

## OFFICE OF THE STATE AUDITOR REPORT NOTE:

*Section 7-7-211, Mississippi Code Annotated (1972)* gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

**CITY OF BELZONI**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**CUNNINGHAM CPAs, PLLC**  
Certified Public Accountants

# CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

202 Church Street  
Belzoni, Mississippi 39038  
Office: (662) 247-2416  
Fax: (662) 247-2420

10 South Bancroft Street  
Fairhope, Alabama 36532  
Office: (251) 929-7778  
Fax: (251) 929-7779

July 6, 2017

The Honorable Mayor and Board of Aldermen  
City of Belzoni, Mississippi

We have audited the statements of cash receipts and disbursements of the governmental activities, the business-type activities, and the fiduciary funds of the City of Moorhead for the year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 5, 2017. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates in the cash basis financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 2 to the financial statements, disclosing the carrying amounts of cash and cash equivalents.
- Note 3 to the financial statements, disclosing the current year changes in long-term debt.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Converting the Enterprise Fund to the cash basis resulted in an increase in cash disbursements of approximately \$11,000.

- Correcting the accounting for the garbage truck insurance reimbursement in the Enterprise Fund resulted in an increase in cash receipts of approximately \$45,000.
- Converting the Municipal Airport Fund to the cash basis resulted in an increase in cash disbursements of approximately \$112,000.
- Correcting the accounting for the state aeronautics grant in the Municipal Airport Fund resulted in an increase in cash receipts of approximately \$10,000.
- Correcting the accounting for ad valorem taxes in the Debt Service Fund resulted in an increase in cash receipts of approximately \$5,600.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 6, 2017

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. See our letter dated July 6, 2017 which accompanies the audited financial statements for internal control and state compliance findings.

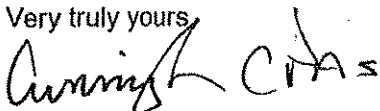
#### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

#### Restriction on Use

This information is intended solely for the use of the Board of Aldermen and management of the City of Moorhead and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Cunningham CPAs, PLLC

Belzoni, Mississippi

# CITY OF BELZONI, MISSISSIPPI

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
City of Belzoni, Mississippi

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Belzoni, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note (1). This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely

presented component units, each major fund, and the aggregate remaining fund information of the City of Belzoni, Mississippi for the year ended September 30, 2016; the respective changes in cash-basis financial position; and, when applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Other Supplemental information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions 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. However, under the cash basis of accounting, this information is not required and as such, is not presented.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2017, on our consideration of the City of Belzoni, 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 City of Belzoni, Mississippi's internal control over financial reporting and compliance.



Cunningham CPAs, PLLC  
Belzoni, Mississippi  
July 6, 2017

CITY OF BELZONI, MISSISSIPPI

Statement of Activities and Net Position - Cash Basis  
As of and for the Year Ended September 30, 2016

Functions/Programs	Program cash receipts			Net (Disbursements) Receipts and Changes in Net Position			Component Units
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 407,561	\$ 134,673	\$ -	\$ -	\$ (272,988)	\$ -	\$ (272,988)
Culture and recreation	30,500	-	-	-	(30,500)	-	(30,500)
Public safety	979,695	20,974	-	-	(958,721)	-	(958,721)
Public works	297,310	-	-	-	(297,310)	-	(297,310)
Interest on long-term debt	31,195	-	-	-	(31,195)	-	(31,195)
Total Governmental Activities	1,746,361	155,647	-	-	(1,590,714)	-	(1,590,714)
Business-type activities:							
Water, sewer and sanitation	1,400,729	1,262,562	-	-	-	(138,167)	(138,167)
Interest on long-term debt	36,331	-	-	-	-	(36,331)	(36,331)
Total Business-type Activities	1,437,060	1,262,562	-	-	-	(174,498)	(174,498)
Total Primary Government	3,183,421	1,418,209	-	-	(1,590,714)	(174,498)	(1,765,212)
Component Units:							
Belzoni park commission	25,546	-	10,200	-	-	-	(15,346)
Belzoni municipal airport	148,270	22,001	-	477,439	-	-	351,170
Total Component Units	173,816	22,001	10,200	477,439	-	-	335,824
General Receipts:							
Taxes:							
Ad valorem taxes					\$ 790,096	\$ -	\$ 790,096
Road district taxes					25,779	-	25,779
Sales taxes					483,526	-	483,526
Franchise taxes					64,315	-	64,315
Gasoline taxes					6,845	-	6,845
State and county shared receipts					108,822	-	108,822
Unrestricted investment earnings					1,121	1,916	3,037
Insurance loss recoveries					-	45,260	45,260
Miscellaneous					12,429	18,599	31,028
Transfers and other interfund transactions					(3,804)	(7,238)	(11,042)
Total General Receipts					1,489,129	58,537	1,547,666
Change in Net Position					(101,585)	(115,961)	(217,546)
Net Position - Beginning					458,397	711,417	1,169,814
Net Position - Ending					\$ 356,812	\$ 595,456	\$ 952,268

