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CITY OF CARTHAGE

**Audited Financial Statements
And
Special Reports**

For the Year Ended September 30, 2016



CITY OF CARTHAGE

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Windham and Lacey, PLLC

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American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the major fund and the aggregate remaining fund information of the City of Carthage, 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

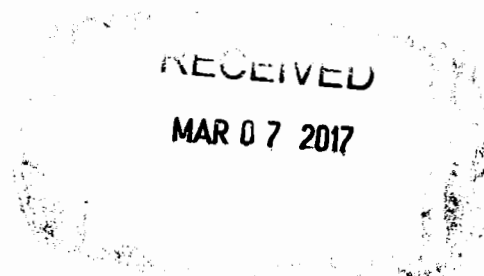
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and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

Auditor's Responsibility

Our responsibility is to express 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 *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 opinion.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of the City of Carthage as of September 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

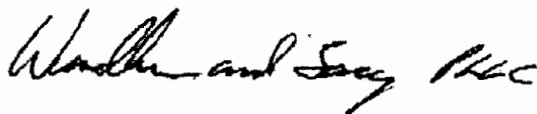
The City of Carthage, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial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

Other Information

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

Other Reporting Requirements Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2017, on our consideration of the City of Carthage'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 the 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 Carthage's internal control over financial reporting and compliance.



Windham and Lacey, PLLC
February 16, 2017

CITY OF CARTHAGE

BASIC FINANCIAL STATEMENTS

The basic financial statements included integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements

- Fund financial statements:

 - Governmental funds

 - Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to user's understanding of the basic financial statements

City of Carthage
Statement of Net Position
September 30, 2016

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$ 1,977,640	1,311,331	3,288,971
Property tax receivable	368,684		368,684
Fines receivable, net	684,541		684,541
Accounts receivable, net	66,738	183,728	250,466
Internal balances	2,585	(2,585)	
Intergovernmental receivable	21,177		21,177
Sales tax receivable	292,814		292,814
Total Current Assets	<u>3,414,179</u>	<u>1,492,474</u>	<u>4,906,653</u>
Noncurrent Assets:			
Restricted cash	131,932	162,692	294,624
Capital assets, net	6,909,154	4,365,576	11,274,730
Total Noncurrent Assets	<u>7,041,086</u>	<u>4,528,268</u>	<u>11,569,354</u>
Total Assets	<u>10,455,265</u>	<u>6,020,742</u>	<u>16,476,007</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	<u>847,072</u>	<u>162,622</u>	<u>1,009,694</u>
LIABILITIES			
Current Liabilities:			
Claims payable	50,174	15,002	65,176
Customer deposits		160,059	160,059
Other current liabilities	7,984		7,984
Compensated absences payable	42,226	1,463	43,689
Current portion of long-term debt	183,591	139,462	323,053
Total Current Liabilities	<u>283,975</u>	<u>315,986</u>	<u>599,961</u>
Noncurrent Liabilities:			
Net pension liability	4,062,257	794,020	4,856,277
Long-term liabilities	762,000	1,292,164	2,054,164
Total Noncurrent Liabilities	<u>4,824,257</u>	<u>2,086,184</u>	<u>6,910,441</u>
Total Liabilities	<u>5,108,232</u>	<u>2,402,170</u>	<u>7,510,402</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax for future periods	<u>368,684</u>	<u>0</u>	<u>368,684</u>
NET POSITION			
Net investment in capital assets	5,963,563	2,933,950	8,897,513
Restricted for:			
Expendable:			
Debt service		2,633	2,633
Public safety	131,932		131,932
Public works	397,653		397,653
Culture & recreation	54,762		54,762
Unrestricted	<u>(722,489)</u>	<u>844,611</u>	<u>122,122</u>
Total Net Position	<u>\$ 5,825,421</u>	<u>3,781,194</u>	<u>9,606,615</u>

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

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City of Carthage
Statement of Activities
For the Year Ended September 30, 2016

