7,408)
$ (82,410)	$ (86,069)	$ 1,944,949

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

The City was incorporated in 1859 and operates under a Board – Manager form of government. The City Manager is the head of the administrative branch of government. As such, he is responsible for the day-to-day operations of city government. The legislative authority of the City is vested in the Mayor and three 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, 2017.

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 acquisition 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.

Major outlays for capital assets and major improvements are capitalized as projects 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, 2017, 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 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 also 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 $786,909 difference are as follows:

Notes payable	$	(704,676)
Compensated absences		(82,233)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position of governmental activities*	$	(786,909)

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 $154,483 difference are as follows:

City contributions subsequent to the measurement date	$	99,441
Differences between expected and actual experience of economic/ demographic (gains)/losses		55,042
Net adjustment to increase *fund balance - total governmental funds* to arrive at changes in *net position of governmental activities*	$	154,483

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 $35,648 difference are as follows:

Changes in assumptions	$	(28,697)
Differences between expected and actual experience of economic/ demographic (gains)/losses		(2,734)
Net difference between projected and actual earnings on pension plan investments		(4,217)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at changes in *net position of governmental activities*	$	(35,648)

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 $34,250 difference are as follows:

Capital outlay	$	162,498
Depreciation expense		(128,248)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	34,250

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 $41, 261 difference are as follows:

Compensated absences	$	17,907
Change in pension and related deferred inflows and outflows of resources		23,354
Net adjustment to increase *net changes in fund balance - total governmental funds* to arrive at *changes in net position of governmental activities*	$	41,261

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, 2017:

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, 2017, 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	
Financial administration	$ 112,537
Animal control	7,329
Public works	13,109
Recreation	26,888
Debt service	85,057

NOTE 4. DEPOSITS AND INVESTMENTS

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2017, the City's investments in the Municipal Competitive Trust were rated AA+ by Standard and Poor's.

At June 30, 2017, the City had the following investments:

Investments	Maturities	Fair Value
Certificates of Deposit	9 month weighted average	$ 571,529
Municipal Competitive Trust - Short-Term	Less than 1 year	1,289,865
Municipal Competitive Trust - Intermediate	Less than 1 year	231,036
		$ 2,092,430

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, 2017, 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, 2017, including the applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor Governmental	Water and Sewer	Electric
Receivables:				
Taxes	$ 116,130	$ -	$ -	$ -
Accounts	25,117	-	174,300	917,501
Notes	83,331	493,448	-	-
Gross receivables	224,578	493,448	174,300	917,501
Less: allowance for uncollectibles	(75,768)	-	(28,155)	(121,966)
Net total receivables	$ 148,810	$ 493,448	$ 146,145	$ 795,535

	Gas	Telecommunication	Sanitation
Receivables:			
Taxes	$ -	$ -	$ -
Accounts	152,322	25,943	46,020
Notes	-	-	-
Gross receivables	152,322	25,943	46,020
Less: allowance for uncollectibles	(23,013)	(10,000)	(7,129)
Net total receivables	$ 129,309	$ 15,943	$ 38,891

Property taxes. Property taxes were levied by the City on August 24, 2016 (levy date) based upon property values assessed as of January 1. The billings were mailed on October 8, 2016, and payable on or before November 15, 2016. The net receivables collected during the year ended June 30, 2017, and collected by August 31, 2017, are recognized as revenues in the year ended June 30, 2017. Net receivables estimated to be collected subsequent to August 31, 2017, 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, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	$ 231,953	$ 66,524	$ -	$ -	$ 298,477
Total capital assets, not being depreciated	231,953	66,524	-	-	298,477
Capital assets, being depreciated:					
Buildings	1,653,740	-	-	-	1,653,740
Machinery and equipment	1,511,112	95,974	-	-	1,607,086
Infrastructure	1,276,074	-	-	-	1,276,074
Total capital assets, being depreciated	4,440,926	95,974	-	-	4,536,900
Less accumulated depreciation for:					
Buildings	(723,094)	(32,326)	-	-	(755,420)
Machinery and equipment	(1,276,625)	(70,399)	-	-	(1,347,024)
Infrastructure	(249,805)	(25,523)	-	-	(275,328)
Total accumulated depreciation	(2,249,524)	(128,248)	-	-	(2,377,772)
Total capital assets, being depreciated, net	2,191,402	(32,274)	-	-	2,159,128
Governmental activities capital assets, net	$ 2,423,355	$ 34,250	$ -	$ -	$ 2,457,605

