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Ward 1 Alderman ~ Britt Barnes
Ward 2 Alderman ~ David Cocroft



Ward 3 Alderman ~ Terry Jones
Ward 4 Alderman ~ David Herrington

City of Carthage
James D. (Jimmy) Wallace, Mayor

April 19, 2018

Tom Chain
Technical Assistance Division
State Auditor's Office
Post Office Box 956
Jackson, MS 39205

Re: Municipal Audit Report September 30, 2017

Dear Mr. Tom Chain:

Enclosed are (2) copies of the City of Carthage *Report on Audit of Financial Statements* year ended September 30, 2017. If we can provide any other information to assist with compliance, please contact this office.

Respectfully yours,

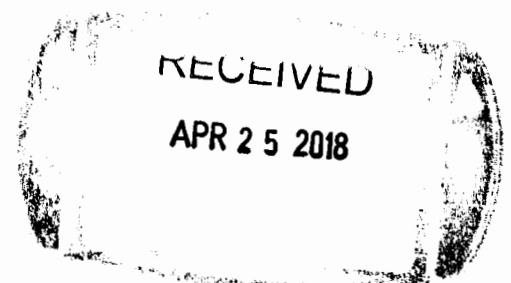
Beverly Prestage
Municipal Clerk



CITY OF CARTHAGE

**Audited Financial Statements
And
Special Reports**

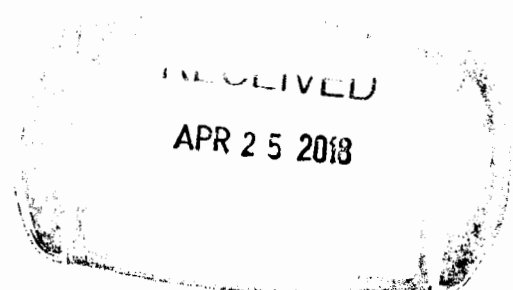
For the Year Ended September 30, 2017



CITY OF CARTHAGE

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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, 2017, 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, 2017, 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 Proportionate Share of the Net Pension Liability, the Schedule of the City's Contributions, 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

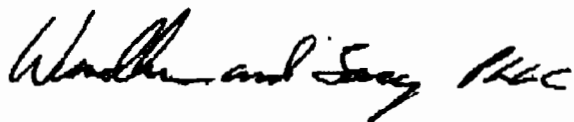
The City of Carthage, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial 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 23, 2018, 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 23, 2018

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

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CITY OF CARTHAGE
Statement of Net Position
September 30, 2017

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash	\$ 2,902,540	1,064,610	3,967,150
Property tax receivable	622,968		622,968
Fines receivable, net	680,113		680,113
Accounts receivable	42,062	188,713	230,775
Internal balances	672	(672)	
Intergovernmental receivable	73,147		73,147
Sales tax receivable	326,514		326,514
Total current assets	4,648,016	1,252,651	5,900,667
Noncurrent Assets:			
Restricted cash	118,269	161,437	279,706
Capital assets, net	7,463,999	4,172,524	11,636,523
Total noncurrent assets	7,582,268	4,333,961	11,916,229
Total Assets	12,230,284	5,586,612	17,816,896
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	918,555	174,715	1,093,270
LIABILITIES			
Current Liabilities:			
Accrued interest payable	21,842		21,842
Customer deposits		161,437	161,437
Other current liabilities	12,640		12,640
Compensated absences payable	33,711	4,039	37,750
Current portion of long-term debt	434,000	142,548	576,548
Total current liabilities	502,193	308,024	810,217
Noncurrent Liabilities:			
Net pension liability	4,259,102	827,322	5,086,424
Long-term liabilities	1,728,000	1,149,674	2,877,674
Total noncurrent liabilities	5,987,102	1,976,996	7,964,098
Total Liabilities	6,489,295	2,285,020	8,774,315
DEFERRED INFLOWS OF RESOURCES			
Deferred outflows - pension	367,881	62,238	430,119
Property tax for future periods	622,968		622,968
Total Deferred Inflows of Resources	990,849	62,238	1,053,087
NET POSITION			
Net investment in capital assets	5,301,999	2,880,302	8,182,301
Restricted for:			
Debt service		2,633	2,633
Public safety	91,920		91,920
Public works	352,184		352,184
Culture & recreation	1,305,748		1,305,748
Capital projects	254,678		254,678
Unrestricted	(1,637,834)	531,134	(1,106,700)
Total Net Position	\$ 5,668,695	3,414,069	9,082,764