(continued)

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



# CITY OF BELZONI, MISSISSIPPI

## Statement of Activities and Net Position - Cash Basis (continued) As of and for the Year Ended September 30, 2016

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units
<b>ASSETS</b>				
Cash and cash equivalents	\$ 307,280	\$ 595,456	\$ 902,736	\$ 491,931
Investments	49,532	-	49,532	-
Total Assets	<u>\$ 356,812</u>	<u>\$ 595,456</u>	<u>\$ 952,268</u>	<u>\$ 491,931</u>
<b>NET Position</b>				
Restricted - Expendable:				
Fire protection	\$ 124,130	-	\$ 124,130	\$ -
Debt service	5,157	-	5,157	-
Grants and special projects	17	-	17	491,931
Customer deposits	-	162,688	162,688	-
Unrestricted	227,508	432,768	660,276	-
Total Net Position	<u>\$ 356,812</u>	<u>\$ 595,456</u>	<u>\$ 952,268</u>	<u>\$ 491,931</u>

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

**CITY OF BELZONI, MISSISSIPPI**

**Statement of Cash-Basis Assets and Fund Balances and Cash Receipts, Disbursements,  
and Changes in Cash-Basis Fund Balances - Governmental Funds  
As of and for the Year Ended September 30, 2016**

	<u>Major Fund</u>	<u>Other</u>	
	<u>General</u>	<u>Governmental</u>	
	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
<b>RECEIPTS:</b>			
Taxes			
General property taxes	\$ 649,479	\$ 126,958	\$ 776,437
Penalties & interest on delinquent taxes	13,659	-	13,659
Licenses and permits			
Privilege licenses	6,268	-	6,268
Franchise charges - utilities	64,315	-	64,315
Intergovernmental revenues:			
State grants:			
General municipal aid	1,115	-	1,115
Homestead reimbursement	36,480	7,248	43,728
State shared revenues:			
Sales taxes	483,526	-	483,526
Fire protection	14,334	-	14,334
Alcoholic beverage licenses	2,925	-	2,925
Gasoline taxes	6,845	-	6,845
In lieu taxes-Grand Gulf	20,177	-	20,177
Big truck privilege licenses	405	-	405
County shared revenues:			
Road district taxes	25,779	-	25,779
Rural fire protection	26,138	-	26,138
Police fines, assessments, fees, etc.	20,974	-	20,974
Other revenues:			
Interest income	1,043	78	1,121
Rents	128,405	-	128,405
Miscellaneous	10,122	-	10,122
<b>TOTAL RECEIPTS</b>	<u>1,511,989</u>	<u>134,284</u>	<u>1,646,273</u>
<b>DISBURSEMENTS:</b>			
General government:			
Executive	79,377	-	79,377
Financial	120,376	-	120,376
Other	97,908	-	97,908
Public safety:			
Police	664,660	-	664,660
Fire	254,163	-	254,163
Inspections	14,555	-	14,555
Animal control	5,006	-	5,006
Public works:			
Street department	297,310	-	297,310
Culture & recreation	30,500	-	30,500
Redemption of principal	41,311	110,000	151,311
Interest on bonds	7,652	23,543	31,195
<b>Total Disbursements</b>	<u>1,612,818</u>	<u>133,543</u>	<u>1,746,361</u>
<b>Excess (Deficiency) of receipts over disbursements</b>	<u>(100,829)</u>	<u>741</u>	<u>(100,088)</u>

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

(continued)

**CITY OF BELZONI, MISSISSIPPI**

**Statement of Cash-Basis Assets and Fund Balances and Cash Receipts, Disbursements,  
and Changes in Cash-Basis Fund Balances - Governmental Funds  
As of and for the Year Ended September 30, 2016**

