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**CITY OF QUITMAN, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**AND SPECIAL REPORTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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## CITY OF QUITMAN, MISSISSIPPI

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# ***Stephen D. Myrick C.P.A., L.L.C.***

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## **INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Aldermen  
and Honorable Mayor  
City of Quitman, Mississippi

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Quitman, Mississippi, (the City) as of and for the year ended September 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, each major fund and the aggregate remaining fund information of the City of Quitman, Mississippi as of September 30, 2015, and the respective changes in financial

position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule and corresponding notes 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.

##### *Omission of Required Supplementary Information*

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

##### *Other Information*

The Schedule of Surety Bonds for City Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of the City of Quitman, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Quitman, Mississippi's internal control over financial reporting and compliance.



Stephen D. Myrick  
Certified Public Accountant

Quitman, Mississippi  
December 30, 2015

## **FINANCIAL STATEMENTS**



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**City of Quitman, Mississippi**  
**Statement of Net Position**  
**September 30, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 699,895	\$ 951,248	\$ 1,651,143
Property tax receivable	508,000	-	508,000
Franchise fees receivable	59,905	-	59,905
Accounts receivable (net of allowance for uncollectibles of \$88,562)	-	67,513	67,513
Fines receivable (net of allowance for uncollectibles of \$567,471)	235,822	-	235,822
Intergovernmental receivables	53,397	-	53,397
Restricted assets	-	77,859	77,859
Capital assets:			
Land	402,881	18,591	421,472
Other capital assets, net	520,315	1,469,379	1,989,694
Total Assets	<u>2,480,215</u>	<u>2,584,590</u>	<u>5,064,805</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	286,272	121,116	407,388
Total Deferred Outflows of Resources	<u>286,272</u>	<u>121,116</u>	<u>407,388</u>
<b>LIABILITIES</b>			
Claims payable	37,817	51,043	88,860
Liabilities payable from restricted assets	-	77,859	77,859
Long-term liabilities:			
Net pension liability	1,634,893	691,694	2,326,587
Due within one year:			
Capital debt	37,555	52,021	89,576
Due in more than one year:			
Capital debt	39,540	142,984	182,524
Total Liabilities	<u>1,749,805</u>	<u>1,015,601</u>	<u>2,765,406</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenues - property taxes	508,000	-	508,000
Total Deferred Inflows of Resources	<u>508,000</u>	<u>-</u>	<u>508,000</u>
<b>NET POSITION</b>			
Net investment in capital assets	846,101	1,292,965	2,139,066
Restricted for:			
Expendable:			
Public works	-	397,140	397,140
Unemployment compensation	25,605	-	25,605
Unrestricted	(363,024)	-	(363,024)
Total Net Position	<u>\$ 508,682</u>	<u>\$ 1,690,105</u>	<u>\$ 2,198,787</u>

The notes to the financial statements are an integral part of this statement.

**City of Quitman, Mississippi**  
**Statement of Activities**  
**For the Year Ended September 30, 2015**

<b>Functions/Programs</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>	
	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
<b>Governmental Activities:</b>					
General government	\$ 274,106	\$ -	\$ -	\$ (274,106)	\$ -
Public safety	586,661	52,499	24,405	(509,757)	-
Public works	541,170	-	-	(541,170)	-
Culture and recreation	178,856	-	-	(178,856)	-
Interest on long-term debt	3,850	-	-	(3,850)	-
Pension expense	194,851	-	-	(194,851)	-
Total Governmental Activities	1,779,494	52,499	24,405	(1,702,590)	-
<b>Business-type Activities:</b>					
Water and sewer	637,069	551,797	-	-	128,640
Garbage collection	252,519	192,797	-	-	(59,722)
Total Business-type Activities	889,588	744,594	213,912	-	68,918
Total Government	\$ 2,669,082	\$ 797,093	\$ 213,912	(1,702,590)	(1,633,672)
<b>General revenues:</b>					
Property taxes				714,057	-
Sales taxes				567,182	-
Licenses and permits				200,263	-
Grants and contributions not restricted to specific programs				64,219	-
Unrestricted gifts & donations				750	-
Unrestricted interest income				2,510	3,601
Miscellaneous				62,263	741
Transfers				(9,960)	9,960
Total General Revenues				1,601,284	14,302
Changes in Net Position				(101,306)	83,220
Net Position - Beginning, as previously reported				1,788,371	2,105,438
Prior period adjustment				(1,178,383)	(498,553)
Net Position - Beginning, as restated				609,988	1,606,885
Net Position - Ending				\$ 508,682	\$ 1,690,105

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The notes to the financial statements are an integral part of this statement.

