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City Of Guntown

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Clerk

Aldermen

Greg Cagle
Jeff Herring
Petey Hopkins
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Chad McMahan

July 13, 2016

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

RE: Annual Municipal Audit

Accompanying this letter are two copies of the annual audit for the City of Guntown, Mississippi, for the fiscal year ended September 30, 2015; which was presented at our July 5, 2016, Regular Board Meeting. A separate management letter was not written to the City in connection with this audit.

A pdf copy of our audit was e-mailed on July 13, 2016 to Tom Chain in your office by Franks, Franks, Jarrell and Wilemon, P.A.

Sincerely,

Bud Herring
Mayor

BH/smm

Enclosure

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JUL 25 2016

FINANCIAL STATEMENTS
CITY OF GUNTOWN, MISSISSIPPI
Year Ended September 30, 2015

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JUL 25 2016

Franks, Franks, Jarrell & Wilemon, P.A.
Certified Public Accountants

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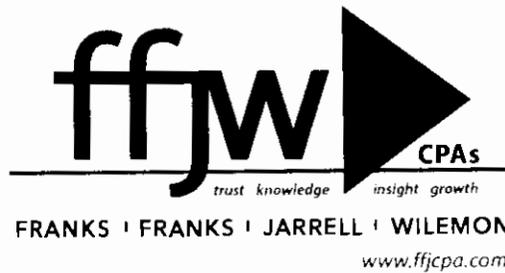
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Guntown, 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 Guntown, Mississippi as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Guntown, Mississippi'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.

Auditors' 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 auditors' 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 Guntown, Mississippi, as of September 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 year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 10 to the financial statements, during 2015, the City of Guntown, Mississippi implemented new accounting standards prescribed by GASB Statement No. 68 for its pension plan, a multiple-employer, cost-

sharing, defined benefit pension plan that has a special funding situation. Because GASB Statement No. 68 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Our opinion is not modified with respect to these matters.

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 3 through 11, the schedule of the City's proportionate share of net pension liability on page 45 and the schedule of the City's contributions on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Guntown, Mississippi's basic financial statements. The combining and individual nonmajor fund financial statements, and other supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The individual fund financial statements, other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements, other supplementary information and the schedule of expenditures of federal awards 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 May 31, 2016, on our consideration of the City of Guntown, 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 Guntown, Mississippi's internal control over financial reporting and compliance.

Franks, Franks, Jarrell + Willemson, P.A.

Fulton, Mississippi
May 31, 2016

CITY OF GUNTOWN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2015

This section of the City of Guntown's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2015. Please read it in conjunction with the City of Guntown financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$4,755,283. Of this amount, \$79,410 may be used to meet the City of Guntown's ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$4,222,938, of which \$898,884 was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Guntown governmental funds reported combined ending fund balances of \$294,477, an increase of \$33,469 in comparison to the prior year. Approximately 62 percent of the combined fund balances, \$181,549 is considered unassigned and is available for spending at the City of Guntown discretion.
- The City of Guntown's total debt is \$3,670,516. New debt in the amount of \$2,072,792 was issued in the current fiscal year. Debt in the amount of \$87,446 was repaid during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City of Guntown.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City of Guntown's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City of Guntown's operations in more detail than the government-wide statements.

The Governmental Funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending. The City of Guntown has two Governmental Fund types: the General Fund and Special Revenue Fund.

Proprietary Fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and includes the Water and Sewer Utility Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major Governmental Funds, each of which are added together and presented in single columns in the basic financial statements.

CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 summarizes the major features of the City of Guntown's financial statements, including the portion of the City of Guntown they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of the City of Guntown's Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary, such as police, fire, and culture and recreation	Activities the City operates similar to private businesses: Water and Sewer System.
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All Position and liabilities, both financial and capital, and short-term and long-term	Only Position expected to be used up and liabilities that come due during the year or soon thereafter, no capital Position included	All Position and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

CITY OF GUNTOWN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the City of Guntown as a whole using accounting methods similar to those used by private-sector companies. The statement of net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City of Guntown's net position and how they have changed. Net Position—the difference between the City of Guntown's assets and liabilities—is one way to measure the City of Guntown's financial health, or position.

- Over time, increases or decreases in the City of Guntown's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City of Guntown, the reader should consider additional non-financial factors such as changes in the City of Guntown's economic environment.
- *Governmental activities* – Most of the City of Guntown's basic services are included here, such as the police, fire, public works, tourism, building inspection, parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City of Guntown charges fees to customers to help it cover the costs of certain services it provides. The City of Guntown's water and sewer systems services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City of Guntown's most significant funds—not the City as a whole. The "fund" level is where the basic unit of financial organization and operation within the City of Guntown exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Alderman establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

CITY OF GUNTOWN, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Guntown has two types of funds:

- **Governmental funds**—most of the City of Guntown's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Guntown's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Statement of Net Position and the Statement of Revenues, Expenditures, and Changes in Net Position. The City of Guntown utilizes two types of governmental funds: the General Fund and Special Revenue Funds.
- **Proprietary funds**—Services for which the City of Guntown charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary fund—Enterprise Funds. The City of Guntown's Enterprise Funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of Proprietary Funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The City of Guntown's assets exceeded liabilities by \$4,755,283 at the close of the most recent fiscal year.

A large portion, 92 percent, of the City's net position reflects its investment in capital assets (such as land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-1

City of Guntown's Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 639,292	\$ 548,209	\$ 955,990	\$ 739,462	\$ 1,595,282	\$ 1,287,671
Noncurrent Assets	<u>635,140</u>	<u>799,255</u>	<u>7,416,503</u>	<u>4,888,558</u>	<u>8,051,643</u>	<u>5,687,813</u>
Total Assets	1,274,432	1,347,464	8,372,493	5,628,020	9,646,925	6,975,484
Deferred Outflows	<u>116,130</u>	<u>0</u>	<u>66,714</u>	<u>0</u>	<u>182,844</u>	<u>0</u>
Total Deferred Outflows	116,130	0	66,714	0	182,844	0
Current and Other Liabilities	75,792	66,836	237,706	997,581	313,498	1,064,417
Long-Term Liabilities	<u>679,300</u>	<u>21,581</u>	<u>4,008,588</u>	<u>1,666,548</u>	<u>4,687,888</u>	<u>1,688,129</u>
Total Liabilities	755,092	88,417	4,246,294	2,664,129	5,001,386	2,752,546
Deferred Inflows	<u>46,428</u>	<u>0</u>	<u>26,672</u>	<u>0</u>	<u>73,100</u>	<u>0</u>
Total Deferred Inflows	46,428	0	26,672	0	73,100	0
Net Investment in Capital Assets	622,642	784,389	3,758,485	2,364,291	4,381,127	3,148,680
Restricted	112,928	96,576	181,818	78,798	294,746	175,374
Unrestricted	<u>(146,528)</u>	<u>378,082</u>	<u>225,938</u>	<u>520,802</u>	<u>79,410</u>	<u>898,884</u>
Total Net Position	\$ 589,042	\$ 1,259,047	\$ 4,166,241	\$ 2,963,891	\$ 4,755,283	\$ 4,222,938

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The \$79,410 of unrestricted net position provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net position of our business-type activities was \$225,938 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City of Guntown generally can only use this net position to finance the continuing operations of the business type activities.