	<u>Major Fund</u>	<u>Other</u>	
	<u>General</u>	<u>Governmental</u>	
	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers	36,904	(40,708)	(3,804)
Other financing sources (uses)	<u>2,307</u>	<u>-</u>	<u>2,307</u>
Total other financing sources (uses)	<u>39,211</u>	<u>(40,708)</u>	<u>(1,497)</u>
 Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	 (61,618)	 (39,967)	 (101,585)
 <b>CASH BASIS FUND BALANCE- BEGINNING OF YEAR</b>	 <u>360,483</u>	 <u>97,914</u>	 <u>458,397</u>
 <b>CASH BASIS FUND BALANCE- END OF YEAR</b>	 <u>\$ 298,865</u>	 <u>\$ 57,947</u>	 <u>\$ 356,812</u>
 <b>CASH BASIS ASSETS - END OF YEAR</b>			
Cash	\$ 249,333	\$ 57,947	\$ 307,280
Investments	<u>49,532</u>	<u>-</u>	<u>49,532</u>
Total Cash Basis Assets	<u>\$ 298,865</u>	<u>\$ 57,947</u>	<u>\$ 356,812</u>
 <b>CASH BASIS FUND BALANCES - END OF YEAR</b>			
Restricted for:			
Fire protection	\$ 124,130	\$ -	\$ 124,130
Debt service	-	5,157	5,157
Grants	-	17	17
Assigned for:			
Capital improvements	-	3,397	3,397
Economic development	-	49,376	49,376
Unassigned	<u>174,735</u>	<u>-</u>	<u>174,735</u>
Total Fund Balances	<u>\$ 298,865</u>	<u>\$ 57,947</u>	<u>\$ 356,812</u>

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

**CITY OF BELZONI, MISSISSIPPI**

**Statement of Cash-Basis Net Position and Cash Receipts, Disbursements,  
and Changes in Cash-Basis Fund Net Position - Proprietary Fund  
As of and for the Year Ended September 30, 2016**

	<u>Enterprise Fund</u>
<b>Operating Receipts:</b>	
Charges for services:	
Garbage fees	\$ 292,178
Water and sewer charges	970,384
Total Operating Receipts	<u>1,262,562</u>
<b>Operating Disbursements:</b>	
Water and sewer	661,050
Sanitation	378,560
Total Operating Disbursements	<u>1,039,610</u>
<b>Nonoperating Receipts (Disbursements):</b>	
Interest income	1,916
Miscellaneous	15,274
Insurance loss recoveries	45,260
Capital outlay (garbage truck)	(197,513)
Redemption of principal	(163,606)
Interest on bonds	(36,331)
Other	3,325
Total Nonoperating Disbursements	<u>(331,675)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Transfers	(108,723)
Transfers	<u>(7,238)</u>
Change in Net Position	(115,961)
<b>CASH BASIS NET POSITION- BEGINNING OF YEAR</b>	<u>711,417</u>
<b>CASH BASIS NET POSITION- END OF YEAR</b>	<u><u>\$ 595,456</u></u>
<b>CASH BASIS ASSETS - END OF YEAR</b>	
Cash	\$ 595,456
Total Cash Basis Assets	<u><u>\$ 595,456</u></u>
<b>CASH BASIS NET POSITION - END OF YEAR</b>	
Restricted for:	
Customer deposits	\$ 162,688
Unassigned	432,768
Total Net Position	<u><u>\$ 595,456</u></u>

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

**CITY OF BELZONI, MISSISSIPPI**

**Statement of Fiduciary Net Position and Changes in Fiduciary Net Position - Cash Basis  
As of and for the Year Ended September 30, 2016**

**OTHER FINANCING SOURCES (USES):**

Transfers and other interfund transactions	\$ 6,648
Other financing sources (uses)	<u>12,541</u>

Excess (Deficiency) of other financing sources over other financing uses	19,189
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CASH BASIS NET POSITION - BEGINNING OF YEAR	<u>108,697</u>
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CASH BASIS NET POSITION - END OF YEAR	<u><u>\$ 127,886</u></u>
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**CASH BASIS ASSETS - END OF YEAR**

Cash and cash equivalents	<u><u>\$ 127,886</u></u>
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The notes to the financial statements are an integral part of this statement.

# CITY OF BELZONI, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2016

### (1) Summary of Significant Accounting Policies.

As discussed further in Note 1.B, these financial statements are presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. These cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the cash basis of accounting.

#### A. Financial Reporting Entity.

The City of Belzoni operates under a Mayor-Board of Aldermen form of government and provides all of the rights and privileges provided by statute for municipalities.

The City of Belzoni's financial statements include all funds of the primary government and its component units which have significant operational or financial relationships with the City.

The City of Belzoni's major operations include public welfare and social services, road and bridge maintenance and general administrative services. In addition, a water and sewer system is operated by the City.

#### DISCRETELY PRESENTED COMPONENT UNITS

The City's two component units include a municipal airport and a park commission.