**City of Quitman, Mississippi**  
**Balance Sheet - Governmental Funds**  
**September 30, 2015**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 649,077	\$ 50,818	\$ 699,895
Property tax receivable	508,000	-	508,000
Franchise fees receivable	59,903	-	59,903
Fines receivable (net of allowance for uncollectibles of \$567,471)	235,822	-	235,822
Intergovernmental receivables	53,397	-	53,397
Total Assets	<u>\$ 1,506,199</u>	<u>\$ 50,818</u>	<u>\$ 1,557,017</u>
<b>LIABILITIES</b>			
Claims payable	<u>\$ 34,235</u>	<u>\$ 3,582</u>	<u>\$ 37,817</u>
Total Liabilities	<u>34,235</u>	<u>3,582</u>	<u>37,817</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue - property taxes	508,000	-	508,000
Unavailable revenue - fines	235,822	-	235,822
Total Deferred Inflows of Resources	<u>743,822</u>	<u>-</u>	<u>743,822</u>
Fund balances:			
Restricted for:			
Public safety	-	21,631	21,631
Unemployment compensation	-	25,605	25,605
Unassigned	728,142	-	728,142
Total Fund Balances	<u>728,142</u>	<u>47,236</u>	<u>775,378</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,506,199</u>	<u>\$ 50,818</u>	<u>\$ 1,557,017</u>

The notes to the financial statements are an integral part of this statement.

**City of Quitman, Mississippi**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**September 30, 2015**

	Amount
Total Fund Balance - Governmental Funds	\$ 775,378
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$1,329,111.	923,196
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	235,822
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(77,095)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(1,634,893)
Deferred outflows related to pensions are applicable to future periods and, therefore, are not reported in the funds.	286,272
Rounding	2
Total Net Position - Governmental Activities	\$ 508,682

The notes to the financial statements are an integral part of this statement.

**City of Quitman, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**September 30, 2015**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property taxes	\$ 713,307	\$ 750	\$ 714,057
Sales tax	567,182	-	567,182
Licenses, commissions and other revenue	200,263	-	200,263
Fines and forfeitures	65,520	-	65,520
Intergovernmental revenues	75,984	12,640	88,624
Interest income	2,367	143	2,510
Miscellaneous revenues	63,013	-	63,013
Total Revenues	<u>1,687,636</u>	<u>13,533</u>	<u>1,701,169</u>
<b>EXPENDITURES</b>			
Current:			
General government	275,068	-	275,068
Public safety	552,481	8,800	561,281
Public works	547,887	-	547,887
Culture and recreation	181,784	-	181,784
Debt service:			
Principal	35,540	-	35,540
Interest	3,850	-	3,850
Total Expenditures	<u>1,596,610</u>	<u>8,800</u>	<u>1,605,410</u>
Excess of Revenues over (under) Expenditures	<u>91,026</u>	<u>4,733</u>	<u>95,759</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	273	200	473
Transfers out	(10,160)	(273)	(10,433)
Total Other Financing Sources and Uses	<u>(9,887)</u>	<u>(73)</u>	<u>(9,960)</u>
Net Changes in Fund Balances	81,139	4,660	85,799
Fund Balances - Beginning	647,003	42,576	689,579
Fund Balances - Ending	<u>\$ 728,142</u>	<u>\$ 47,236</u>	<u>\$ 775,378</u>

The notes to the financial statements are an integral part of this statement.

**City of Quitman, Mississippi**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2015**

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 85,799
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$7,790 exceeded depreciation of \$47,014 in the current period.	(39,224)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(13,187)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$35,540 exceeded debt proceeds of \$0.	35,540
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(194,851)
Recording of contributions made subsequent to the measurement date	24,613
Rounding	4
Change in Net Position of Governmental Activities	<u>\$ (101,306)</u>

The notes to the financial statements are an integral part of this statement.

**City of Quitman, Mississippi**  
**Statement of Net Position - Proprietary Funds**  
**September 30, 2015**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Garbage Collection Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 773,907	\$ 177,341	\$ 951,248
Accounts receivable (net of allowance for uncollectibles of \$64,651 and \$23,912, respectively)	49,583	17,930	67,513
Intergovernmental receivable	-	-	-
Total Current Assets	823,490	195,271	1,018,761
Noncurrent assets:			
Restricted assets	77,859	-	77,859
Capital assets:			
Land	18,591	-	18,591
Other capital assets, net	1,330,257	139,122	1,469,379
Total Noncurrent Assets	1,426,707	139,122	1,565,829
Total Assets	\$ 2,250,197	\$ 334,393	\$ 2,584,590
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	82,822	38,294	121,116
Total Deferred Outflows of Resources	82,822	38,294	121,116
<b>LIABILITIES</b>			
Current liabilities:			
Claims payable	\$ 29,738	\$ 21,305	\$ 51,043
Capital debt:			
Equipment notes payable	11,100	40,921	52,021
Total Current Liabilities	40,838	62,226	103,064
Noncurrent liabilities:			
Liabilities payable from restricted assets	77,859	-	77,859
Net pension liability	472,995	218,699	691,694
Capital debt:			
Equipment notes payable	99,900	43,084	142,984
Total Noncurrent Liabilities	650,754	261,783	912,537
<b>NET POSITION</b>			
Net investment in capital assets	1,237,848	55,117	1,292,965
Restricted for:			
Public works	403,579	(6,439)	397,140
Total Net Position	\$ 1,641,427	\$ 48,678	\$ 1,690,105

The notes to the financial statements are an integral part of this statement.