Changes in net position. Approximately 15.73 percent of the City of Guntown's revenue comes from property taxes and approximately 9.42 percent from sales tax, with 28.85 percent of all revenue coming from some type of tax. (See Table A-2.) Another 56.04 percent comes from fees charged for services, 11.90 percent from operating and capital grants and contributions and the balance is from intergovernmental revenues, investment earnings and other miscellaneous receipts.

CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

**Table A-2
Changes in the City of Guntown's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 247,322	\$ 218,391	\$ 842,648	\$ 648,967	\$ 1,089,970	\$ 867,358
Operating Grants & Contributions	0	0	0	0	0	0
Capital Grants & Contributions	1,601	166	229,848	57,926	231,449	58,092
General Revenues:						
Property Taxes	305,997	293,496	0	0	305,997	293,496
Sales Taxes	183,123	186,419	0	0	183,123	186,419
Other Taxes	71,953	73,016	0	0	71,953	73,016
Intergovernmental Revenue	30,919	47,253	0	0	30,919	47,253
Investment Income	264	185	815	857	1,079	1,042
Other	<u>30,389</u>	<u>33,107</u>	<u>0</u>	<u>(11,325)</u>	<u>30,389</u>	<u>21,782</u>
Total Revenues	871,568	852,033	1,073,311	696,425	1,944,879	1,548,458
Expenses						
General Government	375,132	331,935	0	0	375,132	331,935
Public Safety	531,822	474,065	0	0	531,822	474,065
Culture & Recreation	17,345	13,721	0	0	17,345	13,721
Water & Sewer System	0	0	668,731	584,264	668,731	584,264
Interest on Long-Term Debt	<u>1,409</u>	<u>0</u>	<u>47,573</u>	<u>38,988</u>	<u>48,982</u>	<u>38,988</u>
Total Expenses	<u>925,708</u>	<u>819,721</u>	<u>716,304</u>	<u>623,252</u>	<u>1,642,012</u>	<u>1,442,973</u>
Excess of Revenue Over Expenses	(54,140)	32,312	357,007	73,173	302,867	105,485
Transfers (to) from Other Funds	<u>68,098</u>	<u>60,000</u>	<u>(68,098)</u>	<u>(60,000)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>13,958</u>	<u>92,312</u>	<u>288,909</u>	<u>13,173</u>	<u>302,867</u>	<u>105,485</u>
Net Position—Beginning, previously stated	1,259,047	1,166,735	2,963,891	2,947,963	4,222,938	4,114,698
Prior Period Adjustment	<u>(683,963)</u>	<u>0</u>	<u>913,441</u>	<u>2,755</u>	<u>229,478</u>	<u>2,755</u>
Net Position—October 1, as restated	<u>575,084</u>	<u>1,166,735</u>	<u>3,877,332</u>	<u>2,950,718</u>	<u>4,452,416</u>	<u>4,117,453</u>
Net Position—Ending	<u>\$ 589,042</u>	<u>\$ 1,259,047</u>	<u>\$ 4,166,241</u>	<u>\$ 2,963,891</u>	<u>\$ 4,755,283</u>	<u>\$ 4,222,938</u>

Governmental Activities

Governmental activities increased the City's net position by \$13,958. Key elements of this increase are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are property taxes (35 percent), charges for services (28 percent) and sales tax (21 percent).

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CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The largest expense categories for the City's governmental activities are public safety (57 percent) and general government (41 percent).

Business-type Activities

Business-type activities increased the City's net position by \$288,909.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$842,648 for the water and sewer system.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

General Fund—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$181,122, which comprised 100 percent of the fund balance. As a measure of the general fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total unassigned fund balance represents 22 percent of total fund expenditures. The fund balance of the City's general fund increased by \$16,690 during the current fiscal year.

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$113,355, which will be used for future expenditures.

Proprietary Funds—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$4,166,241, a change of \$288,909.

Budgetary Highlights

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the governmental funds.

The City's 2014-15 general fund operating budget decreased by \$22,675 during the current fiscal year. This decrease was primarily related to a decrease in the General Government capital outlay and other services budgets. There was no change in the City's tax millage from 2014 to 2015.

CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounted to \$8,051,643, net of accumulated depreciation of \$2,590,009. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

**Table A-3
City of Guntown's Capital Assets**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2015</u>	Restated <u>2014</u>	<u>2015</u>	Restated <u>2014</u>	<u>2015</u>	Restated <u>2014</u>
Land	\$ 98,220	\$ 98,220	\$ 82,006	\$ 82,006	\$ 180,226	\$ 180,226
Plants, Buildings & Improvements	518,456	518,456	7,600,763	6,509,356	8,119,219	7,027,812
Machinery & Equipment	597,196	585,350	383,037	379,661	980,233	965,011
Construction in Progress	0	0	1,361,974	939,865	1,361,974	939,865
Accumulated Depreciation	(578,732)	(549,114)	(2,011,277)	(1,800,041)	(2,590,009)	(2,349,155)
Total	\$ <u>635,140</u>	\$ <u>652,912</u>	\$ <u>7,416,503</u>	\$ <u>6,110,847</u>	\$ <u>8,051,643</u>	\$ <u>6,763,759</u>

Long-term Debt—At year-end, the City had \$3,670,516 in bonds, note payables and capital leases outstanding. More detailed information about the City of Guntown's long-term liabilities is presented in the notes to the financial statements.

**Table A-4
City of Guntown's Outstanding Debt**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenue Bonds	\$ 0	\$ 0	\$ 2,257,377	\$ 1,310,300	\$ 2,257,377	\$ 1,310,300
Notes Payable	0	0	1,400,641	360,004	1,400,641	360,004
Capital Lease Payable	12,498	14,866	0	0	12,498	14,866
Total	\$ <u>12,498</u>	\$ <u>14,866</u>	\$ <u>3,658,018</u>	\$ <u>1,670,304</u>	\$ <u>3,670,516</u>	\$ <u>1,685,170</u>

CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2016 budget. The total budgeted appropriations for the City's general fund operations is \$1,126,382. This is an increase from the prior year budget. The increase is primarily related to capital outlay in the fire department.

CONTACTING THE CITY OF GUNTOWN FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Guntown finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Guntown's Finance Department, P.O. Box 27, Guntown, MS 38849.