Municipal Airport - The Belzoni Municipal Airport's Board is appointed by the Mayor and Aldermen of the City of Belzoni. Activities include payments associated with maintaining the airport, including utilities, maintenance, and insurance, and the collection of rents for the use of airport facilities. Also included are federal and state airport improvement grant proceeds and related disbursements.

Park Commission - The Mayor and Aldermen appoint commissioners to oversee the City's parks. The City additionally provides funding as needed to support park and recreational activities.

#### B. Basis of Accounting.

The financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred.

This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

# CITY OF BELZONI, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2016

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

Government-wide Financial Statements – The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported in separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as other governmental or proprietary funds.

The City reports the following major Governmental Funds:

General Fund- This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major Proprietary fund:

Enterprise Fund – This fund accounts for the activities of garbage collection and providing water and sewer services to its customers.

Additionally, the City reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

#### PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

# CITY OF BELZONI, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2016

### FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the City in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

#### D. Measurement Focus and Financial Statement Presentation.

The government-wide financial statements, both governmental and business-like activities, are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting as previously defined.

The fund financial statements are reported using the current financial resources measurement focus or the economic resources measurement focus, as applied to the cash basis of accounting.

Amounts reported as program receipts included (1) receipts from customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

As permitted by generally accepted accounting principles, the City of Belzoni has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

#### E. Cash and Cash Equivalents.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City deposits excess funds in the financial institutions selected by the Board of Aldermen. State statutes specify how these depositories are to be selected.

#### F. Use of Estimates

The preparation of financial statements on the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of cash receipts and disbursements during the current period. Actual results could differ from those estimates.



# CITY OF BELZONI, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2016

### G. Net Position/Fund Balance Classifications

#### Government-Wide Statements

Net position is reported in the following categories:

1. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
2. Unrestricted net position consists of net position not meeting the definition of the above category. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

#### Fund Financial Statements

##### Governmental Funds:

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as restricted, assigned or unassigned. Following are descriptions of fund classifications used by the City:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Aldermen, Mayor and/or City Clerk pursuant to authorization by the policy adopted by the City.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

##### Proprietary Funds:

The proprietary funds are classified in the same manner as the government-wide financial statements, as described above.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (assigned or unassigned) resources are available, it is the City's general policy to use restricted

# CITY OF BELZONI, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2016

resources first. When expenditures/expenses are incurred for purposes for which unrestricted (assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend assigned resources first and then unassigned amounts.

### (2) Cash and Other Deposits.

Cash and other deposits at September 30, 2016, consist of:

Cash in bank (checking and savings accounts)	\$ 1,521,543
Certificates of deposit	49,532
Cash on hand (change fund)	<u>1,010</u>
Total	<u>\$ 1,572,085</u>

The collateral pledged for the City's deposits in financial institutions is 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 funds 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 Deposit Insurance Corporation.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Certificates of deposits type of investments of \$49,532 are valued using quoted market prices (Level 1 inputs).

For accounting purposes, the total cash and other deposits listed above includes \$491,931 of cash reported by the component units of the City of Belzoni and \$127,886 reported by the fiduciary funds of the City of Belzoni.

# CITY OF BELZONI, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2016

### (3) General Long-term Debt.

The following is a summary of changes in long-term debt:

	Balance 10/01/15	Additions	Reductions	Balance 9/30/16	Due Within One Year
<u>Governmental Activities:</u>					
A. General obligation bonds payable	\$ 600,000	\$ -	\$ (110,000)	\$ 490,000	\$ 115,000
B. Notes payable - fire truck	186,407	\$ -	\$ (16,379)	170,028	\$ 16,935
C. Capital lease - police cars	-	130,085	(24,932)	105,153	25,463
Total	786,407	130,085	(151,311)	765,181	157,398
<u>Business-Type Activities</u>					
D. Notes payable - meters	264,594	-	(32,804)	231,790	32,113
E. Revolving fund loans payable	1,176,384	-	(130,802)	1,045,582	134,741
Total	1,440,978	-	(163,606)	1,277,372	166,854
Total All Activities	\$ 2,227,385	\$ 130,085	\$ (314,917)	\$ 2,042,553	\$ 324,252

#### A. General obligation bonds payable.

General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Capital improvements issue, Series 2005	3.75-5.00%	6/1/2005	6/1/2020	\$ 1,400,000	\$ 490,000
Total				<u>\$ 1,400,000</u>	<u>\$ 490,000</u>

# CITY OF BELZONI, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2016

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

Year Ending September 30	Principal	Interest	Total
2017	\$ 115,000	\$ 18,812	\$ 133,812
2018	120,000	14,442	134,442
2019	125,000	9,882	134,882
2020	130,000	5,038	135,038
Total general obligation bonds payable	<u>\$ 490,000</u>	<u>\$ 48,174</u>	<u>\$ 538,174</u>

This debt will be retired from the debt service fund.