**City of Quitman, Mississippi**  
**Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds**  
**For the Year Ended September 30, 2015**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Garbage Collection Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Water sales	\$ 291,483	\$ -	\$ 291,483
Sewer charges	238,497	-	238,497
Garbage fees	-	176,025	176,025
Other services	22,558	16,772	39,330
Total Operating Revenues	<u>552,538</u>	<u>192,797</u>	<u>745,335</u>
<b>Operating Expenses</b>			
Personal services	232,688	108,876	341,564
Pension expense	56,373	26,065	82,438
Contractual services	117,850	14,695	132,545
Materials and supplies	121,860	45,533	167,393
Depreciation expense	45,280	33,617	78,897
Insurance premiums	63,021	19,535	82,556
Total Operating Expenses	<u>637,072</u>	<u>248,321</u>	<u>885,393</u>
Operating Income (Loss)	<u>(84,534)</u>	<u>(55,524)</u>	<u>(140,058)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	3,012	589	3,601
Intergovernmental grants	213,912	-	213,912
Interest expense	-	(4,195)	(4,195)
Net Nonoperating Revenue (Expenses)	<u>216,924</u>	<u>(3,606)</u>	<u>213,318</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	132,390	(59,130)	73,260
Transfers in	9,960	-	9,960
Change in Net Position	<u>142,350</u>	<u>(59,130)</u>	<u>83,220</u>
Net Position - Beginning, as previously reported	1,839,998	265,440	2,105,438
Prior period adjustment	(340,921)	(157,632)	(498,553)
Net Position - Beginning, as restated	<u>1,499,077</u>	<u>107,808</u>	<u>1,606,885</u>
Net Position - Ending	<u>\$ 1,641,427</u>	<u>\$ 48,678</u>	<u>\$ 1,690,105</u>

The notes to the financial statements are an integral part of this statement.

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**City of Quitman, Mississippi**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended September 30, 2015**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Garbage Collection Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 547,491	\$ 190,508	\$ 737,999
Payments to suppliers	(403,856)	(53,094)	(456,950)
Payments to employees	(238,038)	(109,956)	(347,994)
Payments for insurance premiums	(63,021)	(19,535)	(82,556)
Net Cash Provided (Used) by Operating Activities	(157,424)	7,923	(149,501)
<b>Cash Flows From Noncapital Financing Activities</b>			
Cash received from other funds:			
Operating transfers in	9,960	-	9,960
Net Cash Provided (Used) by Noncapital Financing Activities	9,960	-	9,960
<b>Cash Flows From Capital and Related Financing Activities</b>			
Proceeds of long-term debt	111,000	-	111,000
Capital grants received	389,426	-	389,426
Acquisition and construction of capital assets	(358,168)	-	(358,168)
Principal paid on long-term debt	-	(38,724)	(38,724)
Interest paid on debt	-	(4,194)	(4,194)
Net Cash Provided (Used) by Capital and Related Financing Activities	142,258	(42,918)	99,340
<b>Cash Flows From Investing Activities</b>			
Interest on deposits	3,012	589	3,601
Net Cash Provided (Used) by Investing Activities	3,012	589	3,601
Net Increase (Decrease) in Cash and Cash Equivalents	(2,194)	(34,406)	(36,600)
Cash and Cash Equivalents at Beginning of Year (includes \$72,279 of restricted cash in Water and Sewer Fund)	853,960	211,746	1,065,706
Cash and Cash Equivalents at End of Year (includes \$77,859 of restricted cash in Water and Sewer Fund)	\$ 851,766	\$ 177,340	#####
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (84,534)	\$ (55,524)	\$ (140,058)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	45,280	33,618	78,898
Provision for uncollectible accounts	7,777	1,792	9,569
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(9,862)	(1,930)	(11,792)
Increase (decrease) in customer deposits payable	5,580	-	5,580
Increase (decrease) in claims payable	(170,917)	7,195	(163,722)
Increase (decrease) in net pension liability	49,252	22,773	72,025
Total Adjustments	(72,890)	63,448	(9,442)
Net Cash Provided (Used) by Operating Activities	\$ (157,424)	\$ 7,924	\$ (149,500)

The notes to the financial statements are an integral part of this statement.

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**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2015**

**Note 1: Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying financial statements of the City of Quitman, Mississippi have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

**B. Financial Reporting Entity**

The City of Quitman, Mississippi ("City") is a municipal corporation which was incorporated on February 6, 1901. The City is governed by an elected mayor and five-member board of aldermen. Accounting principles generally accepted in the United States of America require the City to present these financial statements on the primary government and its component units, if applicable which have significant operational or financial relationships with the City. There are no outside organizations that should be included as component units of the City's reporting entity.

**C. Government-wide and Fund Financial Statements**

Government-wide Financial Statements - The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the City. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for services.

The Statement of Net Position reports all of the City's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of September 30, 2015, with the difference reported as net position.

The Government-wide Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and thus, are clearly identifiable to a particular function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. General revenues include taxes and any sources of revenue that are not reported as program revenues.