CITY OF GUNTOWN, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash on Deposit	\$ 327,206	\$ 334,482	\$ 661,688
Money Market, Certificates of Deposit	-	322,222	322,222
Restricted Cash	-	181,818	181,818
Due From Other Governments	15,794	-	15,794
Accounts Receivable	-	117,468	117,468
Court Fines Receivable, net	268,063	-	268,063
Property Tax Receivable	3,958	-	3,958
Other Receivable	24,051	-	24,051
Due From Other Funds	220	-	220
Capital Assets:			
Land	98,220	82,006	180,226
Plant, Buildings and Improvements	518,456	7,600,763	8,119,219
Machinery and Equipment	597,196	383,037	980,233
Construction in Progress	-	1,361,974	1,361,974
Accumulated Depreciation	<u>(578,732)</u>	<u>(2,011,277)</u>	<u>(2,590,009)</u>
TOTAL ASSETS	<u>1,274,432</u>	<u>8,372,493</u>	<u>9,646,925</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Amounts Related to Pensions	<u>116,130</u>	<u>66,714</u>	<u>182,844</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 116,130</u>	<u>\$ 66,714</u>	<u>\$ 182,844</u>

CITY OF GUNTOWN, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 69,834	\$ 137,789	\$ 207,623
Accrued Compensated Absences	12,000	6,143	18,143
Due to Other Funds	220	-	220
Refundable Deposits	2,740	66,456	69,196
Net Pension Liability	657,800	377,888	1,035,688
Long-Term Liabilities:			
Due Within One Year	2,998	99,917	102,915
Due in More Than One Year	9,500	3,558,101	3,567,601
TOTAL LIABILITIES	<u>755,092</u>	<u>4,246,294</u>	<u>5,001,386</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions	<u>46,428</u>	<u>26,672</u>	<u>73,100</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>46,428</u>	<u>26,672</u>	<u>73,100</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	622,642	3,758,485	4,381,127
Restricted for:			
Debt Service	-	181,818	181,818
Special Revenue Projects	112,928	-	112,928
Unrestricted	<u>(146,528)</u>	<u>225,938</u>	<u>79,410</u>
TOTAL NET POSITION	<u>\$ 589,042</u>	<u>\$ 4,166,241</u>	<u>\$ 4,755,283</u>

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

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CITY OF GUNTOWN, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2015

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Government Activities:							
General Government	\$ 375,132	\$ 42,295	\$ -	\$ 1,601	\$ (331,236)	\$ -	\$ (331,236)
Public Safety	531,822	203,374	-	-	(328,448)	-	(328,448)
Culture and Recreation	17,345	1,653	-	-	(15,692)	-	(15,692)
Interest on Long-Term Debt	1,409	-	-	-	(1,409)	-	(1,409)
TOTAL GOVERNMENTAL ACTIVITIES	925,708	247,322	-	1,601	(676,785)	-	(676,785)
Business-Type Activities:							
Water & Sewer System	716,304	842,648	-	229,848	-	356,192	356,192
TOTAL BUSINESS-TYPE ACTIVITIES	716,304	842,648	-	229,848	-	356,192	356,192
TOTAL PRIMARY GOVERNMENT	\$ 1,642,012	\$ 1,089,970	\$ -	\$ 231,449	\$ (676,785)	\$ 356,192	\$ (320,593)

GENERAL REVENUES:

Taxes:							
Property Taxes, Levied for General Purposes	\$	305,997	\$	305,997	\$	-	\$ 305,997
Sales and Use Taxes		183,123		183,123		-	183,123
Licenses and Permits		12,467		12,467		-	12,467
In Lieu Taxes		71,953		71,953		-	71,953
Intergovernmental Revenues		30,919		30,919		-	30,919
Gain (Loss) on Sale of Capital Assets		-		-		815	1,079
Investment Earnings		264		264		-	1,079
Insurance Proceeds		11,334		11,334		-	11,334
Miscellaneous		6,588		6,588		-	6,588
Transfers (to) from Other Funds		68,098		68,098		(68,098)	-
TOTAL GENERAL REVENUES AND TRANSFERS		690,743		690,743		(67,283)	623,460
CHANGE IN NET POSITION		13,958		13,958		288,909	302,867
NET POSITION--BEGINNING, as previously stated		1,259,047		1,259,047		2,963,891	4,222,938
PRIOR PERIOD ADJUSTMENTS		(683,963)		(683,963)		913,441	229,478
NET POSITION--BEGINNING, as restated		575,084		575,084		3,877,332	4,452,416
NET POSITION--ENDING		\$ 589,042		\$ 4,166,241		\$ 4,166,241	\$ 4,755,283

**CITY OF GUNTOWN, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ 204,810	\$ 122,396	\$ 327,206
Due From Other Governments	15,794	-	15,794
Other Receivables	24,051	-	24,051
Due From Other Funds	-	220	220
TOTAL ASSETS	\$ 244,655	\$ 122,616	\$ 367,271
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 60,573	\$ 9,261	\$ 69,834
Due to Other Funds	220	-	220
Refundable Deposits	2,740	-	2,740
TOTAL LIABILITIES	63,533	9,261	72,794
<u>FUND BALANCES (DEFICIT):</u>			
Restricted:			
Fire Protection	-	112,928	112,928
Unassigned	181,122	427	181,549
TOTAL FUND BALANCES	181,122	113,355	294,477
TOTAL LIABILITIES AND FUND BALANCES	\$ 244,655	\$ 122,616	\$ 367,271

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

CITY OF GUNTOWN, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2015

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	294,477
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		635,140
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.		3,958
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(12,498)
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(12,000)
Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(657,800)
Deferred outflows and inflows related to pensions are applicable to future periods and therefore they are not reported in the Governmental Funds Balance Sheet.		
Deferred outflows of resources related to defined benefit pension plan		116,130
Deferred inflows of resources related to defined benefit pension plan		(46,428)
Accrual of court fine revenues to qualify as financial resources.		268,063
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	589,042

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

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CITY OF GUNTOWN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
General Property Taxes	\$ 306,371	\$ -	\$ 306,371
Sales & Use Taxes	183,123	-	183,123
Licenses and Permits	12,467	-	12,467
In Lieu of Taxes	71,953	-	71,953
Intergovernmental Revenues	20,756	10,163	30,919
Rentals	42,295	-	42,295
Park Revenues	1,653	-	1,653
Fines and Forfeits	153,559	-	153,559
Insurance Rebate	-	11,334	11,334
Interest Income	180	84	264
Grant Income	1,601	-	1,601
Miscellaneous Revenues	6,573	15	6,588
TOTAL REVENUES	<u>800,531</u>	<u>21,596</u>	<u>822,127</u>
EXPENDITURES:			
Current:			
General Government	352,264	-	352,264
Public Safety	456,937	28,367	485,304
Culture and Recreation	15,411	-	15,411
Debt Service	3,777	-	3,777
TOTAL EXPENDITURES	<u>828,389</u>	<u>28,367</u>	<u>856,756</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(27,858)</u>	<u>(6,771)</u>	<u>(34,629)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	-	-	-
Proceeds from Long Term Debt	-	-	-
Transfers to Other Funds	(23,575)	-	(23,575)
Transfers from Other Funds	68,123	23,550	91,673
TOTAL OTHER FINANCING SOURCES (USES)	<u>44,548</u>	<u>23,550</u>	<u>68,098</u>
NET CHANGE IN FUND BALANCES	<u>16,690</u>	<u>16,779</u>	<u>33,469</u>
FUND BALANCES - BEGINNING	<u>164,432</u>	<u>96,576</u>	<u>261,008</u>
FUND BALANCES - Ending	<u>\$ 181,122</u>	<u>\$ 113,355</u>	<u>\$ 294,477</u>

