

CITY OF METTER, GEORGIA
FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	2
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet-Governmental Funds	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	16
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-General Fund	18
Statement of Net Position-Proprietary Fund-Water and Sewer System Fund	20
Statement of Revenues, Expenses and Changes in Fund Net Position-Proprietary Fund-Water and Sewer System Fund	21
Statement of Cash Flows-Proprietary Fund-Water and Sewer System Fund	22
Notes to the Financial Statements	23
Supplementary Information:	
Schedule of Projects Paid with Special Purpose Local Option Sales Tax Proceeds	40
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 <i>GOVERNMENT AUDITING STANDARDS</i>	41

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Metter, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of City of Metter, Georgia, as of and for the nine months ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the City of Metter, Georgia, as of June 30, 2015, and the respective changes

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Metter, Georgia's basic financial statements. The schedule of projects paid with special purpose local option sales tax proceeds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of projects paid with special purpose local option sales tax proceeds is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of projects paid with special purpose local option sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of the City of Metter, 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 City of Metter, Georgia's internal control over financial reporting and compliance.

Thigpen, Lanier, Westerfield & Dal

Statesboro, Georgia
December 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Metter, Georgia's (the City's) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the nine months ended June 30, 2015. The City elected to change its fiscal year from September 30 to June 30. Because of this change, the period ended June 30, 2015 is a nine month period for financial reporting purposes. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City had total net position (assets exceeded liabilities) of \$26,230,487 at June 30, 2015.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$21,984,882 includes property and equipment, net of accumulated depreciation, reduced by outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$2,084,774 is restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$2,160,831 represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$3,218,931, compared to \$3,104,800 in fiscal year 2014. This is a \$114,131 (or 3.7%) increase.
- At June 30, 2015, unassigned fund balance for the General Fund was \$789,913, or 33.1% of total General Fund expenditures.

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by sales and property taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and

charges. Governmental activities include general government, public safety, public works, health and welfare, culture and recreation, and housing and development. Business-type activities include the water and sewer system.

The government-wide financial statements are presented on pages 12 and 13 of this report.

Fund Financial Statements

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

The City has two kinds of funds:

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

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

The basic governmental fund financial statements are presented on pages 14-19 of this report.

2. *Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City's only proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City for water and sewer utilities.

The basic enterprise fund financial statements are presented on pages 20-22 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Financial Analysis of the City as a Whole

The City's net position at June 30, 2015 was \$26,230,487, compared to the fiscal year 2014 figure of \$26,388,332. The following table provides a summary of the City's net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2015	September 30, 2014	June 30, 2015	September 30, 2014	June 30, 2015	September 30, 2014
Assets:						
Current assets	\$ 3,553,105	\$ 3,636,365	\$ 1,143,002	\$ 668,374	\$ 4,696,107	\$ 4,304,739
Capital assets	17,310,176	17,715,197	6,184,493	5,748,349	23,494,669	23,463,546
Total assets	20,863,281	21,351,562	7,327,495	6,416,723	28,190,776	27,768,285
Liabilities:						
Current liabilities	336,860	558,735	224,133	222,787	560,993	781,522
Long-term liabilities	115,155	163,208	1,284,141	435,223	1,399,296	598,431
Total liabilities	452,015	721,943	1,508,274	658,010	1,960,289	1,379,953
Net position:						
Net investment in capital assets	17,203,599	17,560,458	4,781,283	5,224,962	21,984,882	22,785,420
Restricted for capital projects	2,084,774	1,864,582	-	-	2,084,774	1,864,582
Unrestricted	1,122,893	1,204,579	1,037,938	533,751	2,160,831	1,738,330
Total net position	\$ 20,411,266	\$ 20,629,619	\$ 5,819,221	\$ 5,758,713	\$ 26,230,487	\$ 26,388,332

The City continues to maintain a high current ratio. The current ratio compares current assets to current liabilities, and is an indication of the ability to pay current obligations. For June 30, 2015, the current ratio for governmental activities is 10.5 and 5.1 for business type activities. For fiscal year 2014, the current ratio for governmental activities was 6.5, and for business type activities 3.0. For the City, overall, the current ratio for June 30, 2015 is 8.4, compared to 5.5 for fiscal year 2014.

The City reported positive balances in net position for both governmental and business-type activities. Net position decreased by \$218,353 for governmental activities and increased by \$60,508 for business-type activities. The City's overall financial position decreased \$157,845 during the nine months ended June 30, 2015.

Note that 84.3% of the governmental activities' net position was invested in capital assets. The City uses these capital assets to provide services to its citizens. On the business type activities, the City has spent 82.2% of its net position on capital assets. Capital assets in the business type activities provide utility services, which generate revenues for this fund. Expansion of these systems is necessary for the continued growth of the City and for its financial position, as this utility system generates considerable revenue for all the City's operations. 83.8% of the City's total net position was included in capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Nine Months Ended June 30, 2015

City of Metter, Georgia

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2015	September 30, 2014	June 30, 2015	September 30, 2014	June 30, 2015	September 30, 2014
Revenues:						
Program:						
Charges for services	\$ 434,712	\$ 581,584	\$ 792,499	\$ 1,131,118	\$ 1,227,211	\$ 1,712,702
Operating grants	206,944	223,411	-	-	206,944	223,411
Capital grants and contributions	453,373	957,958	-	-	453,373	957,958
General:						
Taxes	1,658,282	2,085,921	-	-	1,658,282	2,085,921
Donated capital assets	-	11,545,972	-	-	-	11,545,972
Other	48,986	72,133	356	1,050	49,342	73,183
Total revenues	<u>2,802,297</u>	<u>15,466,979</u>	<u>792,855</u>	<u>1,132,168</u>	<u>3,595,152</u>	<u>16,599,147</u>
Program Expenses:						
General government	666,847	610,981	-	-	666,847	610,981
Municipal court	9,468	9,324	-	-	9,468	9,324
Public safety	1,120,654	1,455,637	-	-	1,120,654	1,455,637
Public works	752,246	889,668	-	-	752,246	889,668
Health and welfare	46,476	22,285	-	-	46,476	22,285
Culture and recreation	112,511	186,436	-	-	112,511	186,436
Housing and development	188,595	226,658	-	-	188,595	226,658
Interest	3,499	5,643	-	-	3,499	5,643
Water and sewer	-	-	852,701	1,087,991	852,701	1,087,991
Total expenses	<u>2,900,296</u>	<u>3,406,632</u>	<u>852,701</u>	<u>1,087,991</u>	<u>3,752,997</u>	<u>4,494,623</u>
Excess (deficiency)	(97,999)	12,060,347	(59,846)	44,177	(157,845)	12,104,524
Transfers	<u>(120,354)</u>	<u>(193,195)</u>	<u>120,354</u>	<u>193,195</u>	<u>-</u>	<u>-</u>
Change in net position	(218,353)	11,867,152	60,508	237,372	(157,845)	12,104,524
Beginning net position	<u>20,629,619</u>	<u>8,762,467</u>	<u>5,758,713</u>	<u>5,521,341</u>	<u>26,388,332</u>	<u>14,283,808</u>
Ending net position	<u>\$ 20,411,266</u>	<u>\$ 20,629,619</u>	<u>\$ 5,819,221</u>	<u>\$ 5,758,713</u>	<u>\$ 26,230,487</u>	<u>\$ 26,388,332</u>

GOVERNMENTAL REVENUES

The City is heavily reliant on taxes to support governmental activities operations. In total, taxes make up 59.2% of revenues, as compared to 53.2%, excluding donated capital assets, in fiscal year 2014. Sales taxes provided \$457,951 or 16.3% of the City's total governmental activities revenues, as compared to 15.7%, excluding donated capital assets, in fiscal year 2014. Property taxes are the largest revenue source totaling \$755,137 of revenues or 26.9% of total revenues as compared to 19.4%, excluding donated capital assets, in fiscal year 2014.