Fund Financial Statements – Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Government-Wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the City. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as non-operating.

**CITY OF QUITMAN, MISSISSIPPI**  
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Governmental fund financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. Revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year end to liquidate liabilities existing at the end of the fiscal year. The City considers revenues received within 60 days after fiscal year end as available. Significant revenue sources that are susceptible to accrual include property taxes, state appropriations, and federal awards. Licenses, fees, permits and other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures for goods and services are recognized upon receipt of said goods and services. Expenditures for debt service, compensated absences, and claims and judgments are recognized only when payment is due.

The City reports the following major Governmental Fund:

General Fund – This fund accounts for all activities of the City not specifically required to be accounted for in other funds. Transactions are related to general government, justice, public safety, public works, health and social services, culture and recreation, and economic development.

The City reports the following major Enterprise Funds:

Water and Sewer Fund – This fund is used to account for the activities associated with the City's water distribution and sewage collection systems.

Garbage Collection Fund – This fund is used to account for the activities associated with the City's garbage collection system.

Additionally, the City reports the following funds:

**GOVERNMENTAL FUNDS**

Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Funds – These funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the City's programs.

**PROPRIETARY FUNDS**

Enterprise Funds – These funds account for operations where the intent of the City is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**FIDUCIARY FUNDS**

Agency Funds – These funds account for receipt of various taxes, deposits and other monies collected or held by the City, in a purely custodial capacity, until distributed to other governmental units or designated beneficiaries.

**CITY OF QUITMAN, MISSISSIPPI**  
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**E. Cash and Cash Equivalents**

Cash and cash equivalents include bank accounts, petty cash, money market demand accounts, money market mutual funds, and certificates of deposit with a maturity date within 90 days of the date acquired by the City.

**F. Investments**

Investments are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements.

**G. Receivables**

Receivables represent amounts due to the City for revenue earned that will be collected sometime in the future. Receivables are reported net of allowances for uncollectible accounts where applicable.

**H. Inter-fund Activity**

In general, eliminations have been made to minimize the double-counting of internal activity on the government-wide financial statements. However, inter-fund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures of the disbursing fund. Reimbursements of expenditures made by one fund to another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

**I. Inter-fund Balances**

Inter-fund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for residual amounts due between governmental and business-type activities, which are reported on the governmental-wide Statement of Net Position as "Internal balances". Fiduciary funds' receivables and payables have been reclassified to other receivables and other payables, respectively, on the government-wide Statement of Net Position.

Transactions between funds that represent short-term lending/borrowing arrangements and transactions for which the actual transfer of cash had not occurred as of year-end are reported to as "Due to/from other funds" on the fund financial statements.

**J. Restricted Assets**

The City requires new users of its water and sewer system to pay a meter deposit up front in order to use the City's water and sewer systems. The City is required to maintain these deposits in a separate bank account and return this deposit to the customer upon discontinuation of service. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

**K. Capital Assets**

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental or business-type activities column in the government-wide financial statements. Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. All purchased capital assets are stated at historical cost

**CITY OF QUITMAN, MISSISSIPPI**  
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where records are available and at an estimated historical cost where no records exist. Donated capital assets are recorded at their fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

GASB standards allow governments meeting certain criteria to elect not to report infrastructure assets retroactively. The City meets this criteria and has so elected; accordingly, infrastructure acquired prior to October 1, 2002 are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because non-capitalization of interest does not have a material effect on the City's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capital assets, excluding land and construction, are depreciated using the straight-line method over the estimated service lives of the respective assets. The capitalization and estimated useful lives applicable to the City's capital assets are as follows:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ -	N/A
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-10 years
Leased assets under capital leases	*	*
Infrastructure	-	20-50 years

\* Leased assets are capitalized and depreciated in accordance with the policy applicable to each asset.

**L. 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.

Deferred outflows related to pensions – This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates. See Note 10 for additional details.

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.

Property tax for future reporting period/unavailable revenue -- property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue -- fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2015**

**M. Pensions**

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

**N. Long-term Debt**

Debt proceeds, premiums, and discounts are reported as other financing sources in the governmental fund financial statements. In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as refunding charges (the difference between the carrying amount of redeemed/defeased debt and its acquisition price), are deferred and amortized over the life of the bonds using the straight-line method. Bonds, capital leases, and other loans payable are reported net of the applicable unamortized premium and discount while refunding charges are reported as deferred outflows or deferred inflows of resources. Issuance costs are recognized as debt service expenditures/expenses in the period incurred.

**O. Compensated Absences**

The City does not allow employees to accumulate unused vacation pay. The City does allow employees to accumulate sick leave up to a maximum of sixty days. However, these benefits do not vest; therefore, no liability for compensated absences has been accrued.

**P. Net Position/Fund Balances**

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is reported as Net Position on the government-wide and proprietary financial statements and as Fund Balance on the governmental funds financial statements.