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

CITY OF GUNTOWN, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT
OF ACTIVITIES
Fiscal Year Ended September 30, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	33,469
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		11,846
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(29,618)
Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.		(50,478)
Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in governmental funds.		(374)
Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received.		49,815
(Increase) decrease in accrual of compensated absences.		(3,070)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position. This amount represents long-term debt repayments and issuance costs.		<u>2,368</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>13,958</u></u>

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

CITY OF GUNTOWN, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Fiscal Year Ended September 30, 2015

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
REVENUES:				
General Property Taxes	\$ 305,000	\$ 305,000	\$ 297,894	\$ (7,106)
Sales & Use Taxes	185,000	185,000	182,495	(2,505)
Licenses and Permits	8,800	8,800	12,467	3,667
In Lieu of Taxes	70,000	70,000	72,406	2,406
Intergovernmental Revenues	34,257	34,257	20,756	(13,501)
Rentals	37,345	37,345	42,295	4,950
Park Revenues	3,700	3,700	1,653	(2,047)
Fines and Forfeits	175,000	175,000	153,559	(21,441)
Interest Income	75	75	180	105
Grant Income	5,000	5,000	1,601	(3,399)
Miscellaneous Revenues	650	650	6,573	5,923
TOTAL REVENUES	<u>824,827</u>	<u>824,827</u>	<u>791,879</u>	<u>(32,948)</u>
EXPENDITURES:				
Current:				
General Government	393,381	370,706	352,264	18,442
Public Safety	529,530	529,530	456,937	72,593
Culture and Recreation	42,237	42,237	15,411	26,826
Debt Service	3,777	3,777	3,777	0
TOTAL EXPENDITURES	<u>968,925</u>	<u>946,250</u>	<u>828,389</u>	<u>117,861</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(144,098)</u>	<u>(121,423)</u>	<u>(36,510)</u>	<u>84,913</u>
OTHER FINANCING SOURCES (USES):				
Transfers (to) from Other Funds	44,099	21,424	44,548	23,124
TOTAL OTHER FINANCING SOURCES (USES)	<u>44,099</u>	<u>21,424</u>	<u>44,548</u>	<u>23,124</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	<u>\$ (99,999)</u>	<u>\$ (99,999)</u>	<u>\$ 8,038</u>	<u>\$ 108,037</u>

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

CITY OF GUNTOWN, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2015

ASSETS

Current Assets

Cash on Deposit	\$ 334,482
Money Market, Certificates of Deposit	322,222
Restricted Cash	181,818
Accounts Receivable	117,468
Due from Other Governments	-
Total Current Assets	955,990

Fixed Assets

Distributions Systems	7,600,763
Equipment	383,037
Land	82,006
Construction in Progress	1,361,974
Less: Accumulated Depreciation	(2,011,277)
Net Fixed Assets	7,416,503

TOTAL ASSETS

8,372,493

Deferred Outflows of Resources

Deferred Outflows - Pensions	66,714
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TOTAL DEFERRED OUTFLOWS OF RESOURCES

66,714

LIABILITIES

Current Liabilities

Accounts Payable	25,677
Contractor Payables	112,112
Notes and Bonds Payable - Within One Year	99,917
Total Current Liabilities	237,706

Noncurrent Liabilities

Accrued Compensated Absences	6,143
Net Pension Liability	377,888
Refundable Deposits	66,456
Notes and Bonds Payable, Net of Current Maturities	3,558,101
Total Noncurrent Liabilities	4,008,588

TOTAL LIABILITIES

4,246,294

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows - Pensions	26,672
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TOTAL DEFERRED INFLOWS OF RESOURCES

26,672

NET POSITION

Net Investment in Capital Assets	3,758,485
Restricted for:	
Debt Service	181,818
Unrestricted	225,938
Total Restricted	407,736

TOTAL NET POSITION

\$ 4,166,241

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

CITY OF GUNTOWN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2015

<u>OPERATING REVENUES</u>	
Charges for Services	\$ 836,845
Other Receipts	5,803
	842,648
Total Operating Revenues	842,648
 <u>OPERATING EXPENSES</u>	
Personnel Services	228,505
Contractual Services	26,923
Supplies	98,519
Depreciation and Amortization	211,236
Other Services	103,548
	668,731
Total Operating Expenses	668,731
Operating Income	173,917
 <u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Income	815
Grant Income	229,848
Gain(Loss) on Sale of Capital Assets	-
Interest and Fiscal Charges	(47,573)
	183,090
Total Non-Operating Revenues (Expenses)	183,090
<u>INCOME BEFORE OPERATING TRANSFERS</u>	357,007
 <u>TRANSFERS (TO) FROM OTHER FUNDS</u>	
Transfers from Other Funds	122,514
Transfers to Other Funds	(190,612)
	(68,098)
Net Transfers (to) from Other Funds	(68,098)
CHANGE IN NET POSITION	288,909
NET POSITION - OCTOBER 1, as previously stated	2,963,891
PRIOR PERIOD ADJUSTMENTS	913,441
NET POSITION - OCTOBER 1, as restated	3,877,332
NET POSITION - SEPTEMBER 30	\$ 4,166,241

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

CITY OF GUNTOWN, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$	822,584
Cash Payments for Personnel Services		(207,823)
Cash Payments for Contractual Services		(26,923)
Cash Payments for Supplies		(98,519)
Cash Payments for Other Services		(89,318)
Net Cash Provided By Operating Activities		400,001

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating Transfers - In from (Out) to Other Funds		(68,098)
Net Cash Flows Provided By (Used In) Noncapital Financing Activities		(68,098)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Fixed Assets		(2,306,243)
Proceeds From Issuance of Debt		2,072,792
Cash Received from Capital Grants		286,358
Principal Paid on Bonds, Notes and Capital Lease Payables		(85,078)
Interest Paid on Bonds, Notes and Capital Lease Payables		(47,573)
Net Cash Provided By (Used In) Noncapital Financing Activities		(79,744)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments		815
Net Cash Provided By Investing Activities		815

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 252,974

CASH AND CASH EQUIVALENTS - BEGINNING 585,548

CASH AND CASH EQUIVALENTS - ENDING \$ 838,522

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$	173,917
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities		
Depreciation		211,236
Net Pension Expense		28,998
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		(20,064)
Increase (Decrease) in Accounts Payable - operating activities		7,910
Increase (Decrease) in Accrued Expenses - operating activities		(8,316)
Increase (Decrease) in Refundable Deposits		6,320
Total Adjustments		226,084
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	400,001

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

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CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Guntown was incorporated in 1850 under the laws of the State of Mississippi. A mayor-board of aldermen form of government is used and the City provides the following services: police protection, fire protection, parks and recreation department and water and sewer systems.