### B. Notes payable – fire truck

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Guaranty Bank & Trust - Fire truck note payable	2.99% - 3.20%	6/11/2015	6/15/2025	\$190,344	\$ 170,028
Total				<u>\$190,344</u>	<u>\$ 170,028</u>

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

Year Ending September 30	Principal	Interest	Total
2017	\$ 16,935	\$ 5,265	\$ 22,200
2018	17,493	4,707	22,200
2019	18,116	4,084	22,200
2020	18,747	3,492	22,239
2021	19,633	2,723	22,356
2022-2025	79,104	4,731	83,835
Total notes payable - garbage truck	<u>\$ 170,028</u>	<u>\$ 25,002</u>	<u>\$ 195,030</u>

This debt will be retired from the general fund.

### C. Capital lease – police cars

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Bancorpsouth capital lease - police cars	2.19%	1/11/2016	1/11/2020	\$130,085	\$ 105,153
Total				<u>\$130,085</u>	<u>\$ 105,153</u>

# CITY OF BELZONI, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2016

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

Year Ending September 30	Principal	Interest	Total
2017	\$ 25,463	\$ 2,240	\$ 27,703
2018	26,006	1,697	27,703
2019	26,559	1,144	27,703
2020	27,125	578	27,703
Total	<u>\$ 105,153</u>	<u>\$ 5,659</u>	<u>\$ 110,812</u>

This debt will be retired from the general fund.

### D. Notes payable - meters

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Guaranty Bank and Trust radio meter loan	3.30%	6/4/2013	7/1/2023	\$ 336,320	\$ 231,790
Total				<u>\$ 336,320</u>	<u>\$ 231,790</u>

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

Year Ending September 30	Principal	Interest	Total
2017	\$ 32,113	\$ 7,599	\$ 39,712
2018	33,204	6,511	39,715
2019	34,333	5,386	39,719
2020	35,488	4,233	39,721
2021	36,706	3,019	39,725
2022-2023	59,946	2,274	62,220
Total notes payable - meters	<u>\$ 231,790</u>	<u>\$ 29,022</u>	<u>\$ 260,812</u>

This debt will be retired from the enterprise fund.

**CITY OF BELZONI, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**E. Revolving fund loans payable**

Revolving fund loans currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
SRF loan number SRF-C280856012	4.50%	8/27/1997	5/1/2019	\$ 805,264	\$ 154,551
SRF loan number SRF-C280856020	1.75%	1/20/2002	5/1/2023	481,659	182,132
SRF loan number SRF-C280856030	2.00%	3/27/2006	10/27/2025	522,286	266,780
SRF loan number SRF-C280134012	1.95%	10/27/2009	1/1/2031	197,916	267,231
SRF loan number SRF-C270001022	1.95%	10/19/2010	6/12/2032	210,663	174,888
Total				<u>\$ 2,217,788</u>	<u>\$ 1,045,582</u>

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

Year Ending September 30	Principal	Interest	Total
2017	\$ 134,741	\$ 22,271	\$ 157,012
2018	138,815	18,195	157,010
2019	122,387	14,186	136,573
2020	83,571	11,828	95,399
2021	85,174	10,225	95,399
2022-2026	321,956	29,026	350,982
2027-2031	149,336	7,858	157,194
2032	9,602	82	9,684
Total revolving fund loans payable	<u>\$ 1,045,582</u>	<u>\$ 113,671</u>	<u>\$ 1,159,253</u>

This debt is retired by reductions from monthly sales tax reimbursements to the City. The enterprise fund reimburses the general fund for this debt service annually.

**(4) Defined Benefit Pension Plan.**

*Plan Description.* The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. 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,

## CITY OF BELZONI, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2016

Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2016, 2015 and 2014 were \$175,020, \$163,036 and \$163,300, respectively.

#### (5) Contingencies

*Federal Grants* – The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the City.

*Litigation* – The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the City with respect to the various proceedings. However, the City management believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

# **CITY OF BELZONI, MISSISSIPPI**

## **Notes to Financial Statements For the Year Ended September 30, 2016**

### **(6) Claims and Judgments.**

#### **Risk Management:**

The City is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the City's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The City has not had an additional assessment for excess losses incurred by the pool.

The City is a member of the Mississippi Municipal Liability Plan (MMLP). This is a risk-sharing pool; such a pool is frequently referred to as self-insurance pool. MMLP covers liability claims against the City. Each member of the MMLP contributes to a fund held in a trust account. The funds held in the trust account are used to pay claims of \$500,000 for torts and \$1,000,000 on federal claims. The City has not had an additional assessment for excess losses.