GAAP requires that net position be subdivided into three categories:

*Net investment in capital assets* – Capital assets, net of accumulated depreciation and related deferred outflows of resources reduced by outstanding balances for bonds, notes, and other debt net of unspent debt proceeds and related deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* – Assets and deferred outflows of resources less any related liabilities and deferred inflows of resources that are restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provision or enabling legislation.

*Unrestricted net position* – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not classified as net investment in capital assets or restricted net position.

Fund Balances of governmental funds are classified as:

*Restricted* – Amounts where legally enforceable constraints are imposed by an external party such as a grantor, or by the constitution, or by the Board of Aldermen at the same time the revenue is created.

*Unassigned* – The residual amount of the General Fund, which is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred for purposes in which all classifications of spendable fund balance are available, it is the City's general policy to use restricted resources first.



**CITY OF QUITMAN, MISSISSIPPI**  
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**Q. Property Tax Revenues**

Numerous statutes exist under which the Board of Aldermen may levy property taxes, the selection of which is dependent on the objectives and responsibilities of the City. Restrictions on the proceeds of property tax levies vary with the statutory authority.

The increase in certain property taxes is limited by state statute. Generally, the limitation provides that these certain tax levies shall produce no more than 110% of the amount collected from the same levies in the previous year.

Each year at a September board meeting, the Board of Aldermen levies property taxes for the ensuing fiscal year that begins on October 1. Real property taxes become a lien on January 1 of the current year, while personal property taxes become a lien as of March 1 of the current year. However, taxes on both real and personal property are due on or before February 1 of the subsequent year. Taxes on motor vehicles and mobile homes are collected by the county tax collector on behalf of the City and become a lien and are due in the month of original purchase.

Real and personal property tax revenues are recognized in the year for which they are levied in accordance with GAAP. However, because the revenues are not currently available, a deferred inflow of resources is recorded for this amount. Motor vehicle and mobile home taxes do not meet the GAAP measurability and collectability criteria because the lien and due date cannot be established until the date of original purchase. Accordingly, no amount is accrued for these taxes in the financial statements.

The total millage rate of the City for January through December 2015 is 33.27 mills; 32.27 mills for general government operations, and 1.0 mill for library operations.

**R. Intergovernmental Revenues**

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are generally recorded when measurable and available. State and federal reimbursement-type grants and assistance awards are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with the terms of the grant agreements and applicable regulations.

**S. Changes in Accounting Standards**

The City implemented the following standards issued by GASB in the current fiscal year as required:

- GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 2.*
- GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

**Note 2: Prior Period Adjustment**

The significant Net Position/Fund Balance adjustment is as follows:

Exhibit 2 - Statement of Activities

Explanation	Governmental Activities	Business-type Activities
Implementation of GASB 68 and 71:		
Net pension liability (measurement date)	\$ 1,280,264	\$ 541,658
Deferred outflows - contributions made during fiscal year 2014	(101,881)	(43,105)
Total prior period adjustment related to GASB 68 and 71	<u>\$ 1,178,383</u>	<u>\$ 498,553</u>

**Note 3: Deposits**

Section 27-105-5, Mississippi Code Ann. (1972) authorizes the State Treasurer to implement a statewide collateral pool program which secures all local public funds deposits through a centralized system of pledging securities to the

**CITY OF QUITMAN, MISSISSIPPI**  
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State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured.

*Custodial Credit Risk* - Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the City would not be able to recover deposits or collateral securities that are in possession of an outside party. The City does not have a formal policy for custodial credit risk and relies on the program implemented by the State Treasurer as described in the preceding paragraph for all deposits in excess of FDIC coverage. The carrying amount of the City's total deposits with financial institutions at September 30, 2015, was \$1,729,002 and the bank balance was \$1,744,390.

**Note 4: Intergovernmental Receivables**

At September 30, 2015, intergovernmental receivables consisted of:

Description	Amount
Governmental Activities:	
Sales Tax	\$ 44,461
Motor Vehicle License Tax	7,462
County Road Tax	1,474
Total Governmental Activities	<u>\$ 53,397</u>

**Note 5: Accounts and Fines Receivable**

At September 30, 2015, accounts and fines receivable consisted of:

Governmental Activities			
			Amount
Fines receivable			\$ 803,293
Allowance for uncollectibles			(567,471)
Fines receivable, net			<u>\$ 235,822</u>
Business Activities			
	Water and Sewer Fund	Garbage Collection Fund	Total
Accounts receivable	\$ 114,234	\$ 41,842	\$ 156,076
Allowance for uncollectibles	(64,651)	(23,912)	(88,563)
Accounts receivable, net	<u>\$ 49,583</u>	<u>\$ 17,930</u>	<u>\$ 67,513</u>

**Note 6: Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Water and Sewer Fund	\$ 9,960
	Other Governmental Funds	200
Other Governmental Funds	General Fund	273
Total		<u>\$ 10,433</u>

The principal purpose of the above inter-fund transfers was to reclassify funds to their correct location.

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2015**

**Note 7: Restricted Assets**

The balance of the restricted asset account in the City's Water and Sewer fund represents customer meter deposits in the amount of \$77,859.