Capital grants include \$373,388 in special purpose local option sales taxes (SPLOST) received from Candler County for capital projects and \$31,976 in transportation special purpose local option sales taxes discretionary funding (T-SPLOST). SPLOST and T-SPLOST revenue provided 14.5% of the City's total governmental revenues as compared to 23.2%, excluding donated capital assets, in fiscal year 2014.

Also, note that program revenues covered 39.1% for the nine months ended June 30, 2015, and 51.8% in fiscal year 2014 of governmental operating expenses. This means that the government's taxpayers and the City's other general governmental revenues funded the remaining 60.9% for the nine months ended June 30, 2015, and 48.2% in fiscal year 2014 of the governmental activities. As this documents, the general economy and the local businesses have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

The public safety function comprises 38.6% of the City's total governmental activity expenses as compared to 42.7% for fiscal year 2014. The public works function comprises 25.9% of the total governmental activity expenses as compared to 26.1% for fiscal year 2014. Of the total \$2,900,296 of governmental activity expenses, depreciation is \$540,745 or 18.6% of that total.

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

	Governmental Activities			
	June 30, 2015		September 30, 2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 666,847	\$ 575,571	\$ 610,981	\$ 514,187
Municipal court	9,468	9,468	9,324	9,324
Public safety	1,120,654	880,588	1,455,637	1,086,606
Public works	752,246	59,704	889,668	(402,928)
Health and welfare	46,476	1,476	22,285	22,285
Culture and recreation	112,511	86,366	186,436	186,436
Housing and development	188,595	188,595	226,658	222,126
Interest	3,499	3,499	5,643	5,643
Total	<u>\$2,900,296</u>	<u>\$1,805,267</u>	<u>\$3,406,632</u>	<u>\$1,643,679</u>

For the nine months ended June 30, 2015, all functions required a subsidy from general revenues.

BUSINESS-TYPE ACTIVITIES
Revenues vs. Expenses

The City's sole enterprise fund is the water and sewer system fund. Overall, the change in net position was an increase of \$60,508 as compared to an increase of \$237,372 in fiscal year 2014.

Financial Analysis of the City's Funds

Governmental Funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$3,218,931, as compared to \$3,104,800 at September 30, 2014. Of this year-end total, \$789,913 was unassigned indicating availability for continuing City service requirements. \$2,084,774 in fund balance is restricted for capital projects.

The total ending fund balances of governmental funds show an increase for the nine months ended June 30, 2015 of \$114,131 or 3.7% compared to a decrease in fiscal year 2014 of \$2,715, or 0.1%.

Major Governmental Funds

General Fund - The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance decreased by \$58,752 or 4.7% as compared to a \$70,624 or 5.4% decrease in fiscal year 2014.

With the change in the City's fiscal year to June 30 resulting in a nine month reporting period for June 30, 2015, any comparisons to fiscal year 2014 for revenues and expenditures must consider the shorter reporting period for the nine months ended June 30, 2015.

The General Fund's ending unassigned fund balance of \$789,913 is considered adequate, representing the equivalent of 33.1 % of annual expenditures as compared to 31.3% at September 30, 2014.

Hotel/Motel Fund – The City recognized \$50,204 in hotel/motel taxes, which was expended during the nine months ended June 30, 2015. This amount compares to a \$56,403 amount in fiscal year 2014. These resources are paid to the City's Welcome Center. There is no fund balance at June 30, 2015.

2005 SPLOST Fund – The amount expended for the nine months ended June 30, 2015 on projects approved in this SPLOST referendum included the following:

- Public building projects (\$10,500)
- Street and drainage improvements (\$10,899)
- Water and Sewer system improvements and expansion (\$10,596)

2011 SPLOST Fund – The amount expended for the nine months ended June 30, 2015 on projects approved in this SPLOST referendum included the following:

- Construction/improvements of public facilities (\$2,500)
- Street and drainage improvements (\$46,458)
- Vehicles and equipment (\$38,470)
- Water and Sewer system improvements (\$109,758)

The City recognized \$373,388 for its share of the Candler County SPLOST. This amount compares to \$501,117 recognized in fiscal year 2014.

T-SPLOST Fund – The amount expended for the nine months ended June 30, 2015 on road projects totaled \$4,000. The City recognized \$37,976 in revenue in this fund for the nine months ended June 30, 2015.

The Proprietary Fund

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

Budgetary Highlights – General Fund

Overall, the City recognized revenues equal to 95.4% of budgeted revenues in the final appropriated budget. Overall, the City recognized expenditures equal to \$432,948 less than, or 15.4% under budgeted expenditures in the final appropriated budget.

On the revenue side of the budget, intergovernmental revenue came in \$167,888 lower than the amended budget. In total, General Fund revenues came in \$111,467 less than the budgeted amount.

On the expenditure side, the roadways and walkways budget was under spent by \$235,810 and fire was \$268,196 under spent.

Fund Balance decreased by \$51,231 less than the amount budgeted.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2015 was \$17,310,176 and \$6,184,493, respectively, for a total of \$23,494,669. This net investment decreased by 2.3% for governmental activities and increased by 7.6% for business-type activities. The overall increase was 0.1% for the City as a whole. See Note 8 for additional information about changes in capital assets. The following table provides a summary of capital asset activity.