Exhibit 2

		<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
	<u>Expenses</u>						<u>Total</u>
Functions/Programs							
Primary Government:							
Governmental Activities:							
General government	\$ 691,168	1,669	494		(689,005)		(689,005)
Public safety	1,471,231	378,827	139,275		(953,129)		(953,129)
Public works	1,172,740	292,457		50,000	(830,283)		(830,283)
Health and welfare	30,013	38,662			8,649		8,649
Culture and recreation	349,800	70,690			(279,110)		(279,110)
Pension expense	588,202				(588,202)		(588,202)
Interest on long-term debt	19,280				(19,280)		(19,280)
Total Governmental Activities	<u>4,322,434</u>	<u>782,305</u>	<u>139,769</u>	<u>50,000</u>	<u>(3,350,360)</u>	<u>0</u>	<u>(3,350,360)</u>
Business-type activities:							
Water/Sewer	1,127,455	1,171,583				44,128	44,128
Interest on long-term debt	31,195					(31,195)	(31,195)
Total Business-type Activities	<u>1,158,650</u>	<u>1,171,583</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,933</u>	<u>12,933</u>
Total Primary Government	<u>\$ 5,481,084</u>	<u>1,953,888</u>	<u>139,769</u>	<u>50,000</u>	<u>(3,350,360)</u>	<u>12,933</u>	<u>(3,337,427)</u>

(Continued)

City of Carthage
Statement of Activities
For the Year Ended September 30, 2016

Exhibit 2 (Continued)

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Revenues			
Taxes:			
Property taxes	\$ 777,855		777,855
Road & bridge privilege taxes	207,117		207,117
Sales tax	1,748,885		1,748,885
Franchise taxes	123,782		123,782
Unrestricted investment income	3,091	1,860	4,951
Miscellaneous	152,777	71,278	224,055
Total General Revenues	<u>3,013,507</u>	<u>73,138</u>	<u>3,086,645</u>
Change in net position	(336,853)	86,071	(250,782)
Net Position - Beginning	<u>6,162,274</u>	<u>3,695,123</u>	<u>9,857,397</u>
Net Position - Ending	<u>\$ 5,825,421</u>	<u>3,781,194</u>	<u>9,606,615</u>

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

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City of Carthage
Balance Sheet
Governmental Funds
September 30, 2016

Exhibit 3

	Major Fund	Other Governmental Funds	Total Governmental Funds
	General Fund		
ASSETS			
Cash	\$ 1,525,330	584,242	2,109,572
Property tax receivable	368,684		368,684
Fines receivable	684,541		684,541
Sales tax receivable	292,814		292,814
Due from state	7,562		7,562
Due from other funds		5,321	5,321
Other receivables	69,311	11,042	80,353
Total Assets	\$ 2,948,242	600,605	3,548,847
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES			
Liabilities:			
Claims payable	\$ 38,906	11,268	50,174
Due to other funds	2,736		2,736
Other current liabilities	2,996	4,988	7,984
Total Liabilities	44,638	16,256	60,894
Deferred Inflows of Resources:			
Property tax for future periods	368,684		368,684
Unavailable revenue - fines	684,541		684,541
Total Deferred Inflows of Resources	1,053,225	0	1,053,225
Fund Balances:			
Restricted:			
Public safety		131,932	131,932
Committed:			
Public works		267,131	267,131
Culture and recreation		54,762	54,762
Assigned:			
Street paving		130,522	130,522
Unassigned	1,850,379	2	1,850,381
Total Fund Balances	1,850,379	584,349	2,434,728
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,948,242	600,605	

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(Continued)

**City of Carthage
Balance Sheet
Governmental Funds
September 30, 2016**

Exhibit 3 (Continued)

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds (Note 1):

Capital assets net of depreciation as of Oct. 1, 2015	\$	7,186,976	
Plus capital outlay expenditures and donations made during the year		216,066	
Less depreciation expense recorded during the year		<u>(493,888)</u>	6,909,154

Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds:

Fines receivable			684,541
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Pension Obligations:

Pension obligations are not due and payable in the current period and therefore, are not reported in the funds:

Net pension liability		(4,062,257)	
-----------------------	--	-------------	--

Deferred outflows of resources related to pension obligations are applicable to future periods and therefore, are not reported in the funds:

Deferred outflows of resources related to pension obligations		<u>847,072</u>	(3,215,185)
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Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.

(945,591)

Compensated absences used in governmental activities are not reported in funds.