**Note 8: Capital Assets**

Capital assets activity for the year ended September 30, 2015, was as follows:

**Governmental Activities:**

	Balance October 1, 2014	Additions	Deletions	Adjustments	Balance September 30, 2015
Non-depreciable capital assets					
Land	\$ 402,881	\$ -	\$ -	\$ -	\$ 402,881
Total non-depreciable capital assets	402,881	-	-	-	402,881
Depreciable capital assets					
Buildings	409,892	-	-	-	409,892
Improvements other than buildings	219,371	-	-	-	219,371
Mobile equipment	862,501	-	-	-	862,501
Furniture and equipment	349,872	7,790	-	-	357,662
Total depreciable capital assets	1,841,636	7,790	-	-	1,849,426
Less: accumulated depreciation:					
Buildings	(166,480)	(8,198)	-	-	(174,678)
Improvements other than buildings	(175,497)	-	-	-	(175,497)
Mobile equipment	(625,235)	(37,414)	-	-	(662,649)
Furniture and equipment	(314,885)	(1,402)	-	-	(316,287)
Total accumulated depreciation	(1,282,097)	(47,014)	-	-	(1,329,111)
Total depreciable capital assets, net	559,539	(39,224)	-	-	520,315
Governmental activities capital assets, net	\$ 962,420	\$ (39,224)	\$ -	\$ -	\$ 923,196

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 3,385
Public safety	36,008
Highways and streets	1,406
Culture and recreation	6,215
Total depreciation expense - Governmental activities	\$ 47,014

**Business-type Activities:**

	Balance October 1, 2014	Additions	Deletions	Construction In Progress Completed	Adjustments	Balance September 30, 2015
Non-depreciable capital assets						
Construction in progress	\$ 233,013	\$ 213,913	\$ -	\$ (446,926)	\$ -	\$ -
Land	18,591	-	-	-	-	18,591
Total non-depreciable capital assets	251,604	213,913	-	(446,926)	-	18,591
Depreciable capital assets						
Machinery & equipment	3,839,286	144,255	-	446,926	(20,761)	4,409,706
Mobile equipment	366,128	-	-	-	20,761	386,889
Total depreciable capital assets	4,205,414	144,255	-	446,926	-	4,796,595
Less: accumulated depreciation:						
Machinery & equipment	(3,014,882)	(41,621)	-	-	-	(3,056,503)
Mobile equipment	(235,437)	(37,276)	-	-	-	(272,713)
Total accumulated depreciation	(3,248,319)	(78,897)	-	-	-	(3,327,216)
Total depreciable capital assets, net	957,095	65,358	-	446,926	-	1,469,379
Business-type activities capital assets, net	\$ 1,208,699	\$ 279,271	\$ -	\$ 446,926	\$ -	\$ 1,487,970

This adjustment was made to correct an error in classification of certain assets in a prior year.

**CITY OF QUITMAN, MISSISSIPPI**  
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Depreciation expense was charged to the following functions:

Business-type Activities:	Amount
Water and sewer	\$ 45,280
Garbage collection	33,617
Total depreciation expense - Business-type activities	<u>\$ 78,897</u>

**Note 9: Deferred Outflows of Resources**

The City reports deferred outflows related to pensions in this category on the Government-wide Statement of Net Position. This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates. Refer to Note 10 for additional details.

**Note 10: Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description* - The City of Quitman, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

*Benefits Provided* - Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions* - At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014 and 2013 were \$148,772, \$144,985 and \$127,302, respectively, equal to the required contributions for each year.

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions**

At September 30, 2015, the City reported a liability of \$2,326,587 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was .000151 percent, which was a decrease of .000014 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the City recognized pension expense of \$277,289. At September 30, 2015 the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 35,805
Net difference between projected and actual earnings on pension plan investments	136,130
Changes of assumptions	200,428
City contributions subsequent to the measurement date	35,025
Total	<u>\$ 407,388</u>

\$407,388 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30	Amount
2016	\$ (120,883)
2017	(120,883)
2018	(96,565)
2019	(34,033)
Total	<u>\$ (372,364)</u>

*Actuarial Assumptions* - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	100 %	

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 3,066,656	\$ 2,326,587	\$ 1,712,470

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Financial Report.

**Note 11: Risk Management**

**Workers' Compensation Benefits**

The City finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident with a one-time \$750,000 deductible, which completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2015 to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2015**

**Note 12: Long-term Debt**

Long-term debt outstanding at September 30, 2015 was as follows:

	Balance October 1, 2014	Additions	Deletions	Adjustments	Balance September 30, 2015	Amount Due within One Year
<b>Governmental Activities</b>						
Other Loan	\$ 112,635	\$ -	\$ 35,540	\$ -	\$ 77,095	\$ 37,555
	<u>\$ 112,635</u>	<u>\$ -</u>	<u>\$ 35,540</u>	<u>\$ -</u>	<u>\$ 77,095</u>	<u>\$ 37,555</u>
<b>Business-type Activities</b>						
Limited Obligation Bond	\$ -	\$ 111,000	\$ -	\$ -	\$ 111,000	\$ 11,100
Other Loan	122,729	-	38,724	-	84,005	40,921
	<u>\$ 122,729</u>	<u>\$ 111,000</u>	<u>\$ 38,724</u>	<u>\$ -</u>	<u>\$ 195,005</u>	<u>\$ 52,021</u>