Government-Wide and Fund Financial Statements

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 statement of net position and the statement of activities display information on all non-fiduciary activities of the primary government and its component units. The statements distinguish between those activities of the City that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function 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. Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Non-major funds, where applicable, are aggregated and presented in a single column.

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants.

The City reports the following governmental funds:

General Fund – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds. This is a major fund.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants and specific tax assessments that are legally restricted to expenditures for specified purposes. This is a non-major governmental fund.

The City reports the following major proprietary funds:

The Water and Sewer Fund – This fund is used to account for the City's water and sewer treatment and distribution system. This fund is responsible for water delivery to the residents of the City of Guntown.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water and charges for sewer treatment. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

Cash and Investments

Deposits- The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's deposits are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments - State statutes, City bond ordinances and City resolutions authorize the City's investments. The City is authorized to invest in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, or of any school district, which such county or municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or in interest-bearing time certificates of deposit with municipal depositories serving in accordance with Section 27-105-353 at a rate of interest not less than a simple interest rate numerically equal to the average bank discount rate on United States Treasury bills of comparable maturity.

The City's investments as of September 30, 2015 are:

Investments:

Certificates of Deposit	\$ 322,222
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**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. City policy is to follow State recommendations for capitalization thresholds, which ranges from \$0 to \$5,000 depending on the type of asset. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings	40 Years
Improvements	20 Years
Machinery and Equipment	3 – 10 Years
Utility Systems	20 Years
Infrastructure	20 – 50 Years

Revenue Recognition – Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

General Obligation Enterprise Bond

The enterprise fund provides the annual debt service requirements on the general obligation enterprise bond (secured by system revenues) issued to finance system improvements.

Since the enterprise fund provides the annual debt service on this general obligation bond, the bond is considered to be an obligation of the enterprise fund and has been reported on the Statement of Net Position of the enterprise fund.

Although the general obligation enterprise bond is reported on the Statement of Net Position of the enterprise fund, it is backed by the full faith and credit of the City and is therefore a contingent liability to the general government.

Encumbrances

State law does not require that funds be available when goods or services are ordered, only when paid for. Due to this circumstance, the City does not employ an encumbrance system.

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Personal leave is available only to full time employees. There is no limit to accumulated personal leave time. Upon termination of employment the employee shall be paid for not more than thirty days of accumulated personal leave time.

<u>Continuous Service</u>	<u>Days Allowed Per Year</u>
1 month to 3 years	12 Days
37 months to 10 years	17 Days
Over 10 years	22 Days

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Pensions

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

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions. In accordance with GASB Statement No. 54, the governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to the constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City did not have any nonspendable resources as of September 30, 2015.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified unexpended fire rebate funds as being restricted because their use is restricted by State Statute.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board of Aldermen delegating this responsibility to the City's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City no assigned fund balances as of September 30, 2015.
- **Unassigned:** This classification includes the residual fund balance for the General Fund and all other amounts not included in other spendable classifications.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

Business Information

The City of Guntown provides water and sewer services to customers located within the City limits of Guntown, Mississippi as well as a limited number of customers outside the City limits. Credit is extended to all of these customers for services.

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 2 – FIXED ASSETS

The following is a summary of capital asset activity as of September 30, 2015:

Primary Government:

	Restated Balance 10/1/2014	Additions	Disposals	Balance 9/30/2015
Capital Assets, not being depreciated:				
Land	\$ 98,220	\$ 0	\$ 0	\$ 98,220
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	518,456	0	0	518,456
Machinery and Equipment	585,350	11,846	0	597,196
Total Capital Assets being depreciated	1,103,806	11,846	0	1,115,652
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(190,894)	(8,469)	0	(199,363)
Machinery and Equipment	(358,220)	(21,149)	0	(379,369)
Total Accumulated Depreciation	(549,114)	(29,618)	0	(578,732)
Total Capital Assets, depreciated, net	554,692	(17,772)	0	536,920
Governmental Activities Capital Assets, net	\$ 652,912	\$ (17,772)	\$ 0	\$ 635,140

CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 – FIXED ASSETS (continued)

Business-Type Activities:

	Restated Balance 10/1/2014	Additions	Disposals	Balance 9/30/2015
Capital Assets, not being depreciated:				
Land	\$ 82,006	\$ 0	\$ 0	82,006
Construction in Progress	939,865	1,513,516	(1,091,407)	1,361,974
Total Capital Assets, not being depreciated	<u>1,021,871</u>	<u>1,513,516</u>	<u>(1,091,407)</u>	<u>1,443,980</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	6,509,356	0	1,091,407	7,600,763
Machinery and Equipment	379,661	3,376	0	383,037
Total Capital Assets being depreciated	<u>6,889,017</u>	<u>3,376</u>	<u>1,091,407</u>	<u>7,983,800</u>
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(1,539,337)	(195,438)	0	(1,734,775)
Machinery and Equipment	(260,704)	(15,798)	0	(276,502)
Total Accumulated Depreciation	<u>(1,800,041)</u>	<u>(211,236)</u>	<u>0</u>	<u>(2,011,277)</u>
Total Capital Assets, depreciated, net	<u>5,088,976</u>	<u>(207,860)</u>	<u>1,091,407</u>	<u>5,972,523</u>
Business-Type Activities Capital Assets, net	<u>\$ 6,110,847</u>	<u>\$ 1,305,656</u>	<u>\$ 0</u>	<u>\$ 7,416,503</u>

The City's capitalization threshold is \$1,000 for Plant, Improvements, Furniture, and Equipment; Land and Buildings are capitalized regardless of cost. The City retroactively applied these thresholds to all general fixed assets in service at September 30, 2004 pursuant to GASB requirements.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method.

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

Governmental Activities:	
General Government	\$ 7,964
Public Safety	19,862
Culture and Recreation	<u>1,792</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 29,618</u>
Business-type Activities:	
Water and Sewer	<u>\$ 211,236</u>

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 3 – RECEIVABLES

Receivables at September 30, 2015, consisted primarily of taxes, account (billings for user charged services including unbilled utility services), sales tax, property tax and in lieu tax.

All accounts receivable are shown net of an allowance for uncollectible amounts of \$295,964 for Governmental activities. The allowance is based on management estimates and the average age of receivables. Management has not set up an allowance for uncollectible amounts in the proprietary fund.

NOTE 4 – LONG-TERM DEBT

The following is a summary of bond and other debt transactions of the City for the year ended September 30, 2015:

	Bonds Payable	Notes Payable/ Capital Lease	Total
Bonds and Other Long-Term Debt at 10/1/14	\$ 1,310,300	\$ 374,870	\$ 1,685,170
Add: Bonds and Other Long-Term Debt Acquired	1,002,077	1,070,715	2,072,792
Less: Bonds and Other Long-Term Debt Retired	55,000	32,446	87,446
Bonds and Other Long-Term Debt at 9/30/15	\$ 2,257,377	\$ 1,413,139	\$ 3,670,516

Bonds and other long-term debt at September 30, 2015 are comprised of the following issues:

Revenue Bonds:

\$1,255,000 Revenue Refunding Bond dated May 30, 2013 (Series 2013), due in annual principal installments bearing semi-annual interest at 0.70% to 3.50% through January 2033; collateralized by the water and sewer system net revenues.