(42,226)

Net Position of Governmental Activities	\$	<u>5,825,421</u>	
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The notes to the financial statements are an integral part of this statement.

City of Carthage
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2016

Exhibit 4

	Major Fund	Other Governmental Funds	Total Governmental Funds
	General Fund		
REVENUES			
Property taxes	\$ 525,335	252,520	777,855
Licenses and permits	155,105		155,105
Fines and forfeitures	323,478	19,081	342,559
Intergovernmental revenues	2,072,918	141,048	2,213,966
Charges for services	294,126	78,746	372,872
Interest income	2,445	646	3,091
Miscellaneous	49,073	35,596	84,669
Total Revenues	<u>3,422,480</u>	<u>527,637</u>	<u>3,950,117</u>
EXPENDITURES			
Current:			
General government	675,946		675,946
Public safety	1,544,525	85,696	1,630,221
Public works	733,187	443,065	1,176,252
Health and welfare	30,013		30,013
Culture and recreation	164,620	193,611	358,231
Total Expenditures	<u>3,148,291</u>	<u>722,372</u>	<u>3,870,663</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>274,189</u>	<u>(194,735)</u>	<u>79,454</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		204,943	204,943
Transfers out	(204,943)		(204,943)
Total Other Financing Sources and Uses	<u>(204,943)</u>	<u>204,943</u>	<u>0</u>
Net Change in Fund Balances	69,246	10,208	79,454
Fund Balances - Beginning	<u>1,781,133</u>	<u>574,141</u>	<u>2,355,274</u>
Fund Balances - Ending	<u>\$ 1,850,379</u>	<u>584,349</u>	<u>2,434,728</u>

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

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City of Carthage
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2016

Exhibit 5

Net Change in Fund Balances -- Total Governmental Funds (Exhibit 4)	\$	79,454
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Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation (\$493,888) exceeded capital outlays (\$216,066) in the current period.	(277,822)
--	-----------

Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	35,463
--	--------

Governmental funds report payments on long-term debt as expenditures. However, in the Statement of Activities the payments are subtracted from the balance of the long-term debt accounts. Debt proceeds provide current financial resources to governmental funds, but the issuing debt increases long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balance by the amount that debt repayment (\$179,680) is more than debt proceeds (\$0).	179,680
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Items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recognition of pension expense for the current year	(588,202)	
Recognition of contributions made subsequent to the measurement date	65,371	
Recognition of contributions made in the fiscal year prior to measurement date	<u>170,151</u>	(352,680)

Governmental funds do not report expenditures not recognized for transactions that are normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net position differs from the change in fund balances by the following item:

Change in compensated absences	<u>(948)</u>
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Change in Net Position of Governmental Activities (Exhibit 2)	\$	<u><u>(336,853)</u></u>
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The notes to the financial statements are an integral part of this statement.

City of Carthage
Statement of Net Position
Proprietary Fund
September 30, 2016

Exhibit 6

	Business-type Activity
	<u>Water/Sewer</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,311,331
Accounts receivable, net	183,728
Total Current Assets	<u>1,495,059</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	162,692
Capital assets, net	4,365,576
Total Noncurrent Assets	<u>4,528,268</u>
 Total Assets	 <u>6,023,327</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	<u>162,622</u>
 LIABILITIES	
Current Liabilities:	
Claims payable	15,002
Customer deposits	160,059
Compensated absences payable	1,463
Due to other funds	2,585
Current portion of long-term debt	139,462
Total Current Liabilities	<u>318,571</u>
Noncurrent Liabilities:	
Net pension liability	794,020
Long-term liabilities	1,292,164
Total Noncurrent Liabilities	<u>2,086,184</u>
 Total Liabilities	 <u>2,404,755</u>
 NET POSITION	
Net investment in capital assets	2,933,950
Restricted for debt service	2,633
Unrestricted	844,611
 Total Net Position	 <u>\$ 3,781,194</u>