	Capital Assets (Amounts in Thousands)					
	Governmental Activities		Business-type Activities		Total Activities	
	June 30, 2015	September 30, 2014	June 30, 2015	September 30, 2014	June 30, 2015	September 30, 2014
Non-depreciable assets:						
Land	\$ 604,003	\$ 604,003	\$ 492,280	\$ 492,280	\$ 1,096,283	\$ 1,096,283
Construction in progress	63,723	27,937	98,143	453,317	161,866	481,254
Total non-depreciable assets	<u>667,726</u>	<u>631,940</u>	<u>590,423</u>	<u>945,597</u>	<u>1,258,149</u>	<u>1,577,537</u>
Depreciable assets:						
Buildings	13,384,270	13,357,495	94,767	94,767	13,479,037	13,452,262
Land improvements	566,010	566,010	-	-	566,010	566,010
Water and sewer system	-	-	9,871,448	8,902,180	9,871,448	8,902,180
Machinery and equipment	2,500,059	2,496,110	918,910	932,485	3,418,969	3,428,595
Infrastructure	10,693,364	10,668,094	-	-	10,693,364	10,668,094
Total depreciable assets	<u>27,143,703</u>	<u>27,087,709</u>	<u>10,885,125</u>	<u>9,929,432</u>	<u>38,028,828</u>	<u>37,017,141</u>
Less accumulated depreciation	<u>10,501,253</u>	<u>10,004,452</u>	<u>5,291,055</u>	<u>5,126,680</u>	<u>15,792,308</u>	<u>15,131,132</u>
Book value - depreciable assets	<u>16,642,450</u>	<u>17,083,257</u>	<u>5,594,070</u>	<u>4,802,752</u>	<u>22,236,520</u>	<u>21,886,009</u>
Percentage depreciated	<u>39%</u>	<u>37%</u>	<u>49%</u>	<u>52%</u>	<u>42%</u>	<u>41%</u>
Total book value	<u>\$ 17,310,176</u>	<u>\$ 17,715,197</u>	<u>\$ 6,184,493</u>	<u>\$ 5,748,349</u>	<u>\$ 23,494,669</u>	<u>\$ 23,463,546</u>

At June 30, 2015, the depreciable capital assets for governmental activities were 39% depreciated, compared to 37% at September 30, 2014.

With the City's business type activities, 49% of the asset values was depreciated at June 30, 2015, compared to 52% at September 30, 2014.

Long-term Debt

At June 30, 2015, the City had capital leases, USDA notes, and GEFA notes outstanding. During the nine months ended June 30, 2015, the City decreased outstanding capital lease obligations by \$45,240 or 31.3%. The City's notes payable increased by 175.4% due to entering into a new loan agreement with GEFA for business-type activities. USDA loans payable decreased by 32.2%. Total compensated absences payable decreased 8.9% from the September 30, 2014 balance.

Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	June 30, 2015	September 30, 2014	June 30, 2015	September 30, 2014	June 30, 2015	September 30, 2014
Capital leases	\$ 87,217	\$ 126,168	\$ 11,872	\$ 18,161	\$ 99,089	\$ 144,329
Notes payable	-	-	1,391,338	505,226	1,391,338	505,226
USDA loans	19,360	28,571	-	-	19,360	28,571
Compensated absences	65,386	69,729	11,586	14,780	76,972	84,509
Total	\$ 171,963	\$ 224,468	\$ 1,414,796	\$ 538,167	\$ 1,586,759	\$ 762,635

See Note 9 and 10 for additional information about the City's long-term debt.

Economic Conditions Affecting the City

The City is physically located in the eastern portion of the state of Georgia, approximately 175 miles southeast of the State capital, Atlanta, Georgia, and approximately 63 miles northwest of Savannah, the first planned city in the state. Metter is the county seat in Candler County, and its population makes up approximately 40% of the County's population. The County's land area is 247 square miles with 15.7 persons per square mile. The city of Metter is 7.39 square miles.

As of October 2015 Candler County's unemployment rate averaged 5.3% (Georgia Department of Labor), compared to the state's average of 5.7% (GDOL).

The City's population is 4,100 (U.S. Bureau of Census). Since the City relies primarily on property and sales taxes for its operating revenue, changes in the economy definitely affect these revenue streams. Since sales taxes are an "elastic revenue stream" in a sluggish economy, the sales tax revenues are reduced immediately. Property taxes are considered "inelastic" in the short-term; this revenue stream is more stable. Fortunately, for the City, because of its revenue stream makeup, it is able to survive financially in a slow economy.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City Manager at City Hall at 49 South Rountree, Post Office Box 74, Metter, Georgia, 30439, or call (912) 685-2527.

CITY OF METTER, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,582,789	\$ 1,238,079	\$ 3,820,868	-
Certificates of deposit	220,308	63,652	283,960	-
Receivables:				
Taxes	96,470	-	96,470	-
Accounts	35,256	149,583	184,839	-
Intergovernmental	198,336	-	198,336	-
Other	15,573	-	15,573	-
Internal balances	325,862	(325,862)	-	-
Prepaid insurance	78,511	17,550	96,061	-
Total Current Assets	<u>3,553,105</u>	<u>1,143,002</u>	<u>4,696,107</u>	<u>-</u>
Capital Assets:				
Nondepreciable capital assets	667,726	590,423	1,258,149	-
Depreciable capital assets, net	16,642,450	5,594,070	22,236,520	-
Total Capital Assets	<u>17,310,176</u>	<u>6,184,493</u>	<u>23,494,669</u>	<u>-</u>
Total Assets	<u>20,863,281</u>	<u>7,327,495</u>	<u>28,190,776</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	201,856	3,022	204,878	-
Customer deposits	-	90,456	90,456	-
Notes payable	9,509	118,783	128,292	-
Capital leases payable	47,299	11,872	59,171	-
Other	78,196	-	78,196	-
Total Current Liabilities	<u>336,860</u>	<u>224,133</u>	<u>560,993</u>	<u>-</u>
Long-Term Liabilities:				
Compensated absences	65,386	11,586	76,972	-
Notes payable (net of current portion)	9,851	1,272,555	1,282,406	-
Capital leases payable (net of current portion)	39,918	-	39,918	-
Total Long-Term Liabilities	<u>115,155</u>	<u>1,284,141</u>	<u>1,399,296</u>	<u>-</u>
Total Liabilities	<u>452,015</u>	<u>1,508,274</u>	<u>1,960,289</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	17,203,599	4,781,283	21,984,882	-
Restricted for capital projects	2,084,774	-	2,084,774	-
Unrestricted	1,122,893	1,037,938	2,160,831	-
Total Net Position	<u>\$ 20,411,266</u>	<u>\$ 5,819,221</u>	<u>\$ 26,230,487</u>	<u>-</u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE NINE MONTHS ENDED JUNE 30, 2015