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	1,504,069	-	-	-	1,504,069
Machinery and equipment	5,397,988	47,250	-	-	5,445,238
Infrastructure	10,885,590	-	-	-	10,885,590
Total capital assets, being depreciated	17,787,647	47,250	-	-	17,834,897
Less accumulated depreciation for:					
Buildings	(966,720)	(39,126)	-	-	(1,005,846)
Machinery and equipment	(3,965,744)	(112,182)	-	-	(4,077,926)
Infrastructure	(6,667,881)	(290,226)	-	-	(6,958,107)
Total accumulated depreciation	(11,600,345)	(441,534)	-	-	(12,041,879)
Total capital assets, being depreciated, net	6,187,302	(394,284)	-	-	5,793,018
Business-type activities capital assets, net	$ 6,896,043	$ (394,284)	$ -	$ -	$ 6,501,759

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

Governmental activities:	
General government	$ 47,106
Public safety	73,431
Recreation	7,711
Total depreciation expense - governmental activities	$ 128,248
Business-type activities	
Water and sewer	$ 364,311
Electric	74,052
Gas	2,766
Telecommunications	405
Total depreciation expense - business-type activities	$ 441,534

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Governmental activities:					
Notes payable	$ 757,690	$ -	$ (53,014)	$ 704,676	$ 51,384
Compensated absences	100,140	43,950	(61,857)	82,233	74,010
Net pension liability	805,718	317,115	(390,203)	732,630	-
Governmental activity long-term liabilities	$ 1,663,548	$ 361,065	$ (505,074)	$ 1,519,539	$ 125,394
Business-type activities:					
Compensated absences	$ 28,331	$ 9,315	$ (12,603)	$ 25,043	$ 22,539
Net pension liability	222,859	93,838	(110,058)	206,639	-
Business-type activity long-term liabilities	$ 251,190	$ 103,153	$ (122,661)	$ 231,682	$ 22,539

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, 2017:

Purpose	Original Amount	Interest Rate	Due Date	June 30, 2017
Building	$ 1,000,000	3.98%	2029	$ 704,676
				704,676
			Less current maturities	(51,384)
				$ 653,292

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

Fiscal Year Payable	Total	Principal	Interest
2018	$ 78,515	$ 51,384	$ 27,131
2019	78,515	53,467	25,048
2020	78,515	55,634	22,881
2021	78,515	57,889	20,626
2022	78,515	60,235	18,280
2023 – 2027	389,261	336,531	52,730
2028 and 2029	91,640	89,536	2,104
	$ 873,476	$ 704,676	$ 168,800

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 City of Quitman Retirement Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the City of Quitman Retirement 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, 2017, the date of the most recent actuarial valuation, there were 140 participants consisting of the following:

Inactive plan members or beneficiaries currently receiving benefits	49
Inactive plan members entitled to but not receiving benefits	30
Active plan members	61
	140

Contributions. The City of Quitman Retirement 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 City of Quitman Retirement Plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the City of Quitman Retirement Plan. The funding policy for the City of Quitman Retirement 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, 2017, the City's contribution rate was 9.62% of annual payroll. City contributions to the City of Quitman Retirement Plan were $169,945 for the year ended June 30, 2017.

NOTE 8. PENSION PLAN (CONTINUED)

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016, with updated procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2016.

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

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

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, 2016, 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	45%	6.75 %
International equity	20%	7.45
Global fixed income	5%	3.30
Domestic fixed income	20%	1.75
Real estate	10%	4.55
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, 2017, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ 4,165,990	$ 3,137,413	$ 1,028,577
Changes for the year:			
Service cost	70,532	-	70,532
Interest	311,086	-	311,086
Differences between expected and actual experience	20,657		20,657
Contributions - employer	-	157,826	(157,826)
Net investment income	-	342,435	(342,435)
Benefit payments, including refunds of employee contributions	(303,949)	(303,949)	-
Administrative expense	-	(8,678)	8,678
Net changes	98,326	187,634	(89,308)
Balances at June 30, 2017	$ 4,264,316	$ 3,325,047	$ 939,269

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 multi-year 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 (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	$ 1,365,096	$ 939,269	$ 575,045

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, 2016, 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, 2017, the City recognized pension expense of $143,508. At June 30, 2017, 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	$ 70,566	$ (36,791)
Changes of assumptions	-	(3,505)
Net difference between projected and actual earnings on pension plan investments	-	(5,406)
Contributions subsequent to the measurement date	127,489	-
Total	$ 198,055	$ (45,702)

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 $127,489 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended 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:	
2018	$ (9,639)
2019	30,657
2020	24,903
2021	(21,057)
Total	$ 24,864