\$ 1,180,000

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 4 – LONG-TERM DEBT (continued)

\$870,000 Combined Water and Sewer System Revenue Bond dated 12/1/2014 (Series 2014), due in annual principal installments bearing semi-annual interest at 3.50% through January 2050; collateralized by the water and sewer system net revenues. 870,000

Notes Payable:

\$500,000 dated April 1, 2008, to Mississippi Development Authority Capital Improvements Revolving Loan (CAP) due in 240 monthly installments of \$2,529 with interest at 2.00% through March 1, 2028. 336,719

\$50,432 dated December 5, 2014, to Mississippi Department of Health Drinking Water Emergency Loan 2014 due in 57 monthly installments of \$928.20 with interest at 2.00% through October 1, 2019. 43,639

Capital Leases:

\$15,810 dated July 15, 2014, to First Government Lease Company due in 60 monthly installments of \$314.75 with interest at 4.50% through June 15, 2019; collateralized by three police cars. 12,498

Bonds/Loans Not in Repayment:

\$207,377 interim financing (USDA W&S Revenue Bond, Series 2014, draws in progress) 207,377

\$1,020,283 interim financing (Drinking Water Improvement Loan 2015, draws in progress) 1,020,283

Total Long-term Debt **\$ 3,670,516**

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The annual requirements to amortize all debt outstanding as of September 30, 2015 including interest payments of \$1,070,704 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2016	\$ 2,998	\$ 779	\$ 99,917	\$ 67,589	\$ 102,915	\$ 68,368
2017	3,222	555	101,087	65,878	104,309	66,433
2018	3,463	314	102,293	64,220	105,756	64,534
2019	2,815	58	108,534	62,309	111,349	62,367
2020	0	0	99,520	60,459	99,520	60,459
2021 – 2025	0	0	520,097	268,225	520,097	268,225
2026 – 2030	0	0	501,566	199,578	501,566	199,578
2031 – 2035	0	0	363,147	123,789	363,147	123,789
2036 – 2040	0	0	140,819	82,416	140,819	82,416
2041 – 2045	0	0	175,258	54,567	175,258	54,567
2046 – 2050	0	0	218,120	19,968	218,120	19,968
	<u>\$ 12,498</u>	<u>\$ 1,706</u>	<u>\$ 2,430,358</u>	<u>\$ 1,068,998</u>	<u>\$ 2,442,856</u>	<u>\$ 1,070,704</u>

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLE

Individual fund interfund receivable and payable balances at September 30, 2015, were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 0	\$ 220
Special Revenue Fund	220	0
Enterprise Fund:		
Water and Sewer Fund	0	0
	\$ 220	\$ 220

NOTE 6 – LITIGATION

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description- Employees of the City of Guntown are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing agent multiple-employer pension plan. The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided- For the cost-sharing plan participating members who are vested and retire at or after age 60 or those 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 2.00% 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 2.50% 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 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.

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Retirees and beneficiaries who have been receiving benefit payments for at least one full fiscal year are eligible to receive an annual Cost-of-Living Adjustment (COLA). Designed to help offset the effects of inflation, the COLA is equal to 3% 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% compounded for each fiscal year thereafter.

Employee membership data related to the Plan, as of June 30, 2015 was as follows:

Retirees and Survivors	96,338
Terminated Vested Employees	19,005
Inactive Nonvested Members	118,021
Active Members	<u>157,215</u>
Total	<u><u>390,579</u></u>

Contributions- The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and the City of Guntown is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the City to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

For the year ended September 30, 2015, the City of Guntown's total payroll for all employees was \$479,431. Total covered payroll was \$430,303. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions- At September 30, 2015, the City of Guntown reported a liability of \$1,035,688 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 of Guntown's proportion of the net pension liability was based on a projection of the City of Guntown's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City of Guntown's proportion was 0.0067%.

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)

For the year ended September 30, 2015, the City of Guntown recognized pension expense of \$79,476. At September 30, 2015, the City of Guntown reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Results - Pensions	\$ 15,939	\$ 0
City Pension Contributions Subsequent to the Measurement Date	17,085	0
Changes of Assumptions	89,221	0
Net Difference Between Projected and Actual Investment Earnings on Investments	60,599	0
Changes in Proportion and Differences Between ER Contributions and Proportionate Share Of ER Contributions	0	73,100
Total	\$ <u>182,844</u>	\$ <u>73,100</u>

The \$17,085 of deferred outflows of resources 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 ending September 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	<u>Amount</u>
2016	\$ 26,936
2017	26,936
2018	23,637
2019	15,150
Total	\$ <u>92,659</u>

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

Inflation	3.00%
Salary increases	3.75-19.00%, average, including inflation
Investment rate of return	7.75%, 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 male rates set forward one year.

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)

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.

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 as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34.00%	5.20%
International Equity	19.00%	5.00%
Emerging Markets Equity	8.00%	5.45%
Fixed Income	20.00%	0.25%
Real Assets	10.00%	4.00%
Private Equity	8.00%	6.15%
Cash	1.00%	(0.50)%
Total	100.00%	

Discount Rate-The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (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 members. 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.

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)

Sensitivity of the City of Guntown's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate-The following presents the City of Guntown's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the City of Guntown'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%) or 1-percentage-point higher (8.75%) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$1,365,132
Current discount rate	7.75%	\$1,035,688
1% increase	8.75%	\$ 762,311

Plan Fiduciary Net Position-Detailed information about the Plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi (PERS) financial report.

NOTE 8 – FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$8,652 more than cash revenues.

NOTE 9 – RISK MANAGEMENT

The City of Guntown is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the City except for certain employment practices liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverage for which the City retains the risk of loss.

Risk of loss related to workers compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employers liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2015, will not materially affect the financial condition of the City. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the City during the current or prior year.

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 10 – PRIOR PERIOD ADJUSTMENTS AND NEW ACCOUNTING STANDARD

During the year ended September 30, 2015, the City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. Implementation resulted in a direct decrease of \$537,620 to net position in governmental activities. Implementation also resulted in a direct decrease of \$308,848 to net position in business-type activities.

The beginning balances of certain accounts have been restated to correct previous errors. Subsequent to issuing the financial statements for the year ending September 30, 2014, management discovered errors in governmental activities capital assets and business-type activities capital assets.

Governmental activities capital assets were overstated by \$146,343 on the Statement of Net Position at September 30, 2014. Business-type activities capital assets were understated by \$1,222,289 on the Statement of Net Position at September 30, 2014. This understatement was the result of various assets that were added prior to September 30, 2014 not being included in the capital assets balance at September 30, 2014. The beginning assets and net position have been restated to correct this error.