Program/Function	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities:								
General government	\$ 666,847	\$ 78,807	\$ 12,469	-	\$ (575,571)	-	\$ (575,571)	-
Municipal court	9,468	-	-	-	(9,468)	-	(9,468)	-
Public safety	1,120,654	67,766	140,475	\$ 31,825	(880,588)	-	(880,588)	-
Public works	752,246	288,139	-	404,403	(59,704)	-	(59,704)	-
Health and welfare	46,476	-	45,000	-	(1,476)	-	(1,476)	-
Culture and recreation	112,511	-	9,000	17,145	(86,366)	-	(86,366)	-
Housing and development	188,595	-	-	-	(188,595)	-	(188,595)	-
Interest	3,499	-	-	-	(3,499)	-	(3,499)	-
Total Governmental Activities	2,900,296	434,712	206,944	453,373	(1,805,267)	-	(1,805,267)	-
Business-Type Activities:								
Water and sewer	852,701	792,499	-	-	-	\$ (60,202)	(60,202)	-
Total Primary Government	\$ 3,752,997	1,227,211	\$ 206,944	\$ 453,373	(1,805,267)	(60,202)	(1,865,469)	-
Component Unit								
Downtown Development Authority of Metter	-	-	-	-	-	-	-	-
		General Revenues						
		Property taxes levied for:						
		General purposes			755,137	-	755,137	-
		Sales taxes			457,951	-	457,951	-
		Franchise taxes			284,825	-	284,825	-
		Hotel/motel taxes			50,204	-	50,204	-
		Other taxes			110,165	-	110,165	-
		Gain on sale of capital assets			1,250	-	1,250	-
		Interest earned			1,689	356	2,045	-
		Miscellaneous			46,047	-	46,047	-
		Total General Revenues			1,707,268	356	1,707,624	-
		Transfers			(120,354)	120,354	-	-
		Total General Revenues and Transfers			1,586,914	120,710	1,707,624	-
		Change in Net Position			(218,353)	60,508	(157,845)	-
		Net Position, October 1, 2014			20,629,619	5,758,713	26,388,332	-
		Net Position, June 30, 2015			\$ 20,411,266	\$ 5,819,221	\$ 26,230,487	-

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	2005 SPLOST	2011 SPLOST	T-SPLOST	Non-major fund - Hotel/Motel Tax	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 544,432	\$ 866,883	\$ 1,041,877	\$ 129,597	-	\$ 2,582,789
Certificates of deposit	220,308	-	-	-	-	220,308
Receivables:						
Taxes	91,213	-	-	-	\$ 5,257	96,470
Accounts	35,256	-	-	-	-	35,256
Intergovernmental	109,718	-	81,768	6,850	-	198,336
Other	15,573	-	-	-	-	15,573
Interfund	373,271	-	-	-	-	373,271
Prepaid insurance	78,511	-	-	-	-	78,511
TOTAL ASSETS	\$ 1,468,282	\$ 866,883	\$ 1,123,645	\$ 136,447	\$ 5,257	\$ 3,600,514
LIABILITIES						
Accounts payable	\$ 154,498	\$ 9,860	\$ 32,241	-	\$ 5,257	\$ 201,856
Unearned revenue	-	-	-	-	-	-
Due to other funds	-	-	-	\$ 47,409	-	47,409
Other	78,196	-	-	-	-	78,196
Total liabilities	232,694	9,860	32,241	47,409	5,257	327,461
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	54,122	-	-	-	-	54,122
FUND BALANCE						
Nonspendable	78,511	-	-	-	-	78,511
Assigned	265,733	-	-	-	-	265,733
Restricted for road projects	47,309	-	-	89,038	-	136,347
Restricted for capital projects	-	857,023	\$ 1,091,404	-	-	1,948,427
Unassigned	789,913	-	-	-	-	789,913
Total fund balance	1,181,466	857,023	1,091,404	89,038	-	3,218,931
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,468,282	\$ 866,883	\$ 1,123,645	\$ 136,447	\$ 5,257	\$ 3,600,514

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

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

Total Governmental Fund Balances		\$ 3,218,931
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost	\$ 27,811,429	
Less accumulated depreciation	<u>(10,501,253)</u>	17,310,176
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds:		
Property taxes		54,122
Long-term liabilities, including notes payable, capital leases and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds but are reported on the statement of net position:		
Capital leases	\$ (87,217)	
Notes payable	(19,360)	
Compensated absences	<u>(65,386)</u>	<u>(171,963)</u>
Net Position Of Governmental Activities		<u><u>\$ 20,411,266</u></u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE NINE MONTHS ENDED JUNE 30, 2015

	General	2005 SPLOST	2011 SPLOST	T-SPLOST	Non-major fund - Hotel/Motel Tax	Total Governmental Funds
REVENUES						
Taxes	\$ 1,588,046	-	-	-	\$ 50,204	\$ 1,638,250
Licenses and permits	78,739	-	-	-	-	78,739
Charges for services	291,147	-	-	-	-	291,147
Intergovernmental	245,253	-	\$ 373,388	\$ 31,976	-	650,617
Fines and forfeitures	64,826	-	-	-	-	64,826
Interest	1,689	\$ 331	369	-	-	2,389
Miscellaneous	55,047	-	-	-	-	55,047
Total revenues	<u>2,324,747</u>	<u>331</u>	<u>373,757</u>	<u>31,976</u>	<u>50,204</u>	<u>2,781,015</u>
EXPENDITURES						
Current:						
General government	468,778	-	-	-	-	468,778
Municipal court	9,468	-	-	-	-	9,468
Public safety	1,025,234	-	-	-	-	1,025,234
Public works	535,994	-	-	-	-	535,994
Health and welfare	45,238	-	-	-	-	45,238
Culture and recreation	106,593	-	-	-	-	106,593
Housing and development	141,783	-	-	-	50,204	191,987
Capital outlay:						
Public safety	-	10,500	21,325	-	-	31,825
Public works	-	10,899	48,958	4,000	-	63,857
Culture and recreation	-	-	17,145	-	-	17,145
Debt service:						
Principal	48,162	-	-	-	-	48,162
Interest	3,499	-	-	-	-	3,499
Total expenditures	<u>2,384,749</u>	<u>21,399</u>	<u>87,428</u>	<u>4,000</u>	<u>50,204</u>	<u>2,547,780</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(60,002)</u>	<u>(21,068)</u>	<u>286,329</u>	<u>27,976</u>	<u>-</u>	<u>233,235</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	1,250	-	-	-	-	1,250
Transfers out	-	(10,596)	(109,758)	-	-	(120,354)
Total other financing sources (uses)	<u>1,250</u>	<u>(10,596)</u>	<u>(109,758)</u>	<u>-</u>	<u>-</u>	<u>(119,104)</u>
NET CHANGE IN FUND BALANCE	<u>(58,752)</u>	<u>(31,664)</u>	<u>176,571</u>	<u>27,976</u>	<u>-</u>	<u>114,131</u>
FUND BALANCE, OCTOBER 1, 2014	<u>1,240,218</u>	<u>888,687</u>	<u>914,833</u>	<u>61,062</u>	<u>-</u>	<u>3,104,800</u>
FUND BALANCE, JUNE 30, 2015	<u>\$ 1,181,466</u>	<u>\$ 857,023</u>	<u>\$ 1,091,404</u>	<u>\$ 89,038</u>	<u>-</u>	<u>\$ 3,218,931</u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE NINE MONTHS ENDED JUNE 30, 2015