### **(7) Property Tax Revenues.**

State statutes exist under which the Board of Alderman may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

### **(8) Subsequent Events**

Events that occur after the financial statement date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes. Management of the City of Belzoni evaluated the activity of the City through July 6, 2017 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.



**CITY OF BELZONI, MISSISSIPPI**

**SUPPLEMENTAL INFORMATION**

# CITY OF BELZONI, MISSISSIPPI

## Reconciliation of Tax Assessments to Fund Collections For the Year Ended September 30, 2016

<u>Assessed Valuation and Millage</u>	<u>Assessed Value</u>	<u>Mills</u>	<u>Total Taxes Due</u>
Realty	\$ 6,968,067		
Personal - other than auto	1,105,719		
Auto and mobile homes (from county)	1,156,177		
Utilities	837,801		
Total	10,067,764		
Less: Special homestead	(1,229,439)		
Total	8,838,325	90.5	\$ 799,868

### Collections/adjustments:

Plus:	Municipal homestead reimbursement	43,728
	Prior year tax collections	61,709
	Penalties & interest	13,659
Deduct:	County tax collector's commissions	(5,231)
Total To Account For		<u>\$ 913,733</u>

### Collection Credit to Funds:

	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
Municipal General Fund	\$ 663,138	\$ 36,480	\$ 699,618
Debt Service Fund	126,958	7,248	134,206
Total	790,096	43,728	833,824
Balance represented by:			
Unpaid property taxes			78,337
Unaccounted for			1,572
Total Accounted For			<u>\$ 913,733</u>

Ad valorem tax collections were found to be within the limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972), as follows:

### Actual Collections:

2014 Tax	\$ 800,501
10% increase	80,050
Exempt property	-
	<u>\$ 880,551</u>

### Actual Collections:

2015 Tax	\$ 663,138
Homestead reimbursement	36,480
Under limitation	180,933
	<u>\$ 880,551</u>

**CITY OF BELZONI, MISSISSIPPI**  
**Schedule of Long-Term Debt**  
**For the Year Ended September 30, 2016**

	Balance Outstanding 10/1/2015	Transactions During Fiscal Year		Balance Outstanding 9/30/2016
		Issued	Redeemed	
<b><u>Governmental Activities:</u></b>				
General obligation bonds - Capital Improvement Issue - Series 2005 for street and sidewalk improvements and recreational facilities	\$ 600,000	-	(110,000)	\$ 490,000
Notes Payable - Guaranty Bank Fire truck	186,407	-	(16,379)	170,028
Capital Lease - Bancorpsouth Police Cars	-	130,085	(24,932)	105,153
Total Governmental Activities	<u>786,407</u>	<u>130,085</u>	<u>(151,311)</u>	<u>765,181</u>
<b><u>Business-type Activities:</u></b>				
Notes Payable - Guaranty Bank Meters	264,594	-	(32,804)	231,790
Revolving Fund Loans Payable: (Paid via deductions from sales tax reimbursements)				
SRF loan number SRF-C280856012	207,899	-	(53,348)	154,551
SRF loan number SRF-C280856020	207,667	-	(25,535)	182,132
SRF loan number SRF-C280856030	293,299	-	(26,519)	266,780
SRF loan number SRF-C280134012	283,236	-	(16,005)	267,231
SRF loan number SRF-C270001022	184,283	-	(9,395)	174,888
Total Revolving Fund Loans Payable	<u>1,176,384</u>	<u>-</u>	<u>(130,802)</u>	<u>1,045,582</u>
Total Business-Type Activities	<u>1,440,978</u>	<u>-</u>	<u>(163,606)</u>	<u>1,277,372</u>
Total All Activities	<u>\$ 2,227,385</u>	<u>130,085</u>	<u>(314,917)</u>	<u>\$ 2,042,553</u>

**CITY OF BELZONI, MISSISSIPPI**

**Schedule of Investments - All Funds  
September 30, 2016**

<b>Ownership</b>	<b>Type of Investment</b>	<b>Interest Rate</b>	<b>Acquisition Date</b>	<b>Maturity Date</b>	<b>Other Information</b>	<b>Investment Cost/Value</b>
Fire Fund	Certificate of Deposit	1.15%	7/15/2016	1/15/2017	Guaranty Bank & Trust	<u>\$ 49,532</u>