NOTE 9. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2017, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Sanitation Fund	$ 83,061
Water & Sewer Fund	Electric Fund	76,777
Water & Sewer Fund	Gas Fund	4,813
Water & Sewer Fund	General Fund	120,078
Electric Fund	General Fund	327,579
Gas Fund	General Fund	113,782
Nonmajor Governmental Funds	General Fund	9,914
		$ 736,004

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	Telecommunication Fund	Total
General Fund	$ -	$ 17,274	$ 17,274
Water & Sewer Fund	348,001	54,247	402,248
Electric Fund	990,496	-	990,496
Gas Fund	78,217	-	78,217
Total	$ 1,416,714	$ 71,521	$ 1,488,235

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, 2017. 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, 2017, the City paid $6,870 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (O.C.G.A.), 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. O.C.G.A. Section 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, 2017, 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 $3,930,423 in 2017.

At June 30, 2017, the outstanding debt of MEAG was approximately $6.1 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $15.4 million at June 30, 2017.

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 the 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
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
Total pension liability			
Service cost	**$ 70,532**	$ 73,125	$ 76,464
Interest on total pension liability	**311,086**	296,608	300,350
Differences between expected and actual experience	**20,657**	110,149	(147,162)
Changes in assumptions	**-**	-	(14,019)
Changes of benefit terms	**-**	-	-
Benefit payments, including refunds of employee contributions	**(303,949)**	(282,183)	(245,652)
Net change in total pension liability	**98,326**	197,699	(30,019)
Total pension liability - beginning	**4,165,990**	3,968,291	3,998,310
Total pension liability - ending (a)	**$ 4,264,316**	$ 4,165,990	$ 3,968,291
Plan fiduciary net position			
Contributions - employer	**$ 157,826**	$ 176,069	$ 177,448
Net investment income	**342,435**	40,508	334,867
Benefit payments, including refunds of employee contributions	**(303,949)**	(282,183)	(245,652)
Administrative expense	**(8,678)**	(9,487)	(7,514)
Other	**-**	-	-
Net change in plan fiduciary net position	**187,634**	(75,093)	259,149
Plan fiduciary net position - beginning	**3,137,413**	3,212,506	2,953,357
Plan fiduciary net position - ending (b)	**$ 3,325,047**	$ 3,137,413	$ 3,212,506
City's net pension liability - ending (a) - (b)	**$ 939,269**	$ 1,028,577	$ 755,785
Plan fiduciary net position as a percentage of the total pension liability	**77.97%**	75.31%	80.95%
Covered payroll	**$ 1,754,311**	$ 1,738,241	$ 1,797,953
City's net pension liability as a percentage of covered payroll	**53.54%**	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
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015	2014
Actuarially determined contribution	**$ 169,945**	$ 153,786	$ 183,497	$ 175,431
Contributions in relation to the actuarially determined contribution	**169,945**	153,786	183,497	175,431
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -
Covered payroll	**$ 1,765,772**	$ 1,797,953	$ 1,772,955	$ 1,726,408
Contributions as a percentage of covered payroll	**9.62%**	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%

Notes to the schedule
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 Department to be spent on law enforcement at the discretion of the Police Chief.

The **Grant Fund** is used to account for revenues and expenditures of the City's Community Development Block Grant program.

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, 2017

	Special Revenue Funds				
ASSETS	**EDA Revolving Loan Fund**	**Asset Forfeiture Fund**	**Grant Fund**	**Cemetery Trust Fund**	**Totals**
Cash and cash equivalents	$ 177,177	$ 3,193	$ -	$ 19,865	$ 200,235
Investments	-	-	-	177,723	177,723
Note receivable	493,448	-	-	-	493,448
Due from other funds	9,914	-	-	-	9,914
Total assets	$ 680,539	$ 3,193	$ -	$ 197,588	$ 881,320
FUND BALANCES					
Restricted for:					
Economic development	$ 680,539	$ -	-	$ -	$ 680,539
Public safety	-	3,193	-	-	3,193
Committed to:					
Cemetery maintenance	-	-	-	197,588	197,588
Assigned	-	-	-	-	-
Total fund balances	$ 680,539	$ 3,193	$ -	$ 197,588	$ 881,320