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

Net Change In Fund Balance - Governmental Funds		\$ 114,131
<p>Governmental funds report capital outlays as expenditures and do not report donated capital assets. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlays and donated capital assets differed from depreciation expense in the current period.</p>		
Depreciation expense	\$ (540,745)	
Capital outlays	135,724	(405,021)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
Property taxes:		
Unavailable revenue at 6/30/15	54,122	
Unavailable revenue at 9/30/14	(34,090)	20,032
<p>Governmental funds do not report the cost of disposed capital assets but the cost is reported on the statement of activities.</p>		
		-
<p>Other financing sources for the inception of capital leases and proceeds from notes payable are reported on the fund level operating statement but are reported as a liability on the government-wide financial statements.</p>		
		-
<p>Repayment of capital lease and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		48,162
<p>Compensated absences 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.</p>		
Liability at 6/30/15	(65,386)	
Liability at 9/30/14	69,729	4,343
Change In Net Position of Governmental Activities		\$ (218,353)

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE NINE MONTHS ENDED JUNE 30, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,538,739	\$ 1,588,046	\$ 49,307
Licenses and permits	63,788	78,739	14,951
Charges for services	293,132	291,147	(1,985)
Intergovernmental	413,141	245,253	(167,888)
Fines and forfeitures	75,225	64,826	(10,399)
Interest	375	1,689	1,314
Miscellaneous	51,814	55,047	3,233
Total revenues	<u>2,436,214</u>	<u>2,324,747</u>	<u>(111,467)</u>
EXPENDITURES			
Current:			
General government:			
Governing body	42,521	44,819	(2,298)
Financial administration	359,288	395,741	(36,453)
General government buildings	32,829	28,218	4,611
Total general government	<u>434,638</u>	<u>468,778</u>	<u>(34,140)</u>
Municipal court	7,463	9,468	(2,005)
Public safety:			
Police	663,790	714,099	(50,309)
Fire	529,888	261,692	268,196
Animal control	45,404	49,443	(4,039)
Total public safety	<u>1,239,082</u>	<u>1,025,234</u>	<u>213,848</u>
Public works:			
Roadways and walkways	614,092	378,282	235,810
Sanitation	154,898	115,100	39,798
Maintenance and shop	42,063	42,612	(549)
Total public works	<u>811,053</u>	<u>535,994</u>	<u>275,059</u>
Health and welfare:			
Family connection	33,930	34,972	(1,042)
Community center	1,875	5,316	(3,441)
Public education	4,950	4,950	-
Total health and welfare	<u>40,755</u>	<u>45,238</u>	<u>(4,483)</u>
Culture and recreation:			
Recreation	63,000	74,180	(11,180)
Libraries	32,250	32,413	(163)
Total culture and recreation	<u>95,250</u>	<u>106,593</u>	<u>(11,343)</u>
Housing and development:			
Building inspections	1,638	928	710
Economic development	79,164	86,304	(7,140)
Tourism	6,973	7,832	(859)
Downtown development	14,513	25,934	(11,421)
Airport	20,785	20,785	-
Total housing and development	<u>\$ 123,073</u>	<u>\$ 141,783</u>	<u>\$ (18,710)</u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE NINE MONTHS ENDED JUNE 30, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal	\$ 62,951	\$ 48,162	\$ 14,789
Interest	3,432	3,499	(67)
Total debt service	<u>66,383</u>	<u>51,661</u>	<u>14,722</u>
Total expenditures	<u>2,817,697</u>	<u>2,384,749</u>	<u>432,948</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(381,483)</u>	<u>(60,002)</u>	<u>321,481</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	1,500	1,250	(250)
Proceeds from capital leases and loans	270,000	-	(270,000)
Total other financing sources (uses)	<u>271,500</u>	<u>1,250</u>	<u>(270,250)</u>
NET CHANGE IN FUND BALANCE	<u>(109,983)</u>	(58,752)	<u>\$ 51,231</u>
FUND BALANCE, OCTOBER 1, 2014		<u>1,240,218</u>	
FUND BALANCE, JUNE 30, 2015		<u>\$ 1,181,466</u>	

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND - WATER AND SEWER SYSTEM FUND
JUNE 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,238,079
Certificates of deposit	63,652
Accounts receivable	149,583
Prepaid insurance	17,550
Total Current Assets	<u>1,468,864</u>
Capital Assets	
Land	492,280
Construction in progress	98,143
Water and sewer system	9,871,448
Buildings	94,767
Machinery and equipment	918,910
Less accumulated depreciation	<u>(5,291,055)</u>
Total Capital Assets	<u>6,184,493</u>
Total Assets	<u>7,653,357</u>
LIABILITIES	
Current Liabilities	
Accounts payable	3,022
Customer deposits	90,456
Notes payable	118,783
Capital leases payable	11,872
Interfund payable	325,862
Total Current Liabilities	<u>549,995</u>
Long-Term Liabilities	
Compensated absences payable	11,586
Notes payable (net of current portion)	1,272,555
Capital leases payable (net of current portion)	-
Total Long-Term Liabilities	<u>1,284,141</u>
Total Liabilities	<u>1,834,136</u>
NET POSITION	
Net investment in capital assets	4,781,283
Unrestricted	<u>1,037,938</u>
Total Net Position	<u>\$ 5,819,221</u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND - WATER AND SEWER SYSTEM FUND
FOR THE NINE MONTHS ENDED JUNE 30, 2015

OPERATING REVENUES	
Water and sewer sales	\$ 692,003
Penalties	20,006
Connection fees	25,991
Other	54,499
Total operating revenues	<u>792,499</u>
 OPERATING EXPENSES	
Salaries	240,975
Employee benefits	81,838
Professional and technical services	12,716
Purchased services	256,409
Materials and supplies	54,976
Depreciation	177,950
Total operating expenses	<u>824,864</u>
 OPERATING INCOME	 <u>(32,365)</u>
 NON-OPERATING REVENUE (EXPENSE)	
Interest income	356
Interest expense	(27,837)
Total non-operating revenue (expense)	<u>(27,481)</u>
 INCOME BEFORE TRANSFERS	 <u>(59,846)</u>
 TRANSFERS IN	 <u>120,354</u>
 CHANGE IN NET POSITION	 60,508
 NET POSITION, OCTOBER 1, 2014	 <u>5,758,713</u>
 NET POSITION, JUNE 30, 2015	 <u>\$ 5,819,221</u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER SYSTEM FUND
FOR THE NINE MONTHS ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 759,369
Cash payments to employees for services	(326,007)
Cash payments for goods and services	(503,850)
Net cash provided (used) by operating activities	<u>(70,488)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(614,094)
Transfers from SPLOST funds	120,354
Proceeds from issuance of note payable	949,394
Interest paid	(27,837)
Principal paid on long-term debt	(69,571)
Net cash provided (used) by capital and related financing activities	<u>358,246</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in certificates of deposit	(79)
Interest received	356
Net cash provided by investing activities	<u>277</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	288,035
CASH AND CASH EQUIVALENTS, OCTOBER 1, 2014	<u>950,044</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2015	<u>\$ 1,238,079</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (32,365)
Adjustments:	
Depreciation	177,950
(Increase) decrease in operating assets:	
Accounts receivable	(36,746)
Prepaid items	(6,397)
Increase (decrease) in operating liabilities:	
Accounts payable	(29,981)
Compensated absences payable	(3,194)
Interfund payable	(143,371)
Customer deposits	3,616
Net cash provided (used) by operating activities	<u>\$ (70,488)</u>

See accompanying notes to the basic financial statements.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

The City of Metter (the “City”) was incorporated in 1903. The City operates under a Council/Manager form of government and provides the following services: public safety, streets, sanitation, recreation, and general administrative services. In addition, the City operates a water and sewer system.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The most significant of the City’s accounting policies are described below.