NOTE 11 – CONSTRUCTION AND OTHER COMMITMENTS

The City of Guntown has entered in the following commitments:

<u>To Be Paid By</u>	<u>Description</u>	<u>Amount Authorized</u>	<u>Expended through September 30, 2015</u>	<u>Remaining Commitment at September 30, 2015</u>
Water and Sewer	Sewer Extension	\$ 1,570,000	\$ 1,361,974	\$ 208,026
Total:		<u>\$ 1,570,000</u>	<u>\$ 1,361,974</u>	<u>\$ 208,026</u>

These projects will be financed through two USDA loans totaling \$1,270,000 and \$300,000 of ARC grant funds. The City will make draws on these loans until the project is complete and then will start repayment.

NOTE 12 – CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**CITY OF GUNTOWN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 31, 2016, the date which the financial statements were available to be issued. On October 7, 2015, the City made the final draw of \$70,727 on the drinking water improvement loan with the Mississippi Department of Health. This brought the final principal balance on this loan to \$1,091,065, and the repayment on this loan began November 1, 2015 in the amount of \$5,570 per month withheld from monthly sales tax.

CITY OF GUNTOWN, MISSISSIPPI
JUL 23 2015

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF GUNTOWN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
Fiscal Year Ended September 30, 2015

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
General Property Taxes	\$ 305,000	\$ 297,894	\$ (7,106)
Sales & Use Taxes	185,000	182,495	(2,505)
Licenses and Permits	8,800	12,467	3,667
In Lieu of Taxes	70,000	72,406	2,406
Intergovernmental Revenues	34,257	20,756	(13,501)
Rentals	37,345	42,295	4,950
Park Revenues	3,700	1,653	(2,047)
Fines and Forfeitures	175,000	153,559	(21,441)
Interest Income	75	180	105
Grant Income	5,000	1,601	(3,399)
Miscellaneous Revenues	650	6,573	5,923
Total revenues	<u>824,827</u>	<u>791,879</u>	<u>(32,948)</u>
<u>EXPENDITURES</u>			
General Government			
Personnel Services	204,333	196,757	7,576
Supplies	27,900	24,733	3,167
Other Services and Charges	134,387	127,160	7,227
Capital Outlay	4,086	3,614	472
Total	<u>370,706</u>	<u>352,264</u>	<u>18,442</u>
Public Safety			
Personnel Services	313,559	291,141	22,418
Supplies	48,050	30,429	17,621
Other Services and Charges	127,781	127,135	646
Capital Outlay	40,140	8,232	31,908
Total	<u>529,530</u>	<u>456,937</u>	<u>72,593</u>
Culture and Recreation			
Personnel Services	18,711	4,023	14,688
Supplies	10,100	3,735	6,365
Professional Services	9,425	7,653	1,772
Capital Outlay	4,001	-	4,001
Total	<u>\$ 42,237</u>	<u>\$ 15,411</u>	<u>\$ 26,826</u>

CITY OF GUNTOWN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued
Fiscal Year Ended September 30, 2015

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Debt Service			
Principal Retired	\$ 3,777	\$ 2,368	\$ 1,409
Interest Expense	-	1,409	(1,409)
Total	<u>3,777</u>	<u>3,777</u>	<u>-</u>
 Total expenditures	 <u>946,250</u>	 <u>828,389</u>	 <u>84,913</u>
 Excess (Deficit) revenues over (under) expenditures	 <u>(121,423)</u>	 <u>(36,510)</u>	 <u>(117,861)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Capital Assets	-	-	-
Proceeds from Long Term Debt	-	-	-
Transfers from Other Funds	264,099	68,123	(195,976)
Transfers (to) Other Funds	<u>(242,675)</u>	<u>(23,575)</u>	<u>(219,100)</u>
Total other financing sources (uses)	<u>21,424</u>	<u>44,548</u>	<u>(415,076)</u>
 Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	 <u>(99,999)</u>	 <u>8,038</u>	 <u>108,037</u>
 Fund balances at October 1, 2014	 <u>164,432</u>	 <u>164,432</u>	 <u>-</u>
Fund balances at September 30, 2015	\$ <u>64,433</u>	\$ <u>172,470</u>	\$ <u>108,037</u>
Adjustments To GAAP Basis:			
Add: Accrued revenues		<u>8,652</u>	
Fund Balance GAAP September 30, 2015		<u>\$ 181,122</u>	

OTHER SUPPLEMENTARY INFORMATION

CITY OF GUNTOWN, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2015

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Susan McKee	City Clerk	Travelers Insurance	\$80,000
Susan McKee	City Clerk	Renasant Insurance	\$30,000
Michael Hall	Chief of Police	Renasant Insurance	\$50,000
Tonya Brown	Deputy City Clerk	Renasant Insurance	\$10,000
Tonya Brown	Water Billing Clerk	Scott Insurance	\$50,000
Nikoma Myhand	Water Operator	Scott Insurance	\$50,000
Angie Watson	Court Clerk	Scott Insurance	\$50,000
Gary Herring	Mayor	Scott Insurance	\$50,000
John Herring	Alderman	Scott Insurance	\$50,000
James Hopkins	Alderman	Scott Insurance	\$50,000
Brent Lindsey	Alderman	Scott Insurance	\$50,000
William McMohan	Alderman	Scott Insurance	\$50,000
Gregory Cagle	Alderman	Scott Insurance	\$50,000
Michael Hall	Deputy Court Clerk	Scott Insurance	\$50,000
Scotty Bradley	Deputy Court Clerk	Scott Insurance	\$50,000
Adam Cook	Deputy Court Clerk	Scott Insurance	\$50,000
Dean Hill	Police	Scott Insurance	\$25,000
Tyler Weathers	Police	Scott Insurance	\$25,000
Joshua Davis	Police	Scott Insurance	\$25,000
Robert Cook	Police	Scott Insurance	\$25,000
Adam Cook	Police	Scott Insurance	\$25,000
Michael Stahl	Police	Scott Insurance	\$25,000
Devin Burress	Police	Scott Insurance	\$25,000
Scotty Bradley	Police	Scott Insurance	\$25,000
James Bradley	Police	Scott Insurance	\$25,000
David Austin	Police	Scott Insurance	\$25,000
Jon Price	Police	Scott Insurance	\$25,000
Jimmy Jarman	Police	Scott Insurance	\$25,000
Justin Williams	Police	Scott Insurance	\$25,000
Jason Jackson	Police	Scott Insurance	\$25,000
Jason McCaffrey	Police	Scott Insurance	\$25,000
Hunter Walton	Police	Scott Insurance	\$25,000
Quinton Witcher	Police	Scott Insurance	\$25,000

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**CITY OF GUNTOWN, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the year ended September 30, 2015**