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

City of Carthage
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2016

Exhibit 7

	Business-type Activity
	<u>Water/Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 1,171,583
Total Operating Revenues	<u>1,171,583</u>
OPERATING EXPENSES	
Personal services	492,914
Contractual services	263,818
Materials and supplies	177,674
Depreciation expense	193,049
Total Operating Expenses	<u>1,127,455</u>
Operating Income (Loss)	<u>44,128</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,860
Interest expense	(31,195)
Gain on disposal of capital asset	71,278
Total Nonoperating Revenue (Expenses)	<u>41,943</u>
Change in Net Position	86,071
Total Net Position - Beginning	<u>3,695,123</u>
Total Net Position - Ending	<u>\$ 3,781,194</u>

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

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City of Carthage
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2016

Exhibit 8

	Business-type Activity
	<u>Water/Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,164,786
Payments to suppliers	(434,500)
Payments to employees	(429,120)
Net Cash Provided (Used) by Operating Activities	<u>301,166</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Gain (Loss) on disposal of capital asset	
Principal paid on long-term debt	(136,408)
Interest expense paid	(31,195)
Net Cash Provided (Used) by Capital Financing Activities	<u>(167,603)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>1,860</u>
Net Increase (Decrease) in Cash and Cash Equivalents	135,423
Cash and Cash Equivalents - Beginning of Year	<u>1,338,600</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,474,023</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>44,128</u>
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	193,049
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(10,915)
(Increase) decrease in deferred outflows of resources	(62,155)
Increase (decrease) in claims payable	6,992
Increase (decrease) in compensated absences payable	(726)
Increase (decrease) in net pension liability	126,675
Increase (decrease) in customer deposits	4,118
Total adjustments	<u>257,038</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 301,166</u>

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

City of Carthage

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

1. Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The City of Carthage (City) is a special-charter municipality governed by an elected mayor and four aldermen. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP.

The following component unit's balances and transactions are blended with the balances and transactions of the primary government:

The Carthage Preservation Commission members are appointed by the City and shall serve at the will and pleasure of the City and shall serve staggered terms. The Commission is comprised of not fewer than five (5) or more than nine (9) members who are residents of the City. Although it is created legally separate from the City under *Section 39-13-3, Mississippi Code of 1972, as amended*, the Commission is reported as if it were part of the primary government because its sole purpose is to develop the City's historical resources and to advise the City on the designation of historic districts, landmarks, and landmark sites and perform such other functions as may be provided by law.

B. Government-wide and Fund Financial Statements.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

City of Carthage

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

C. 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 the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major Governmental Fund:

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

The City reports the following major Proprietary Fund:

The *Water and Sewer Fund* accounts for the activities of the water and sewer system.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

City of Carthage

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

D. Assets, Liabilities and Net Position or Equity.

1. Deposits.

State law authorizes the City to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the City did not invest in any governmental securities during the fiscal year.

2. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

3. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

4. Restricted Assets.

Assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

5. Capital Assets.

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City of Carthage meets this criteria and has so elected. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

City of Carthage

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	1,000	5-10 years
Furniture and equipment	1,000	3-7 years

6. *Compensated Absences.*

The City's policy allows employees to accumulate vacation time and carry over a maximum of 120 hours of vacation leave from year to year. Upon leaving employment with the City, an employee that has earned vacation time may request up to but not exceeding 120 hours of paid vacation. There is no liability for unpaid accumulated sick leave since sick pay is not paid upon termination of employment. Accordingly, all unused vacation is accrued when incurred in the government-wide and proprietary fund financial statements.

7. *Long-term Obligations.*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, if any, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

8. *Pensions.*

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



City of Carthage

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

9. *Equity Classifications.*

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets".

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed 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 committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management other than the highest decision making authority of the City.

Unassigned - Includes positive fund balance with the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

City of Carthage

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

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, 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 committed resources first, followed by assigned amounts, and then unassigned amounts.

10. *Deferred Outflows/Inflows of Resources.*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City has a deferred outflow which is presented as a deferred outflow of resources related to pension obligations.

In addition to liabilities, the City will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Government-wide Statement of Net Position:

- Property tax for future reporting period. This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.

Governmental Funds Balance Sheet:

- Property tax for future reporting period. This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.
- Unavailable revenue - fines. This amount represents the portion of fines receivable that does not meet the *current financial resources* criteria, and accordingly, will not be available until a future reporting period.

11. *Intergovernmental Revenues in Governmental Funds.*

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

12. *Estimates.*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

City of Carthage

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

E. Stewardship, Compliance and Accountability.

Budgets

Budgets are adopted on a basis prescribed by state law (cash basis).