1-A. Reporting Entity

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

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

The component unit column included on the government-wide financial statements identifies the financial data of the City’s discretely presented component unit. It is reported separately to emphasize that it is legally separate from the City.

The City’s only component unit is the Downtown Development Authority of Metter (the Authority). The primary purpose of the Authority is to promote industry and trade in the downtown area. The City provides its primary funding. There are no separate financial statements prepared for the Authority and there were no financial transactions for the Authority for the nine months ended June 30, 2015.

Candler County Industrial Development Authority, Candler County Recreation Commission, Metter-Candler County Airport Authority, and Metter Housing Authority are related organizations in that the City appoints all or some of the members of the authorities/commission but does not have financial responsibility for them.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-B. Basis of Presentation

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

Government-wide Financial Statements – The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, grants, and the City's general revenues, from business-type activities, generally financed in whole or part with service charges to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the City.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

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

Major individual governmental funds are reported in separate columns.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of the State of Georgia.

2005 SPLOST and 2011 SPLOST Fund – These capital projects funds accounts for the special purpose local option sales tax received from Candler County to be used for various capital improvements.

T-SPLOST Fund – This fund accounts for the regional transportation special purpose local option sales tax proceeds received for transportation purposes within the City

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds and internal service funds. The City's only enterprise fund is the water and sewer system fund which accounts for the water and sewer provided to the City's constituents. The water and sewer system fund is reported as a major fund in the financial statements.

1-C. Measurement Focus

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

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1-D. Basis of Accounting

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

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

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

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

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

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-E. Assets, Liabilities and Net Position

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices.

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

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

Receivables

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

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds". These amounts are eliminated in the governmental and business-type activities columns on the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances on this statement. These amounts are ultimately eliminated from the total column on the statement of net position.

Consumable Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is nonspendable, as this amount is not available for general appropriation.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by the proprietary fund are reported in the business-type activities column of the government-wide statement of net position and in the proprietary fund's statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of street, bridges, and water and sewer lines. Infrastructure acquired after 1971 has been capitalized by the City. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land, right-of-ways, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities	Business-Type Activities
	Estimated Lives	Estimated Lives
Buildings and improvements	15-50 years	30 years
Land improvements	15-20 years	-
Machinery and equipment	5-15 years	5-10 years
Infrastructure	15-40 years	-
Water and sewer system	-	5-40 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments. The amounts capitalized are being amortized by the straight-line method over the estimated life of the asset. Amortization of these assets is included in depreciation expense.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

The total compensated absence liability is reported on the government-wide financial statements. The proprietary fund reports the total compensated liability at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due".

Accrued Liabilities and Long-term Obligations

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

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

Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts are amortized over the life of the bonds using the effective interest method and bond issuance costs are expensed in the current period.

At government fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows of resources as of June 30, 2015.

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

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

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

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the 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 Council’s intent to be used for specific purposes, but are neither restricted nor committed. The City Council has by resolution authorized the City Manager to assign fund balance.

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

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

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for water and sewer services. Operating expenses are necessary costs incurred to provide the water and sewer services and include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

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

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated. Transfers between governmental and business-type activities are eliminated from the total column.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through December 23, 2015, the date the financial statements were available for issue. No subsequent events requiring disclosure in the financial statements were noted.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The City adopts an annual operating budget for the general fund and each special revenue fund. A project budget is adopted for each capital projects fund. The budget resolution reflects the total of each department's appropriation in each fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. The City Manager may approve budget transfers within departments. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council. During the year, the City Council approved budget revisions.

All unexpended annual appropriations lapse at year-end.

Excess of Expenditures over Appropriations

For the nine months ended June 30, 2015, expenditures exceeded appropriations for the following departments within the general fund:

Governing body	\$ 2,298
Financial administration	36,453
Police	50,309
Animal control	4,039
Maintenance and shop	549
Family connection	1,042
Community center	3,441
Recreation	11,180
Libraries	163
Economic development	7,140
Tourism	859
Downtown development	11,421
Debt service - interest	67

These over expenditures were funded primarily by under expenditures in other departments.

CITY OF METTER, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – CASH DEPOSITS WITH BANKS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk.

At June 30, 2015, the carrying amount of the City’s deposits (checking and certificates of deposit) was \$4,104,828 and the bank balance was \$4,121,467. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$3,371,467 was collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2015, consisted primarily of taxes, interest, accounts (billings for user charges), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the City’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability. The allowances for uncollectibles netted against receivables at June 30, 2015 consisted of \$17,946 and \$30,089 for the general fund and water and sewer system fund, respectively.

NOTE 5 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed on or about October 20th of each year and are payable within sixty days. The County bills and collects property taxes for the City. Property tax revenues at the fund reporting level are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). For the nine months ended June 30, 2015, property taxes were levied on November 10, 2014, and were due on February 20, 2015.

NOTE 6 - INTERFUND BALANCES AND TRANSFERS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	T-SPLOST Fund	\$ 47,409
	Water and Sewer System Fund	<u>325,862</u>
		<u>\$ 373,271</u>

Interfund balances at June 30, 2015 represent reimbursable expenditures and revenue reclassified to the General Fund. The City expects to repay all interfund balances within one year.

Interfund transfers for the nine months ended June 30, 2015 consisted of \$10,596 and \$109,758 in transfers to the water and sewer system fund from the 2005 SPLOST fund and 2011 SPLOST fund, respectively, for contractor fees and engineering fees.