# CITY OF BELZONI, MISSISSIPPI

## Schedule of Surety Bonds of Municipal Officials For the Year Ended September 30, 2016

<u>Name</u>	<u>Position</u>	<u>Bond*</u>
Lenora Sutton	Mayor	\$ 50,000
Allen Farmer	Alderman	\$ 50,000
Dwight Guthrie	Alderman	\$ 50,000
Johnny Page	Alderman	\$ 50,000
Benny Browder, Sr.	Alderman	\$ 50,000
Charles Thurman, Jr.	Alderman	\$ 50,000
Delores Harris	City Clerk	\$ 50,000
Latosha Seals	Assistant Clerk	\$ 50,000
Mickey Foxworth	Police Chief	\$ 50,000
Dorothy Elder	Court Clerk	\$ 50,000
Kendra Lang	Water Clerk	\$ 50,000
Felisha Tucker	Water Clerk	\$ 50,000

\* All positions are covered by Travelers Casualty and Surety Co.

**CITY OF BELZONI, MISSISSIPPI**

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS**

**CUNNINGHAM CPAs, PLLC**  
Certified Public Accountants & Consultants

202 Church Street  
Belzoni, Mississippi 39038  
Office: (662) 247-2416  
Fax: (662) 247-2420

10 South Bancroft Street  
Fairhope, Alabama 36532  
Office: (251) 929-7778  
Fax: (251) 929-7779

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

The Honorable Mayor and Board of Aldermen  
City of Belzoni, 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 cash basis financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Belzoni, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Belzoni, Mississippi's basic financial statements, and have issued our report thereon dated July 6, 2017.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies below to be material weaknesses (2016-001, 2016-002 and 2016-003):

## **2016-001 Financial Statements and Related Disclosures**

Criteria: The City is responsible for establishing and maintaining effective internal controls over financial reporting. Under generally accepted auditing standards, outside auditors cannot be considered part of the City's internal control structure, and the design of the City's internal control structure does not include procedures for its preparation of external financial statements in accordance with generally accepted accounting principles.

Condition: Management requested the auditors prepare a draft of the City's financial statements, including the related notes to the financial statements. Outsourcing of this service is not unusual in Cities of your size and is a result of the City's cost benefit decision to use our accounting expertise rather than to incur internal resource costs.

Cause: The City has opted not to incur the additional costs that it would take to train and keep personnel abreast of the requirements necessary to prepare the financial statements and the related footnote disclosures.

Effect: The preparation of its financial statements, related footnote disclosures and required supplemental information are outsourced. However, management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance.

The absence of this control procedure is considered a material weakness because there is more than a remote likelihood that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Recommendation: Due to the cost of hiring and keeping personnel abreast of the requirements necessary to prepare the financial statements and the related footnote disclosures, no change is recommended.

City's Response: We agree with the finding. The City benefits the most by continuing to outsource the preparation of the financial statements and related note disclosures. Management understands and accepts the risk of permitting the auditors to prepare the financial statements and related note disclosures due to cost constraints.

## **2016-002 Capital Assets**

Criteria: Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

Condition: The City does not maintain an adequate capital asset subsidiary ledger that properly tracks capital asset activity.

Cause: The cause is a result of not properly implementing a system of accounting controls to track capital asset activity.

Effect: The effect of this condition is a higher risk for misappropriation of assets and a greater likelihood that the financial statements could be materially misstated.

Recommendation: It is recommended that the City establish policies and procedures to ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.



City's Response: We are in the process of completing a capital asset subsidiary ledger and developing a set of internal control policies and procedures to ensure proper accountability of capital assets.

### **2016-003 Segregation of Duties**

Criteria: Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is properly segregating the duties of individuals receiving, receipting, posting to the general ledger and making deposits of cash.

Condition: Persons with access to cash can also post transactions to the general ledger and customer's subsidiary ledgers.

Cause: The cause is a result of limited staffing and overlapping of duties when needed.

Effect: The effect of this condition is a higher risk for misappropriation of assets.

Recommendation: While we understand that the City's finances and small size prohibit it from having optimal segregation of duties, we do recommend that, to the extent practicable, there is oversight by other City employee(s) to ensure that assets are safeguarded against misuse or misappropriation.

City's Response: We will, to the best of our ability, put procedures in place to limit access to cash for individuals that also post transactions to the general ledger and customer's subsidiary ledgers. We will also make sure there is oversight by other City employee(s) to help ensure that assets are safeguarded against misuse or misappropriation.

### **Compliance and Other Matters**

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

However, we did note certain immaterial instances of noncompliance with state laws and regulations that we reported to management of the City in a separate letter dated July 6, 2017, which is included in this report.