	BALANCE	TRANSACTIONS		BALANCE
	OUTSTANDING	DURING FISCAL YEAR		OUTSTANDING
	<u>October 1, 2014</u>	<u>ISSUED</u>	<u>REDEEMED</u>	<u>September 30, 2015</u>
<u>Revenue Bonds</u>				
USDA 91-14	\$ 75,300	\$ 794,700	\$ -	\$ 870,000
Series 2013	1,235,000	-	55,000	1,180,000
USDA 92-15	-	207,377	-	207,377
<u>Other Long Term Debt</u>				
MDA CAP Water Department	360,004	-	23,285	336,719
Capital Lease - Police Cars FGLC	14,866	-	2,368	12,498
MSDH - Drinking Water Emergency Loan	-	50,432	6,793	43,639
MSDH - Drinking Water Improvement Loan	-	1,020,283	-	1,020,283
TOTAL	\$ 1,685,170	\$ 2,072,792	\$ 87,446	\$ 3,670,516

CITY OF GUNTOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2015

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
PRIMARY GOVERNMENT:		
Environmental Protection Agency		
Passed through State Office of Federal-State Programs: Mississippi Department of Health ARRA - Capitalization Grants for Drinking Water	66.468	\$ <u>113,249</u>
Total Environmental Protection Agency		\$ <u>113,249</u>
U. S. Department of Agriculture		
* Water and Waste Disposal Systems for Rural Communities	10.760	\$ <u>744,992</u>
Total U.S. Department of Agriculture		\$ <u>744,992</u>
Appalachian Regional Commission		
Appalachian Regional Development	23.001	\$ <u>242,074</u>
Total Appalachian Regional Commission		\$ <u>242,074</u>
U. S. Department of Transportation		
Passed through State Office of Federal-State Programs: Mississippi Department of Public Safety National Priority Safety Programs	20.616	\$ <u>1,601</u>
Total U.S. Department of Transportation		\$ <u>1,601</u>
TOTAL FEDERAL EXPENDITURES		\$ <u>1,101,916</u>

SIGNIFICANT ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Guntown, Mississippi and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

* - Major Program

**CITY OF GUNTOWN, MISSISSIPPI
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended September 30, 2015**

	<u>2015</u>
A. Guntown's proportion of net pension liability (%)	0.006700%
B. Guntown's proportionate share of net pension liability	\$1,035,688
C. Guntown's covered employee payroll	\$430,303
D. Guntown's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	240.69%
E. Plan fiduciary net position as a percentage of total pension liability	61.70%

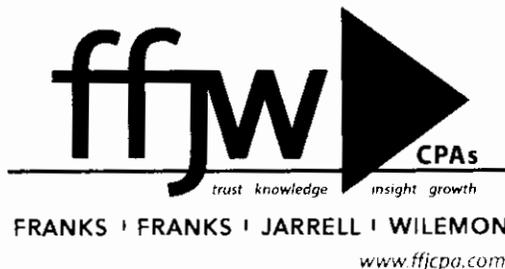
CITY OF GUNTOWN, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS
For the Fiscal Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
A. Statutorily required contributions	\$67,773	\$66,930
B. Contributions in relation to statutorily required contributions	\$67,773	\$66,930
C. Contribution deficiency (excess)	\$0	\$0
D. Guntown's covered employee payroll	\$430,303	\$424,948
E. Contributions as a percentage of covered employee payroll	15.75%	15.75%

OTHER REPORTS

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INDEPENDENT AUDITORS' 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 Board of Aldermen
City of Guntown, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guntown, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Guntown, Mississippi's basic financial statements and have issued our report thereon dated May 31, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Guntown, 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 the City of Guntown, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Guntown, 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 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 as Finding No. 1 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Guntown, 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*.

City of Guntown, Mississippi's Response to Findings

City of Guntown, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Guntown, Mississippi'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.

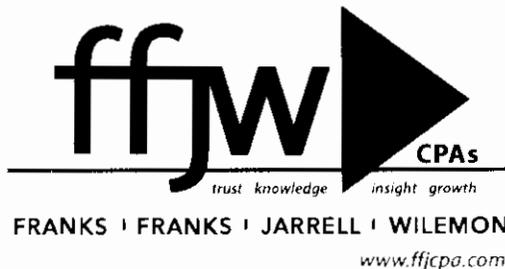
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Franks, Franks, Jarrell + Wilmon, P.A.

Fulton, Mississippi
May 31, 2016

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and Board of Aldermen
City of Guntown, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Guntown, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Guntown, Mississippi's major federal programs for the year ended September 30, 2015. City of Guntown, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Guntown, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Guntown, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Guntown, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Guntown, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of the City of Guntown, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Guntown, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Guntown, Mississippi's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

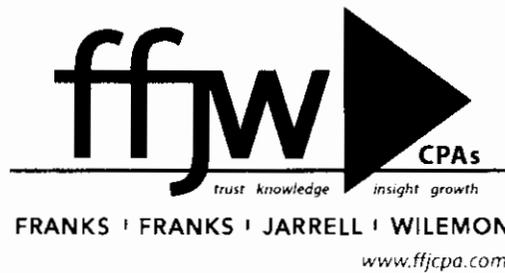
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Franks, Franks, Jarrell + Wilmon, P.A.

Fulton, Mississippi
May 31, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Alderman
City of Guntown, Mississippi

We have audited the financial statements of the City of Guntown, Mississippi, as of and for the year ended September 30, 2015, and have issued our report thereon dated May 31, 2016. 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 the *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 no instances of noncompliance with state laws and regulations.

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 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.

Franks, Franks, Jarrell + Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
May 31, 2016

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CITY OF GUNTOWN, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2015

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: unmodified
Internal control over financial reporting:
Material weakness identified? Yes X No
Significant deficiency identified
not considered to be a material weakness? X Yes None reported
Noncompliance material to financial statements
noted? Yes X No

Federal Awards

Internal Control over major programs:
Material weakness identified? Yes X No
Significant deficiency identified
not considered to be a material weakness? Yes X None reported
Type of auditor's report issued on compliance
for major programs: unmodified
Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	U.S. Dept. of Agriculture – Waste and Water Disposal Systems for Rural Communities

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000
Auditee qualified as low-risk auditee? Yes X No

CITY OF GUNTOWN, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2015

SECTION 2 – FINANCIAL STATEMENT FINDINGS:

FINDING NO. 1

Criteria: The City is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records.

Cause of Condition: The City's internal control did not provide for adequate segregation of duties in relation to the collection, processing and administering of water and sewer revenues and court fines. Specifically, one employee who is in charge of the utility billing and collection process also is authorized to make adjustments to customer accounts. Additionally, a single employee is in charge of fine collections, docket entry, and warrant issuances. The City's size and number of personnel in these departments limit the opportunities for adequate segregation of duties.

Recommendation: The City should consider segregation of duties in all areas of the accounting system. The City should consider job descriptions for various employees. Due to the size and number of employees, optimal segregation of duties will be difficult; however, the City should strengthen segregation of duties in all areas possible.

Response: The City will analyze the accounting system and establish procedures that promote mitigating controls where segregation of duties is not feasible. An additional control has been established requiring the Mayor's approval of all customer account adjustments.

SECTION 3 – FEDERAL AWARD FINDINGS:

There are no findings related to federal awards.

* Finding 1 is considered a Significant Deficiency.

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