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing these proposed expenditures.
2. Prior to October 1, the budget is legally enacted through passage of an order.
3. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
4. Formal budgetary integration is employed as a management control device during the year for the various funds, except for Debt Service Funds, because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
5. Budgets for the various funds are adopted on a cash basis as required by state law.

It is the City's policy to prepare the budget on the cash basis for revenues and expenditures to the extent that they are paid within 30 days following year-end.

Property Tax Revenues

Numerous statutes exist under which the Board of Aldermen may levy property taxes. 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 both real and personal property, however, are due on or before February 1 of the next succeeding 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.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

Leake County collects the City's property taxes.

City of Carthage

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

2. Detailed Notes on all Funds.

A. Deposits.

At year-end, the City's carrying amount of deposits was \$3,583,595 and the bank balance was \$3,700,301. The collateral for public entities' 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 Depository Insurance Corporation.

Custodial Credit Risk - Deposits. Custodial credit risk is 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 formal 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.

B. Receivables.

Receivables as of year-end for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer Fund	Total
Receivables:			
Sales tax	\$ 292,814		292,814
Property taxes	368,684		368,684
Accounts	28,740	183,728	212,468
Franchise taxes	30,733		30,733
Cemetery receivables	7,265		7,265
Fines	1,140,902		1,140,902
State	7,562		7,562
County	13,615		13,615
Gross receivables	1,890,315	183,728	2,074,043
Less: allowance for uncollectibles	(456,361)		(456,361)
Net Total Receivables	<u>\$ 1,433,954</u>	<u>183,728</u>	<u>1,617,682</u>

City of Carthage

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

C. Capital Assets.

Capital asset activity for the year ended September 30, 2016, is as follows:

Governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 744,907			744,907
Total capital assets, not being depreciated	<u>744,907</u>	<u>0</u>	<u>0</u>	<u>744,907</u>
Capital assets, being depreciated:				
Buildings	3,719,688	126,174		3,845,862
Improvements other than buildings	7,267,814			7,267,814
Streets	1,894,944			1,894,944
Machinery and equipment	3,635,205	89,892		3,725,097
Total capital assets being depreciated	<u>16,517,651</u>	<u>216,066</u>	<u>0</u>	<u>16,733,717</u>
Less: Accumulated depreciation for:				
Buildings	2,953,480	26,421		2,979,901
Improvements other than buildings	3,227,154	245,412		3,472,566
Streets	542,093	94,748		636,841
Machinery and equipment	3,352,855	127,307		3,480,162
Total accumulated depreciation	<u>10,075,582</u>	<u>493,888</u>	<u>0</u>	<u>10,569,470</u>
Total capital assets, being depreciated, net	<u>6,442,069</u>	<u>(277,822)</u>	<u>0</u>	<u>6,164,247</u>
Governmental activities capital assets, net	\$ <u>7,186,976</u>	<u>(277,822)</u>	<u>0</u>	<u>6,909,154</u>

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 140,672			140,672
Total capital assets, not being depreciated	<u>140,672</u>	<u>0</u>	<u>0</u>	<u>140,672</u>
Capital assets, being depreciated:				
Water and sewer system	7,797,883			7,797,883
Equipment under capital lease	112,903		(112,903)	
Total capital assets, being depreciated	<u>7,910,786</u>	<u>0</u>	<u>(112,903)</u>	<u>7,797,883</u>
Less: Accumulated depreciation				
Water and sewer system	3,379,930	193,049		3,572,979
Equipment under capital lease	90,324		(90,324)	
Total accumulated depreciation	<u>3,470,254</u>	<u>193,049</u>	<u>(90,324)</u>	<u>3,572,979</u>
Total capital assets, being depreciated, net	<u>4,440,532</u>	<u>(193,049)</u>	<u>(22,579)</u>	<u>4,224,904</u>
Business-type activities capital assets, net	\$ <u>4,581,204</u>	<u>(193,049)</u>	<u>(22,579)</u>	<u>4,365,576</u>

City of Carthage

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

Depreciation expense was charged to the following functions:

Governmental activities:		
General government	\$	60,280
Public safety		96,308
Public works		329,346
Culture and recreation		<u>7,954</u>
Total depreciation expense - governmental activities	\$	<u>493,888</u>
Business-type activities:		
Water and sewer	\$	<u>193,049</u>
Total depreciation expense - business-type activities	\$	<u>193,049</u>

D. Interfund Transactions.

Due from/to other funds is composed of the following balances at September 30, 2016:

Receivable Fund	Payable Fund	Amount
Other governmental	Water/sewer	\$ 2,585
Other governmental	General	<u>2,736</u>
Total		<u>\$ 5,321</u>

The composition of interfund transfers as of September 30, 2016, is as follows:

Transfer In	Transfer Out	Amount
Other governmental funds	General fund	\$ <u>204,943</u>
Total		<u>\$ 204,943</u>

The purpose of these transfers was routine allocations between funds for capital projects.

E. Long-term Debt.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City has the following general obligation bonds outstanding for the purpose of street improvements:

Purpose	Interest Rate	Amount
Governmental activities		
General Obligation Bond, Series 2011		
Street Improvements	5.66%	\$ <u>904,000</u>
Total		<u>\$ 904,000</u>

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City of Carthage

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

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending September 30:</u>	<u>Governmental-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 142,000	18,742
2018	146,000	15,503
2019	149,000	12,184
2020	152,000	8,797
2021	156,000	5,332
2022	159,000	1,788
Total	<u>\$ 904,000</u>	<u>62,346</u>

Loans Payable

The City has received a loan from Trustmark Bank to finance the partial payment of a fire truck. The City has received several loans to finance various projects including building acquisition and water/sewer improvements. Most of these loans were made under various state programs, some of which have federal participation. Loans currently outstanding are as follows:

<u>Loan Type</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities:		
Trustmark Bank loan	2.15%	\$ <u>41,591</u>
Business-type Activities:		
Drinking Water Systems Improvement revolving loan fund (DWSIRLF)	3.0%	\$ 200,139
State of Mississippi Capital Improvement (CAP)	2.00%	129,537
State of Mississippi Capital Improvement (CAP)	2.00%	180,796
Water Pollution Control revolving loan fund (WPCRLF)	2.00%	487,252
Water Pollution Control revolving loan fund (WPCRLF)	1.75%	<u>433,902</u>
Total Business-type Activities		<u>\$ 1,431,626</u>

Loan debt service requirements to maturity are as follows:

<u>Year Ending September 30:</u>	<u>Governmental-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 41,591	858
Total	<u>\$ 41,591</u>	<u>858</u>

City of Carthage

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

Year Ending September 30:	Business-type Activities	
	Principal	Interest
2017	\$ 139,462	28,160
2018	142,528	25,056
2019	145,725	21,878
2020	148,978	18,626
2021	152,303	15,300
2022-2026	533,982	38,007
2027-2031	168,648	5,457
Total	<u>\$ 1,431,626</u>	<u>152,484</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2016, is as follows:

	Beginning Balance	Additions	Reductions	Adjustment *	Ending Balance	Due Within One Year
Governmental Activities:						
General Obligation Bonds payable	\$ 1,043,000		(139,000)		904,000	142,000
Loans payable	82,271		(40,680)		41,591	41,591
Governmental activity long-term liabilities	<u>\$ 1,125,271</u>	<u>0</u>	<u>(179,680)</u>	<u>0</u>	<u>945,591</u>	<u>183,591</u>
Business-type Activities:						
Loans payable	\$ 1,568,034		(136,408)		1,431,626	139,462
Capital leases	93,857			(93,857)		
Business-type activity long-term liabilities	<u>\$ 1,661,891</u>	<u>0</u>	<u>(136,408)</u>	<u>(93,857)</u>	<u>1,431,626</u>	<u>139,462</u>

* The City returned equipment used in business-type activities to the lessor in lieu of making the final payment on the lease/purchase.

3. Other Information.

A. Contingencies.

Amounts received or receivable from grant 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 that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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 ultimate outcome or liability, if any, of the City with respect to the various proceedings. However, the City's legal counsel believes that any ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

City of Carthage

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

B. Defined Benefit Pension Plan.

General Information about the Pension Plan.