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2015, fund balances are composed of the following:

	General Fund	2005 SPLOST Fund	2011 SPLOST Fund	T-SPLOST Fund	Total Governmental Funds
Nonspendable:					
Prepaid insurance	\$ 78,511	-	-	-	\$ 78,511
Restricted:					
Capital projects	-	\$ 857,023	\$ 1,091,404	-	\$ 1,948,427
Road projects	47,309	-	-	\$ 89,038	136,347
Total restricted	47,309	857,023	1,091,404	89,038	2,084,774
Assigned:					
Animal shelter	29,208	-	-	-	29,208
Fire department	11,399	-	-	-	11,399
Police department	4,442	-	-	-	4,442
Sanitation department	22,451	-	-	-	22,451
Subsequent year's budget	198,233	-	-	-	198,233
Total assigned	265,733	-	-	-	265,733
Unassigned	789,913	-	-	-	789,913
Total fund balances	\$ 1,181,466	\$ 857,023	\$ 1,091,404	\$ 89,038	\$ 3,218,931

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8- CAPITAL ASSETS

Capital asset activity for the nine months ended June 30, 2015 was as follows:

	Balance 10/1/2014	Additions	Deductions	Balance 6/30/2015
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 604,003	-	-	\$ 604,003
Construction in progress	27,937	\$ 35,786	-	63,723
Total capital assets not being depreciated	<u>631,940</u>	<u>35,786</u>	<u>-</u>	<u>667,726</u>
Other capital assets being depreciated:				
Buildings and improvements	13,357,495	26,775	-	13,384,270
Land improvements	566,010	-	-	566,010
Machinery and equipment	2,496,110	47,893	\$ 43,944	2,500,059
Infrastructure	10,668,094	25,270	-	10,693,364
Total capital assets being depreciated	<u>27,087,709</u>	<u>99,938</u>	<u>43,944</u>	<u>27,143,703</u>
Total capital assets	<u>27,719,649</u>	<u>135,724</u>	<u>43,944</u>	<u>27,811,429</u>
Accumulated depreciation:				
Buildings and improvements	898,720	242,603	-	1,141,323
Land improvements	555,989	3,628	-	559,617
Machinery and equipment	1,863,328	137,659	43,944	1,957,043
Infrastructure	6,686,415	156,855	-	6,843,270
Total accumulated depreciation	<u>10,004,452</u>	<u>540,745</u>	<u>43,944</u>	<u>10,501,253</u>
Governmental activities capital assets, net	<u>\$ 17,715,197</u>	<u>\$ (405,021)</u>	<u>\$ -</u>	<u>\$ 17,310,176</u>

Governmental activities depreciation expense:

General government	\$ 220,756
Public safety	101,100
Public works	202,364
Health and welfare	1,607
Culture and recreation	<u>14,918</u>
Total governmental activities depreciation expense	<u>\$ 540,745</u>

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 8— CAPITAL ASSETS (Continued)

The following table presents the changes in capital assets for the City's enterprise fund:

	Balance 10/1/2014	Additions	Deductions	Balance 6/30/2015
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 492,280	-	-	\$ 492,280
Construction in progress	453,317	\$ 27,001	\$ 382,175	98,143
Total capital assets not being depreciated	<u>945,597</u>	<u>27,001</u>	<u>382,175</u>	<u>590,423</u>
Other capital assets being depreciated:				
Water and sewer system	8,902,180	969,268	-	9,871,448
Buildings	94,767	-	-	94,767
Machinery and equipment	932,485	-	13,575	918,910
Total capital assets being depreciated	<u>9,929,432</u>	<u>969,268</u>	<u>13,575</u>	<u>10,885,125</u>
Total capital assets	<u>10,875,029</u>	<u>996,269</u>	<u>395,750</u>	<u>11,475,548</u>
Accumulated depreciation:				
Water and sewer system	4,211,109	154,032	-	4,365,141
Buildings	73,276	1,574	-	74,850
Machinery and equipment	842,295	22,344	13,575	851,064
Total accumulated depreciation	<u>5,126,680</u>	<u>177,950</u>	<u>13,575</u>	<u>5,291,055</u>
Business-type activities capital assets, net	<u>\$ 5,748,349</u>	<u>\$ 818,319</u>	<u>\$ 382,175</u>	<u>\$ 6,184,493</u>

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – LONG-TERM DEBT

Notes Payable – The City has entered into a number of notes with the Georgia Environmental Finance Authority (GEFA) and the United States Department of Agriculture (USDA) Rural Development with balances at June 30, 2015, as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
GEFA (99-L26WJ), payable in quarterly installments of \$19,472 including interest at 4.75% through June 1, 2021	-	\$ 404,485
GEFA (2004-L22WQ), payable in monthly installments of \$2,406 including interest at 3.82% through October 1, 2016	-	37,459
GEFA (2013-L20WQ), payable in monthly installments of \$4,985 including interest at 2.40% through August 1, 2035	-	949,394
USDA Rural Development, payable in annual installments of \$10,175 including interest at 3.375% through June 14, 2017 (purchase of police vehicles)	\$ 19,360	-
	<u>\$ 19,360</u>	<u>\$ 1,391,338</u>

Annual debt service requirements to amortize all notes payable outstanding at June 30, 2015 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	9,509	666	10,175	118,783	37,819	156,602
2017	9,851	324	10,175	110,346	36,971	147,317
2018	-	-	-	104,763	32,940	137,703
2019	-	-	-	108,886	28,817	137,703
2020	-	-	-	113,185	24,518	137,703
2021-2025	-	-	-	296,221	80,819	377,040
2026-2030	-	-	-	248,766	50,319	299,085
2031-2035	-	-	-	280,449	18,636	299,085
2036	-	-	-	9,939	30	9,969
Total	<u>\$ 19,360</u>	<u>\$ 990</u>	<u>\$ 20,350</u>	<u>\$ 1,391,338</u>	<u>\$ 310,869</u>	<u>\$ 1,702,207</u>

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – LONG-TERM DEBT (Continued)

Capital Leases – Georgia Municipal Association (GMA) – The City has entered into lease agreements with GMA to purchase a dump truck costing \$68,776, four other vehicles costing \$127,300, server upgrades costing \$16,428, and vehicle accessories costing \$21,867 for governmental activities. Depreciation expense on these capital assets was \$34,756, and accumulated depreciation was \$117,830 at June 30, 2015. The City has entered into agreements with GMA to purchase a sewer jetter costing \$46,633 and one vehicle costing \$24,689 for business-type activities. Depreciation expense on these capital assets was \$7,201, and accumulated depreciation was \$30,061 at June 30, 2015.

The capital leases require annual payments including interest as follows:

Year	Governmental Activities			Business - Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	47,299	2,888	50,187	11,872	404	12,276
2017	19,108	1,337	20,445	-	-	-
2018	14,015	704	14,719	-	-	-
2019	6,795	212	7,007	-	-	-
Total	<u>\$ 87,217</u>	<u>\$ 5,141</u>	<u>\$ 92,358</u>	<u>\$ 11,872</u>	<u>\$ 404</u>	<u>\$ 12,276</u>

NOTE 10 – CHANGES IN LONG-TERM DEBT

	Outstanding 10/1/2014	Additions	Reductions	Outstanding 6/30/2015	Amounts Due in One Year
Governmental Activities					
Capital leases	\$ 126,168	-	\$ 38,951	\$ 87,217	\$ 47,299
USDA loan	28,571	-	9,211	19,360	9,509
Compensated absences	69,729	-	4,343	65,386	-
Total Governmental Activities	<u>\$ 224,468</u>	<u>\$ -</u>	<u>\$ 52,505</u>	<u>\$ 171,963</u>	<u>\$ 56,808</u>
Business-Type Activities					
Notes payable	\$ 505,226	\$ 949,394	63,282	\$ 1,391,338	\$ 118,783
Capital leases	18,161	-	6,289	11,872	11,872
Compensated absences	14,780	-	3,194	11,586	-
Total Business-Type Activities	<u>\$ 538,167</u>	<u>\$ 949,394</u>	<u>\$ 72,765</u>	<u>\$ 1,414,796</u>	<u>\$ 130,655</u>

The capital lease obligations for governmental funds will be paid from the General Fund and for business-type activities from the Water and Sewer System Fund. The USDA loan will be paid from the General Fund. The compensated absences liability for governmental funds will be paid from the General Fund and for business-type activities from the Water and Sewer System Fund. Principal and interest payments related to notes payable for the City's Water and Sewer System are financed from income derived from the operation of the Water and Sewer System.