### **City of Belzoni, Mississippi's Response to the Findings**

City of Belzoni, Mississippi's responses to the findings identified in our audit are described above. The City of Belzoni, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

*Cunningham CPAs*

Cunningham CPAs, PLLC  
Belzoni, Mississippi  
July 6, 2017

**CITY OF BELZONI, MISSISSIPPI**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MISSISSIPPI  
STATE AUDITOR'S REQUIREMENTS AND STATE LAWS AND REGULATIONS**

# CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

202 Church Street  
Belzoni, Mississippi 39038  
Office: (662) 247-2416  
Fax: (662) 247-2420

10 South Bancroft Street  
Fairhope, Alabama 36532  
Office: (251) 929-7778  
Fax: (251) 929-7779

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

The Honorable Mayor and Board of Aldermen  
City of Belzoni, Mississippi

We have audited the basic cash basis financial statements of the City of Belzoni as of and for the year ended September 30, 2016, and have issued our report dated July 6, 2017. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of our procedures and our audit of the general purpose financial statement disclosed the following instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

### 1. Finding

The *Municipal Audit and Accounting Guide* requires that annual physical inventories of property and equipment be conducted and compared to subsidiary records and that assets be "tagged" and that the "tag" numbers be cross-referenced to a subsidiary ledger of property and equipment. While the City has begun tagging its assets, it is not fully complying with this requirement. This finding was also noted in the prior year's audit report.

### Recommendation

We recommend that annual physical inventories be conducted, that assets are tagged and cross-referenced to subsidiary records, and that evidence of the annual physical count be kept on file.

### City's Response

We will conduct annual physical inventories of all assets and ensure that assets are tagged and cross-referenced to subsidiary records. We will maintain files on these inventory counts. We are in the process of developing a system to properly record and track capital assets.

## 2. Finding

According to Section 21-35-15, Miss. Code Ann. (1972), expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlay, election expenses and payment of emergency warrants. During our testing, we noted actual expenses exceeded the original adopted budget for several departments and/or funds. There were also instances where the purpose level within a department or fund were exceeded but the overall department or fund budget was not exceeded. The City amended the budget to agree to actual expenses in February 2017, however the City failed to attach the final amended budget to the minutes, as required. In addition, budget amendments that result in either an increase or decrease of 10% or more of a department's budget must be advertised. The City failed to advertise any budget amendments. The following is a recap of the funds and/or departments where actual expenditures exceeded the original adopted budget, excluding capital expenditures and election expenses:

Fire Fund – Expenditures exceeded budget by \$1,850  
Park Commission Fund – Expenditures exceeded budget by \$10,911  
Water Department – Expenditures exceeded budget by \$15,693  
Sewer Department – Expenditures exceeded budget by \$18,378  
Garbage Department – Expenditures exceeded budget by \$54,208

### Recommendation

We recommend that the City take greater care in following the specific budget related state laws and regulations as outlined in the Municipal Accounting Guide.

### Response

In the future, we will ensure that we follow all the budget related laws and regulations as described in the Municipal Accounting Guide.

## 3. Finding

After discussion with a representative at the State Auditor's Office, the City transferred \$20,000 from the Municipal Airport to help with the purchase of street sweeper. After further investigation by the State Auditor's Office, the transfer was determined to not be allowed and the City was ordered to transfer the funds back to the Municipal Airport.

### Recommendation

This issue has been resolved and no further recommendation is necessary.

### City's Response

Corrective action has been taken.

#### 4. Finding

During our testing of receipts and disbursements, we noted a transaction that appears to lack proper authoritative guidance. A development company building homes just outside of the City limits approached the City with an agreement in which the City would make a \$102,500 contribution to the development project and in return the related construction company would pay the City \$112,500 for water and sewer impact fees. The net effect was essentially a \$10,000 benefit to the City. The agreement was voted upon and approved by the Board of Aldermen. However, the City failed to provide us evidence that they had the authority to make a \$102,500 contribution to the development project. We discussed this issue with the State Auditor's Office and they too indicated that they were not aware of any authoritative guidance that would allow such a contribution to be made.

#### Recommendation

We recommend that the City have proper authoritative guidance for any and all expenditures made.

#### City's Response

Our previous attorney handled this transaction and indicated that the City could enter into this agreement. The Board of Aldermen approved the agreement based on the attorney's recommendation. In the future, we will make sure we have written documentation to support any and all transactions.

The City of Belzoni's responses to our findings included in this report were not audited and, accordingly, we express no opinion on them.

The Office of 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.

Other than the findings mentioned above, the City complied with state laws and regulations for the items tested. For those items not tested, nothing came to our attention that would lead us to believe that the City had not complied with state laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above.

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



Cunningham CPAs, PLLC  
Belzoni, Mississippi  
July 6, 2017