Plan Description – The City of Carthage is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees and officials of the City. Code Section 25-11-15, Miss. Code Ann. (1972), grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.pers.ms.gov.

Benefits Provided – 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 become 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 credited 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. 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. Benefit provisions are established by Section 25-11-1 et seq., Miss. Code Ann. (1972), and may be amended only by the State Legislature.

A Cost of Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 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 percent compounded for each fiscal year thereafter.

Contributions. Per Chapter 11 of Title 25, Miss. Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2016, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 15.75 percent of annual covered payroll.

The City of Carthage's employer contributions to PERS for the years ended September 30, 2016, 2015 and 2014 were \$278,608, \$261,988 and \$260,303, respectively, equal to the required contributions for each year.

City of Carthage

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

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

At September 30, 2016, the City of Carthage reported a liability of \$4,856,277 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the entity's proportion was .027187 percent, which was a decrease of 0.01010 from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City of Carthage recognized pension expense of \$695,809.

At September 30, 2016, the City of Carthage reported as a component of pension expense, deferred outflows of resources from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 123,845
Net difference between projected and actual earnings on pension plan investments	572,399
Changes of assumptions	231,894
Changes in proportion and differences between entity contributions and proportionate share of contributions	4,226
Entity contributions subsequent to the measurement date	<u>77,330</u>
Total	\$ <u>1,009,694</u>

These amounts will be amortized as follows:

<u>Year Ended September, 30:</u>	<u>Outflows</u>
2017	\$ 340,103
2018	309,333
2019	186,991
2020	<u>95,937</u>
Total	\$ <u>932,364</u>

\$77,330 reported as deferred outflows of resources related to pensions resulting from entity contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016.

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City of Carthage

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

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

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumption used in the June 30, 2015 valuation was based on the results of an actuarial experience study for the pension 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 rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Broad	34.00 %	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 Carthage

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

Sensitivity of the entity's proportionate share of the net pension liability to changes in the discount rate.

The following table presents the City's proportionate share of the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.750%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 6,226,836	\$ 4,856,277	\$ 3,719,157

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at www.pers.ms.gov.

C. Risk Management.

The City classifies risks of loss in the following categories: torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk of loss resulting from any of the above is mitigated through the purchase of commercial insurance.

D. Subsequent Events.

The City of Carthage has evaluated events and transactions for potential recognition or disclosure through February 16, 2017, which is the date the financial statements were available to be issued.

As of February 16, 2017, the City of Carthage had not issued any new debt.

E. Effect of Deferred Amounts on Net Position.

The City of Carthage's unrestricted net position amount of \$122,122, includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,009,694 balance of deferred outflow of resources at September 30, 2016 will be recognized as an expense and will decrease the unrestricted net position over the next four years.

CITY OF CARTHAGE

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedule

City's Proportionate Share of the Net Pension Liability

City's Contributions

Notes to the Required Supplementary Information

City of Carthage
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 465,886	722,614	722,614	
Licenses and permits	30,000	31,411	31,411	
Fines and forfeitures	300,000	323,478	323,478	
Intergovernmental revenues	1,948,000	1,871,600	1,871,600	
Charges for services	296,039	292,457	292,457	
Interest earned		2,445	2,445	
Miscellaneous revenues	216,085	174,430	174,430	
Total Revenues	<u>3,256,010</u>	<u>3,418,435</u>	<u>3,418,435</u>	<u>0</u>
EXPENDITURES				
General government	717,796	674,706	674,706	
Public safety	1,676,648	1,542,859	1,542,859	
Public works	960,266	726,097	726,097	
Health and welfare	26,100	28,964	28,964	
Culture and recreation	171,082	163,684	163,684	
Total Expenditures	<u>3,551,892</u>	<u>3,136,310</u>	<u>3,136,310</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(295,882)</u>	<u>282,125</u>	<u>282,125</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(204,943)	(204,943)	
Total Other Financing Sources (Uses)	<u>0</u>	<u>(204,943)</u>	<u>(204,943)</u>	<u>0</u>
Net Change in Fund Balance	(295,882)	77,182	77,182	
Fund Balances - Beginning	<u>1,300,000</u>	<u>1,469,830</u>	<u>1,469,830</u>	
Fund Balances - Ending	<u>\$ 1,004,118</u>	<u>1,547,012</u>	<u>1,547,012</u>	<u>0</u>