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, 2017

Exhibit 2

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary Government:							
Governmental Activities:							
General government	\$ 743,031	1,911	6,991		(734,129)		(734,129)
Public safety	1,557,553	258,700	65,640		(1,233,213)		(1,233,213)
Public works	1,151,884	294,150			(857,734)		(857,734)
Health and welfare	24,823	32,502			7,679		7,679
Culture and recreation	424,370	30,335		50,000	(344,035)		(344,035)
Pension expense	750,649				(750,649)		(750,649)
Interest on long-term debt	26,247				(26,247)		(26,247)
Total Governmental Activities	4,678,557	617,598	72,631	50,000	(3,938,328)	0	(3,938,328)
Business-type Activities:							
Water/Sewer	1,099,083	1,193,218				94,135	94,135
Interest on long-term debt	28,162					(28,162)	(28,162)
Total Business-type Activities	1,127,245	1,193,218	0	0	0	65,973	65,973
Total Primary Government	\$ 5,805,802	1,810,816	72,631	50,000	(3,938,328)	65,973	(3,872,355)

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CITY OF CARTHAGE
Statement of Activities
For the Year Ended September 30, 2017

Exhibit 2 (Continued)

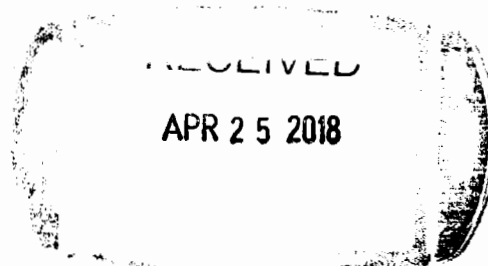
	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Revenues			
Taxes:			
Property taxes	\$ 783,317		783,317
Road & bridge privilege taxes	196,655		196,655
Sales tax	2,018,207		2,018,207
Franchise taxes	131,345		131,345
Unrestricted investment income	2,344	1,787	4,131
Miscellaneous	214,849		214,849
Transfers	434,885	(434,885)	
Total General Revenues	3,781,602	(433,098)	3,348,504
Change in net position	(156,726)	(367,125)	(523,851)
Net Position - Beginning	5,825,421	3,781,194	9,606,615
Net Position - Ending	\$ 5,668,695	3,414,069	9,082,764

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

CITY OF CARTHAGE
Balance Sheet
Governmental Funds
September 30, 2017

Exhibit 3

	Major Funds				
		Capital Projects		Other	Total
	General Fund	McMillan Park	Ball Park Construction	Governmental Funds	Governmental Funds
ASSETS					
Cash	\$ 1,072,225	727,157	539,803	681,624	3,020,809
Property tax receivable	401,276			221,692	622,968
Fines receivable	680,113				680,113
Sales tax receivable	276,055			50,459	326,514
Due from other governments	19,042			2,584	21,626
Due from other funds				4,943	4,943
Other receivables	86,318			7,265	93,583
Total Assets	\$ 2,535,029	727,157	539,803	968,567	4,770,556
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES					
Liabilities:					
Due to other funds	\$ 3,920			351	4,271
Other current liabilities	3,686			8,954	12,640
Total Liabilities	7,606	0	0	9,305	16,911
Deferred Inflows of Resources:					
Property tax for future periods	401,276			221,692	622,968
Unavailable revenue - fines	680,113				680,113
Total Deferred Inflows of Resources	1,081,389	0	0	221,692	1,303,081
Fund Balances:					
Restricted:					
Public safety				91,920	91,920
Committed:					
Public works				187,255	187,255
Culture and recreation		727,157	539,803	38,788	1,305,748
Capital projects				254,678	254,678
Assigned:					
Street paving				164,929	164,929
Unassigned	1,446,034				1,446,034
Total Fund Balances	1,446,034	727,157	539,803	737,570	3,450,564
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,535,029	727,157	539,803	968,567	



(Continued)

CITY OF CARTHAGE
Balance Sheet
Governmental Funds
September 30, 2017

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)	\$	7,463,999
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Fines receivable		680,113

Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.		(21,842)
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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	(4,259,102)	

Deferred outflows and deferred inflows 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	918,555	
Deferred inflows of resources related to pension obligations	<u>(367,881)</u>	(3,708,428)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Long-term liabilities		(2,162,000)
Compensated absences		<u>(33,711)</u>

Net Position of Governmental Activities	\$	<u>5,668,695</u>
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The notes to the financial statements are an integral part of this statement.