**a. Limited obligation bonds payable**

Limited obligation bonds are direct obligations and pledge the full faith and credit of the City. The limited obligation bond currently outstanding is as follows:

Business-type Activities	Amount Outstanding	Interest Rate	Final Maturity Date
Description			
Limited Obligation Bond	\$ 111,000	4.59%	3/1/2025

The following is a schedule by years of the total payments due on this debt:

Business-type Activities:

Year Ending September 30	Limited Obligation Bond	
	Principal	Interest
2016	\$ 11,100	\$ 4,654
2017	11,100	4,583
2018	11,100	4,074
2019	11,100	3,564
2020	11,100	3,055
2021-2025	55,500	7,638
	<u>\$ 111,000</u>	<u>\$ 27,568</u>

This debt will be retired from the Water and Sewer Fund.

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2015**

**b. Other loans payable**

Governmental Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2016	\$ 37,555	\$ 1,834
2017	39,540	795
	<u>\$ 77,095</u>	<u>\$ 2,629</u>

This debt will be retired from the General Fund.

Business-type Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2016	\$ 40,921	\$ 1,998
2017	43,084	866
	<u>\$ 84,005</u>	<u>\$ 2,864</u>

This debt will be retired from the Water and Sewer Fund.

**Legal Debt Margin**

Except for specifically exempted debt, the amount of debt that can be incurred by the City is limited by state statute to 15 percent of the assessed value of the taxable property within the City, as determined by the most recently completed assessment. However, the limitation is increased to 20 percent if the City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2015, the amount of outstanding debt subject to the limit was less than one percent of the most recent assessment.

**Note 13: Related Organization**

The City's Mayor and Board of Aldermen are responsible for appointing three members to the board of trustees of the Quitman Public Library, but the City's accountability for this organization does not extend beyond making the appointments. The City appropriated \$44,523 for an operating grant to the Quitman Public Library for the fiscal year 2015. This appropriation is funded by a 1 mill ad valorem millage rate on the citizens and businesses of the City.

**Note 14: Joint Venture**

The City is a participant with the City of Waynesboro and the City of Shubuta in a joint venture to operate Chickasawhay Natural Gas District ("The District"), a special governmental unit established by state statute to provide gas service to the residences of the three cities' citizens and vicinity. The District is governed by a seven-member board of trustees composed of the mayor of each of the three participating cities, two members elected by the customers, one each from Clarke and Wayne counties, one member appointed by the governor of Mississippi and one member appointed by the Mississippi State Legislature. Each of the three cities is not presently obligated by contract to supplement the District's operating revenues. The District's board minutes are silent to a specific formula outlining each participant's claim to joint venture assets, and there is no written joint venture agreement among the participants. Therefore, no explicit and measurable equity interest is deemed to exist. Complete financial statements for the District can be obtained from the District's administrative office at 306 S. Archusa Avenue, Quitman, MS 39355 or call (601) 776-8887.

**Note 15: Contingencies**

Federal Grants – The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions



**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2015**

of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an agency audit may become a liability of the City. The City estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

Litigation - The City is party to legal proceedings that arise in the normal course of governmental operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**Note 16: Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Leadership of the City of Quitman evaluated the activity through December 30, 2015 (the date the financial statements were available to be issued), and determined that no subsequent events require disclosure.

#### **REQUIRED SUPPLEMENTARY INFORMATION**

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**City of Quitman, Mississippi**  
**Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2015**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 714,800	\$ 714,800	\$ 712,138	\$ (2,662)
Licenses, commissions and other revenue	6,700	6,700	4,295	(2,405)
Fines and forfeitures	80,000	80,000	65,520	(14,480)
Intergovernmental revenues	600,700	600,700	632,984	32,284
Grant funds	207,500	207,500	-	(207,500)
Miscellaneous revenues	279,450	279,450	242,717	(36,733)
Total Revenues	<u>1,889,150</u>	<u>1,889,150</u>	<u>1,657,654</u>	<u>(231,496)</u>
<b>EXPENDITURES</b>				
Current:				
General government	293,867	317,250	281,942	35,308
Public safety	642,459	647,667	593,411	54,256
Public works	798,293	801,734	519,329	282,405
Culture and recreation	198,331	206,014	182,684	23,330
Economic development	30,000	30,000	-	30,000
Total Expenditures	<u>1,962,950</u>	<u>2,002,665</u>	<u>1,577,366</u>	<u>425,299</u>
Excess of Revenues over (under) Expenditures	<u>(73,800)</u>	<u>(113,515)</u>	<u>80,288</u>	<u>193,803</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	-	-	(9,960)	(9,960)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(9,960)</u>	<u>(9,960)</u>
Net Change in Fund Balances	(73,800)	(113,515)	70,328	183,843
Fund Balances - Beginning	537,159	500,312	642,871	142,559
Fund Balances - Ending	<u>\$ 463,359</u>	<u>\$ 386,797</u>	<u>\$ 713,199</u>	<u>\$ 326,402</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

**City of Quitman, Mississippi**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years \***

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.015051%	0.015065%
City's proportionate share of the net pension liability (asset)	\$ 2,326,587	\$ 1,828,616
City's covered - employee payroll	\$ 944,584	\$ 920,540
City's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	246.308110%	198.646012%
Plan fiduciary net position as a percentage of the total pension liability	61.700000%	67.210000%

\* The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

The notes to the Required Supplementary Information are an integral part of this schedule.