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – EMPLOYEE RETIREMENT PLAN

The City of Metter Retirement Plan is a defined contribution plan which was adopted by resolution of the City Council and was effective January 1, 1994 to provide retirement benefit to plan members. The plan is administered by the City of Metter. The 2014 calendar year covered payroll was \$1,269,195 and the total 2014 calendar year payroll was \$1,303,723. The plan is open to all full-time employees with more than one year of service.

Employees are 100% vested in the City contribution after five years of service. The contribution for the nine months ended June 30, 2015 to the City funded plan was \$96,550 which is 7.6% of the 2014 calendar year covered payroll. Employees do not contribute to this plan and the City does not have a required contribution. Contributions are established by the City Council on an annual basis.

NOTE 12 – CONTINGENT LIABILITIES

As of June 30, 2015, there was no pending litigation that would have a material effect on the financial statements.

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters. The City carries commercial insurance to cover these risks. The City joined the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the City in defense and settlement of claims. GIRMA's basis for establishing the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at June 30, 2015. No provisions have been made in the financial statements for the nine months ended June 30, 2015 for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (the Fund). As a participant in the Fund, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the Fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the Fund permits the Fund to levy an assessment upon its members to make up any deficiency the Fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

CITY OF METTER, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 14 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the middle Georgia area, is a member of the Heart of Georgia Altamaha Regional Commission (RC) and is required to pay annual dues thereto. During the nine months ended June 30, 2015, the City paid \$3,097 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-33, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes representatives from each county and municipality of the area. OCGA 50-8-39 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Heart of Georgia Altamaha Regional Commission
5405 Oak Street
Eastman, Georgia 31023

NOTE 15 – HOTEL/MOTEL LODGING TAX

The City levies a 7% lodging tax. A summary of the transactions for the nine months ended June 30, 2015 follows:

Lodging tax receipts	\$	50,204
Expenditures		<u>(50,204)</u>
	\$	<u><u>-</u></u>

All expenditures were for promotion of tourism as required by OCGA 48-13-51.

NOTE 16 – CHANGE IN REPORTING DATE

The City elected to change its fiscal year end from September 30 to June 30. The change to June 30 is for the purpose of having the same reporting year as the Candler County Board of Commissioners, who the City is engaged with on multiple intergovernmental agreements. Due to the change, the period ended June 30, 2015 is a nine month period for financial reporting purposes.

CITY OF METTER, GEORGIA
SCHEDULE OF PROJECTS PAID WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE NINE MONTHS ENDED JUNE 30, 2015

2005 SPLOST

	Original Estimated Cost	Current Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Water system improvements	\$ 950,000	\$ 950,000	\$ 181,627	-	\$ 181,627	19%
Sewer system improvements	875,000	875,000	785,736	\$ 10,596	796,332	91%
Street and drainage improvements	630,000	630,000	543,404	10,899	554,303	88%
Public building projects	800,000	800,000	353,741	10,500	364,241	46%
Acquisition of new equipment	375,000	375,000	325,000	-	325,000	87%
Totals	\$ 3,630,000	\$ 3,630,000	\$ 2,189,508	\$ 31,995	\$ 2,221,503	61%

2011 SPLOST

	Original Estimated Cost	Current Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Water and sewer system improvements	\$ 1,360,000	\$ 1,360,000	\$ 42,359	\$ 109,758	\$ 152,117	11%
Street improvements	600,000	600,000	82,697	30,158	112,855	19%
Drainage improvements	200,000	200,000	27,150	16,300	43,450	22%
Construction/improvements of public facilities	300,000	300,000	5,616	2,500	8,116	3%
Acquisition of vehicles and equipment	540,000	540,000	243,044	38,470	281,514	52%
Esthetic enhancements (City entrance signs)	100,000	100,000	-	-	-	0%
Totals	\$ 3,100,000	\$ 3,100,000	\$ 400,866	\$ 197,186	\$ 598,052	19%

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

Honorable Mayor and Council
City of Metter, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of City of Metter, Georgia, as of and for the nine months ended September 30, 2015 and the related notes to the financial statements, which collectively comprise City of Metter, Georgia's basic financial statements, and have issued our report thereon dated December 23, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We

did identify certain deficiencies in internal control, described below as 2015-1 and 2015-2 that we consider to be significant deficiencies.

2015-1 Disbursement and recognition of fines revenue

Fines revenue is not being accurately recognized in the City's general ledger. Receipts entered into the new software are not posting properly, causing disbursements of the City's share of fines revenue and add-on fees to be delayed. Although the fines receipts are deposited by City Hall and supported with reports, the City should consider implementing additional procedures, such as a review of citation receipts reports on a monthly basis by a knowledgeable individual to monitor the disbursements to be made each month.

The City has not established procedures to identify and correct in a timely manner any discrepancies between citation receipts and the disbursement of said funds. When the City transitioned to a new software, it did not completely disburse all receipts processed in the old software. Also, all receipts entered into the new software were not disbursed due to certain receipts that were not posted properly within the software. The City should verify that all receipts have been posted, that appropriate reports are utilized for disbursements, and that all receipts have been properly disbursed.

City's response: We concur with this finding. We plan to implement review procedures to be performed by an individual not involved with citation data entry. Also, we plan to begin making disbursements on a monthly basis to ensure that revenue is being recognized and disbursements are made in a timely manner.

2015-2 Time card review and approval for Administrative employees

Administrative employees being paid by the hour are responsible for keeping track of their time worked each day and hand-writing the time on their time card. Although the time cards are being used to calculate payroll, additional controls are necessary to achieve an adequate segregation of duties. The time cards for administrative employees should be reviewed and approved by an individual not responsible for calculating payroll before each pay period is processed.

City's response: We concur with this finding. We plan to implement time card review procedures to be performed by an individual not involved with processing payroll. Also, the individual responsible for reviewing time cards will sign-off after approving the time cards. This will be done prior to processing payroll for each pay period.

Compliance and Other Matters

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

City of Metter, Georgia's Response to Findings

City of Metter, Georgia's response to the findings identified in our audit is described above. City of Metter, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Thigpen, Lanier, Westerfill & Dal

Statesboro, Georgia
December 23, 2015