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CITY OF CARTHAGE

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds
 For the Year Ended September 30, 2017

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects McMillan Park	Ball Park Construction		
REVENUES					
Property taxes	\$ 529,957			253,360	783,317
Licenses and permits	163,122				163,122
Fines and forfeitures	244,291			18,512	262,803
Intergovernmental revenues	2,004,469			283,061	2,287,530
Charges for services	296,061			31,735	327,796
Interest income	1,233	335	173	603	2,344
Miscellaneous	213,362		50,000	8,594	271,956
Total Revenues	<u>3,452,495</u>	<u>335</u>	<u>50,173</u>	<u>595,865</u>	<u>4,098,868</u>
EXPENDITURES					
Current:					
General government	726,059				726,059
Public safety	1,601,140			94,659	1,695,799
Public works	790,080			435,342	1,225,422
Health and welfare	24,823				24,823
Culture and recreation	252,789	673,178	147,011	172,836	1,245,814
Total Expenditures	<u>3,394,891</u>	<u>673,178</u>	<u>147,011</u>	<u>702,837</u>	<u>4,917,917</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>57,604</u>	<u>(672,843)</u>	<u>(96,838)</u>	<u>(106,972)</u>	<u>(819,049)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt		1,400,000			1,400,000
Transfers in			636,641	260,193	896,834
Transfers out	(461,949)				(461,949)
Total Other Financing Sources and Uses	<u>(461,949)</u>	<u>1,400,000</u>	<u>636,641</u>	<u>260,193</u>	<u>434,885</u>
Net Change in Fund Balances	(404,345)	727,157	539,803	153,221	1,015,836
Fund Balances - Beginning	<u>1,850,379</u>			<u>584,349</u>	<u>2,434,728</u>
Fund Balances - Ending	<u>\$ 1,446,034</u>	<u>727,157</u>	<u>539,803</u>	<u>737,570</u>	<u>3,450,564</u>

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

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, 2017

Exhibit 5

Net Change in Fund Balances -- Total Governmental Funds (Exhibit 4) \$ 1,015,836

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 capital outlays
(\$1,075,778) exceeded depreciation expense (\$513,438) in the current period. 562,340

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. (4,428)

In the Statement of Activities, only gains and losses from the sale of capital assets
are reported, whereas in the Governmental Funds, proceeds from the sale of
capital assets increase financial resources. Thus, the change in net position differs
from the change in fund balances by the amount of the net loss of \$7,495 and
the proceeds from the sale of \$0 in the current period. (7,495)

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 fund,
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 proceeds (\$1,400,000) is more than debt repayment (\$183,591). (1,216,409)

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	(750,649)	
Recognition of contributions made subsequent to the measurement date	59,329	
Recognition of contributions made in the fiscal year prior to the measurement date	198,076	(493,244)

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 items:

Accrued interest payable	(21,842)
Change in compensated absences	8,516

Change in Net Position of Governmental Activities (Exhibit 2) \$ (156,726)

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

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CITY OF CARTHAGE
Statement of Net Position
Proprietary Fund
September 30, 2017

Exhibit 6

	<u>Business-type Activity Water/Sewer</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,064,610
Accounts receivable	188,713
Total Current Assets	<u>1,253,323</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	161,437
Capital assets, net	4,172,524
Total Noncurrent Assets	<u>4,333,961</u>
Total Assets	<u>\$ 5,587,284</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	\$ <u>174,715</u>
LIABILITIES	
Current Liabilities:	
Customer deposits	161,437
Compensated absences payable	4,039
Due to other funds	672
Current portion of long-term debt	142,548
Total Current Liabilities	<u>308,696</u>
Noncurrent Liabilities:	
Net pension liability	827,322
Long-term liabilities	1,149,674
Total Noncurrent Liabilities	<u>1,976,996</u>
Total Liabilities	<u>2,285,692</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	<u>62,238</u>
NET POSITION	
Net investment in capital assets	2,880,302
Restricted for debt service	2,633
Unrestricted	<u>531,134</u>
Total Net Position	<u>\$ 3,414,069</u>

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

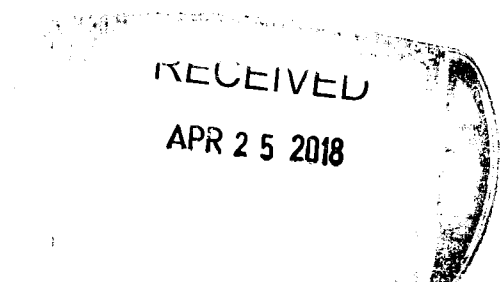
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CITY OF CARTHAGE
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2017