**City of Quitman, Mississippi**  
**Schedule of District Contributions**  
**PERS**  
**Last 10 Fiscal Years**

	2015
Contractually required contribution	\$ 148,772
Contributions in relation to the contractually required contribution	148,772
Contribution deficiency (excess)	\$ -
City's covered - employee payroll	\$ 944,584
Contributions as a percentage of covered - employee payroll	15.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

The notes to the Required Supplementary Information are an integral part of this schedule.

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**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Required Supplementary Information**  
**For the Year Ended September 30, 2015**

**A. Budgetary Information**

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the department managers for their departments, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When, during the fiscal year, it appears to the Board of Aldermen that the budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

**B. Basis of Presentation**

The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

**C. Budget/GAAP Reconciliation**

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund.

	General Fund
Budget (Cash Basis)	\$ 70,328
Increase (Decrease)	
Net adjustments for revenue accruals	10,811
GAAP Basis	<u>\$ 81,139</u>



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## **SUPPLEMENTAL INFORMATION**

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**City of Quitman, Mississippi**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2015**

<b>Name</b>	<b>Position</b>	<b>Company</b>	<b>Bond Amount</b>
William Fulton	Mayor	Western Surety	50,000
Lisa Harris	City Clerk	Old Republic Surety Company	50,000
Joe Kramer	Police Chief	Old Republic Surety Company	50,000
Lynnita Bartee	Asst. City Clerk	Old Republic Surety Company	50,000
Joyce Cole/Dawn Hollingsworth	Deputy Clerk	Old Republic Surety Company	50,000
Joe Kramer	Court Clerk	Old Republic Surety Company	50,000
Ronald Holloway	Alderman	CNA Surety Company	50,000
Joe Brooks	Alderman	Old Republic Surety Company	50,000
James H. Buchanan	Alderman	Old Republic Surety Company	50,000
Bridgett Peters	Alderman	CNA Surety Company	50,000
Harry Wheat	Alderman	CNA Surety Company	50,000

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## **SPECIAL REPORTS**

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## **Stephen D. Myrick C.P.A., L.L.C.**

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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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Aldermen  
and Honorable Mayor  
City of Quitman, Mississippi

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

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Quitman, Mississippi'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 Quitman, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Quitman, Mississippi'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Quitman, Mississippi'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*.



**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. However, this report is a matter of public record and its distribution is not limited.



Stephen D. Myrick  
Certified Public Accountant

December 30, 2015  
Quitman, Mississippi

## Stephen D. Myrick C.P.A., L.L.C.

103 North Archusa Avenue  
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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Members of the Board of Aldermen  
and Honorable Mayor  
City of Quitman, Mississippi

We have audited the basic financial statements of the City of Quitman, Mississippi as of and for the year ended September 30, 2015 and have issued our report dated December 30, 2015. We have 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*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instance of noncompliance with state laws and regulations. Our finding and recommendation and your response is as follows:

#### I. Finding

As stated in prior years, the City did not comply with the Mississippi Municipal Audit and Accounting Guide that requires municipalities to complete an annual inventory of all fixed assets owned by the municipality. In addition the Municipal Compliance Questionnaire was filed stating that they had conducted an annual inventory of assets, but in actuality, they did not. Without adequate control procedures in place over inventory of capital assets, the risk increases that inaccurate information may be reported or loss or misappropriation of public assets could occur.

#### Recommendation

The City should comply with requirements of the Mississippi Municipal Audit and Accounting Guide that require municipalities to complete an annual inventory of all fixed assets of the City.

#### Response

We will begin to comply with requirements of the Mississippi Municipal Audit and Accounting Guide as it relates to the annual inventory of fixed assets.

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendations noted above.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Stephen D. Myrick".

Stephen D. Myrick  
Certified Public Accountant

Quitman, Mississippi  
December 30, 2015

## **SCHEDULE OF FINDINGS AND RESPONSES**

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**CITY OF QUITMAN, MISSISSIPPI  
Schedule of Findings and Responses  
For the Year Ended September 30, 2015**

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |   |               |
|---|---------------|
| 1. Type of auditor's report issued on the financial statements: | Unmodified    |
| 2. Internal control over financial reporting:                   |               |
| a. Material weakness(es) identified?                            | No            |
| b. Significant deficiency(ies) identified?                      | None Reported |
| 3. Noncompliance material to the financial statements noted?    | No            |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

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