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

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City of Carthage
Schedule of the City's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	\$ 4,856,277	4,037,173	3,321,974
City's proportionate share of the new pension liability (asset)	0.027187 %	0.026117 %	0.027368 %
City's covered-employee payroll	\$ 1,739,194	1,631,625	1,672,356
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	279.2257218 %	247.4326515 %	198.6403613 %
Plan fiduciary net position as a percentage of the total pension liability	57.467727 %	61.703983 %	67.207687 %

The notes to the required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

City of Carthage
Schedule of the City's Contributions
PERS
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 278,608	261,988
Contributions in relation to the contractually required contribution	<u>278,608</u>	<u>261,988</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>
City employee covered payroll	\$ 1,768,940	1,663,411
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

- * The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

City of Carthage

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2016**

1. Budget.

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>General Fund</u>
Net Change in Fund Balance - Budget (Cash Basis)	\$ 77,182
Increase (decrease):	
Net adjustments for revenue accruals	4,045
Net adjustments for expenditure accruals	<u>(11,981)</u>
Net Change in Fund Balance GAAP Basis	<u>\$ 69,246</u>

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City of Carthage

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2016**

2. Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of the City's Contributions.

Changes in Benefit Provisions.

None.

Changes of Assumptions.

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

CITY OF CARTHAGE

OTHER INFORMATION

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City of Carthage
Schedule of Surety Bonds For Municipal Officials - UNAUDITED
For the Year Ended September 30, 2016

<u>Name</u>	<u>Position</u>	<u>Surety Agency</u>	<u>Bond Amount</u>
Britt Barnes	Alderman	Scott Insurance	\$ 50,000
David Cockroft	Alderman	Scott Insurance	50,000
David Herrington	Alderman	Scott Insurance	50,000
Terry Jones	Alderman	Scott Insurance	50,000
Beverly Prestage	City Clerk	Cox & Powers	75,000
Kenny Moore	Chief of Police	Cox & Powers	50,000
Jimmy Wallace	Mayor	Cox & Powers	75,000
Jimmy Wallace	Mayor	Scott Insurance	75,000
Rita Wilkerson	Court Clerk	Cox & Powers	50,000
Various	Police Officer, each	Cox & Powers	50,000
Various	Dispatcher, each	Cox & Powers	50,000
Betty Davidson	Court/Water Clerk	Cox & Powers	50,000
Peggy Cook	Water Clerk	Cox & Powers	50,000
Annette Malone	Water Clerk	Cox & Powers	50,000
Trudi Gray	Payroll	Cox & Powers	50,000
Akemie Rigdon	Budgetary	Cox & Powers	50,000
Jason Hamilton	Codes Inspector	Cox & Powers	50,000
Jason Burt	Parks Director	Cox & Powers	50,000

1962 07 2013

CITY OF CARTHAGE

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676

Members:
American Institute of CPAs
Mississippi Society of CPAs

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*

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Carthage, 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 and have issued our report thereon dated February 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Carthage, Mississippi's internal control to determine the auditing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

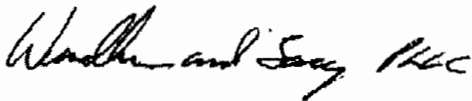
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Windham and Lacey, PLLC
February 16, 2017

Windham and Lacey, PLLC

Certified Public Accountants

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

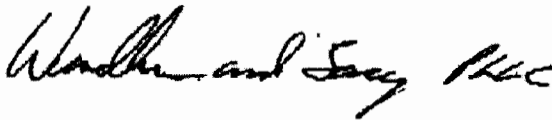
Honorable Mayor and
Members of the Board of Aldermen
City of Carthage, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Carthage, Mississippi, as of and for the year ended September 30, 2016, and have issued our report thereon dated February 16, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of management, the Board of Aldermen, and others within the City, and federal awarding agencies and pass-through entities 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.



Windham and Lacey, PLLC
February 16, 2017

CITY OF CARTHAGE

SCHEDULE OF FINDINGS AND RESPONSES

City of Carthage

**Schedule of Findings and Responses
For the Year Ended September 30, 2016**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

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