CITY OF QUITMAN, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Special Revenue Funds				
	EDA Revolving Loan Fund	Asset Forfeiture Fund	Grant Fund	Cemetery Trust Fund	Totals
Revenues:					
Intergovernmental	$ 1,658	$ -	39,250	$ -	$ 40,908
Interest revenue	16,574	16	-	919	17,509
Total revenues	18,232	16	39,250	919	58,417
Expenditures:					
Public safety	-	1,829	-	-	1,829
Public works	-	-	39,250	-	39,250
Total expenditures	-	1,829	39,250	-	41,079
Excess of revenues over expenditures	18,232	(1,813)	-	919	17,338
Net change in fund balances	18,232	(1,813)	-	919	17,338
Fund balances, beginning of year	662,307	5,006	-	196,669	863,982
Fund balances, end of year	$ 680,539	$ 3,193	$ -	$ 197,588	$ 881,320

CITY OF QUITMAN, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Project Description	Original Costs	Estimated Costs	Expenditures		
			Prior Years	Current Year	Total
		SPLOST I			
Sewer Projects	$ 3,000,000	$ 4,700,000	$ 4,360,975	$ -	$ 4,360,975
		SPLOST II			
Sewer Projects	$ 1,449,000	$ 1,530,274	$ 1,530,274	$ 176,450	$ 1,706,724
Water Projects	1,449,000	1,449,000	81,991	-	81,991
Totals	$ 2,898,000	$ 2,979,274	$ 1,612,265	$ 176,450	$ 1,788,715
		SPLOST III			
Water and Sewer Projects, Roads, Streets, and Sidewalk Projects	$ 1,608,036	$ 1,608,036	$ 131,582	$ 36,588	$ 168,170
			Total expenditures	$ 213,038	

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 were engaged to audit, 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Quitman, Georgia as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Quitman, Georgia's basic financial statements and have issued our report thereon dated July 22, 2019. Because of the significance of the matter described in the "Basis for Disclaimer of Opinions" paragraph of our report on the financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Quitman, Georgia as of June 30, 2017, and the respective changes in financial position for the year then ended. Accordingly, we do not express an opinion on these financial statements.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weakness or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2017 - 001 and 2017 - 002 to be material weaknesses.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the City of Quitman, Georgia, 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.* If the documentation provided by management had been sufficient to enable us to express opinions on the basic financial statements, instances of noncompliance or other matters may have been identified and reported herein.

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

Macon, Georgia
July 22, 2019

CITY OF QUITMAN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Disclaimer
Internal control over financial reporting:	
Material weaknesses identified?	_X_ Yes ____ No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes _X_ 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, 2017 due to the total amount expended being less than $750,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2017 - 001. Failure to Adequately Maintain General Ledger

Criteria: Management is responsible for having adequate controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The City's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Condition/Context: The City engaged an outside consultant to assist with year-end closeout and preparation of the financial statements to present for audit. The consultant made numerous, significant corrections, including adjusting, correcting, and closing entries, in order to adjust the general ledger to accurately reflect the activities of the City in accordance with GAAP. Additionally, audit adjustments were identified in the areas of cash, investments, inventory, prepaid items, debt service, taxes receivable, utility receivables and revenue, accounts payable, sales tax payable, net pension liability, accrued payroll, compensated absences, interfund receivables/payables, and fund balance. Despite the efforts of the outside consultant, we were unable to obtain the documentation necessary to support various account balances of the City's funds, including accounts and notes receivable and related revenue, prepaid items, deposits payable, capital assets and SPLOST expenditures. Finally, due to the continued turnover of personnel, we were unable to obtain answers to various questions raised in analytical procedures.

Cause: In discussing this deficiency with the City, management indicated the cause was a direct result of turnover in personnel both during and after year-end, which put a strain on resources dedicated to the accounting function.

CITY OF QUITMAN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2017 - 001. Failure to Adequately Maintain General Ledger (Continued)

Effect or Potential Effect: The City did not comply with the requirements of GAAP and GASB regarding financial reporting. Due to the nature of the significant year-end adjustments made by the consultant, and the lack of information available to perform the annual audit, a disclaimer on the City's financial statements for the fiscal year ended June 30, 2017 has been issued by the external auditors.

Recommendation: Management should take appropriate steps to ensure the time and resources are made available to immediately correct the deficiencies related to maintenance of the general ledger, financial reporting and maintenance of records and documents related to financial transactions of the City.

Views of Responsible Officials and Corrective Action Plans: We concur with this finding. Management has implemented control over the maintenance of the general ledger and preparation of financial statements in accordance with generally accepted accounting principles and applicable GASB Statements.

2017 - 002. Segregation of Duties (Repeat Finding)

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, 2017, 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. Additionally, a process is not in place to allow for timely review of bank reconciliations or accounts receivable agings.

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.