Exhibit 7

	<u>Business-type Activity Water/Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 1,193,218
Total Operating Revenues	<u>1,193,218</u>
OPERATING EXPENSES	
Personal services	526,647
Contractual services	323,503
Materials and supplies	55,881
Depreciation expense	193,052
Total Operating Expenses	<u>1,099,083</u>
Operating Income (Loss)	<u>94,135</u>
NONOPERATING REVENUES (EXPENSES)	
Transfers	(434,885)
Interest income	1,787
Interest expense	(28,162)
Total Nonoperating Revenue (Expenses)	<u>(461,260)</u>
Change in Net Position	(367,125)
Total Net Position - Beginning	<u>3,781,194</u>
Total Net Position - Ending	<u>\$ 3,414,069</u>

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



CITY OF CARTHAGE
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2017

Exhibit 8

	Business-type Activity Water/Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,189,611
Payments to suppliers	(394,386)
Payments to employees	(440,624)
Net Cash Provided (Used) by Operating Activities	<u>354,601</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(434,885)
Payment of amount due to other funds	(1,913)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(436,798)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Principal paid on long-term debt	(139,404)
Interest expense paid	(28,162)
Net Cash Provided (Used) by Capital Financing Activities	<u>(167,566)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>1,787</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(247,976)
Cash and Cash Equivalents - Beginning of Year	<u>1,474,023</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,226,047</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>94,135</u>
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	193,052
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(4,985)
(Increase) decrease in deferred outflows of resources	(12,093)
Increase (decrease) in claims payable	(15,002)
Increase (decrease) in compensated absences payable	2,576
Increase (decrease) in net pension liability	33,302
Increase (decrease) in deferred inflows of resources	62,238
Increase (decrease) in customer deposits	<u>1,378</u>
Total adjustments	<u>260,466</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 354,601</u></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, 2017

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.

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

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. Based on these criteria, 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 Net Position reports all of the City's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources as of September 30, 2017, with the difference reported as net position.

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*.

CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

Fund Financial Statements - 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.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1. Governmental Fund Types.

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal, interest and related costs.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds and Trust Funds).

2. Proprietary Fund Types.

Proprietary Funds are used to account for the City's ongoing activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following is the City's Proprietary Fund Type:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenue and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or related services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

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CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.

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

The City reports the following major Governmental Funds:

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 *Capital Projects McMillan Park Fund* accounts for and reports financial resources that are committed to expenditures for capital outlays for construction at the park.

The *Capital Projects Ball Park Construction Fund* accounts for and reports financial resources that are committed to expenditures for capital outlays for construction of the ball park.

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, 2017

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".

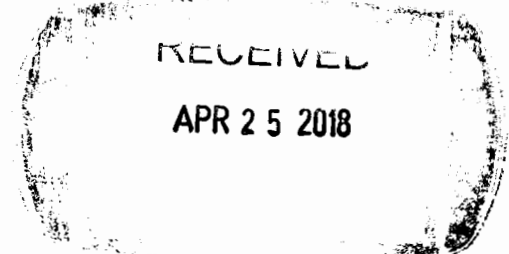
Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between governmental funds have been eliminated.

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.



CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

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.

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. *Deferred Outflows/Inflows of Resources.*

Deferred Outflows.

In addition to assets, the Statement of Net 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the following item in this category:

Deferred outflows related to pensions - This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates.

CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

Deferred Inflows.

In addition to liabilities, the Statement of Net Position and Balance Sheet - Governmental Funds 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 and so will not be recognized as an inflow of resources (revenue) until that time. The City reports the following items in this category:

Statement of Net Position:

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

Deferred inflows related to pensions - This amount represents the City's proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates.

Balance Sheet - Governmental Funds:

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

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

7. *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.

8. *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.

CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

9. *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.

10. *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:

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, 2017

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.

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.

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.

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Notes to Financial Statements For the Year Ended September 30, 2017

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.

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

Leake County collects the City's property taxes.

2. Detailed Notes on all Funds.

A. Deposits.

At year-end, the City's carrying amount of deposits was \$4,246,856 and the bank balance was \$4,377,858. Section 27-105-5, Miss. Code Ann. (1972), authorizes the State Treasurer to implement a statewide collateral pool program which secures all local public funds' deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the City 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. 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 (FDIC). 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.

CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

B. Receivables.

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

	General	Water and Sewer Fund	Total
Receivables:			
Sales tax	\$ 326,514		326,514
Property taxes	622,968		622,968
Accounts		188,713	188,713
Franchise taxes	34,797		34,797
Cemetery receivables	7,265		7,265
Fines	1,133,521		1,133,521
State	63,977		63,977
County	9,170		9,170
Gross receivables	2,198,212	188,713	2,386,925
Less: Allowance for uncollectibles	(453,408)		(453,408)
Net total receivables	<u>\$ 1,744,804</u>	<u>188,713</u>	<u>1,933,517</u>

C. Capital Assets.

Capital asset activity for the year ended September 30, 2017, is as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 744,907			744,907
Construction in progress		819,830		819,830
Total capital assets, not being depreciated	<u>744,907</u>	<u>819,830</u>	<u>0</u>	<u>1,564,737</u>
Capital assets, being depreciated:				
Buildings	3,845,862	91,663		3,937,525
Improvements other than buildings	7,267,814	51,589	(24,956)	7,294,447
Streets	1,894,944			1,894,944
Machinery and equipment	3,725,097	112,696	(64,814)	3,772,979
Total capital assets being depreciated	<u>16,733,717</u>	<u>255,948</u>	<u>(89,770)</u>	<u>16,899,895</u>
Less: Accumulated depreciation for:				
Buildings	(2,979,901)	(31,079)		(3,010,980)
Improvements other than buildings	(3,472,566)	(251,652)	17,461	(3,706,757)
Streets	(636,841)	(94,747)		(731,588)
Machinery and equipment	(3,480,162)	(135,960)	64,814	(3,551,308)
Total accumulated depreciation	<u>(10,569,470)</u>	<u>(513,438)</u>	<u>82,275</u>	<u>(11,000,633)</u>
Total capital assets, being depreciated, net	<u>6,164,247</u>	<u>(257,490)</u>	<u>(7,495)</u>	<u>5,899,262</u>
Governmental activities capital assets, net	<u>\$ 6,909,154</u>	<u>562,340</u>	<u>(7,495)</u>	<u>7,463,999</u>

(Continued)

CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 140,672			140,672
Total capital assets, not being depreciated	140,672	0	0	140,672
Capital assets, being depreciated:				
Water and sewer system	7,797,883			7,797,883
Total capital assets, being depreciated	7,797,883	0	0	7,797,883
Less: Accumulated depreciation				
Water and sewer system	3,572,979	193,052		3,766,031
Total accumulated depreciation	3,572,979	193,052	0	3,766,031
Total capital assets, being depreciated, net	4,224,904	(193,052)	0	4,031,852
Business-type activities capital assets, net	\$ 4,365,576	(193,052)	0	4,172,524

Depreciation expense was charged to the following functions:

Governmental activities:

General government	\$ 59,986
Public safety	103,111
Public works	326,578
Culture and recreation	23,763

Total depreciation expense - governmental activities \$ 513,438

Business-type activities:

Water and sewer	\$ 193,052
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Total depreciation expense - business-type activities \$ 193,052

D. Interfund Transactions.

The following schedule as of September 30, 2017 represents interfund receivables and payables:

Due from/to other funds:

Receivable Fund	Payable Fund	Amount
Other governmental	Water/Sewer	\$ 672
Other governmental	Other governmental	351
Other governmental	General	3,920
Total		\$ 4,943

CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

The composition of interfund transfers as of September 30, 2017, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other governmental funds	General Fund	\$ 260,193
Ball park construction fund	General Fund	201,756
Ball park construction fund	Proprietary fund	434,885
Total		<u>\$ 896,834</u>

The purpose of these transfers were 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:

<u>Description</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
General Obligation Bond, Series 2011		
Street improvements	5.66%	\$ 762,000
Sales Tax and GO Bonds, Series 2017	2.20%	1,400,000
		<u>\$ 2,162,000</u>

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>
2018	\$ 434,000	45,276
2019	420,000	36,648
2020	430,000	27,299
2021	319,000	17,718
2022	187,000	10,588
2022-2025	372,000	14,520
Total	<u>\$ 2,162,000</u>	<u>152,049</u>

CITY OF CARTHAGE
Notes to Financial Statements
For the Year Ended September 30, 2017

Loans Payable

The City has received several loans to finance various 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>
Business-type activities:		
Drinking water systems improvement revolving loan fund (DWSIRLF)	3.00%	\$ 165,046
State of Mississippi capital improvement (CAP)	2.00%	119,073
State of Mississippi capital improvement (CAP)	2.00%	165,649
Water pollution control revolving loan fund (WPCRLF)	2.00%	435,780
Water pollution control revolving loan (WPCRLF)	1.75%	406,674
Total Business-type activities		<u>\$ 1,292,222</u>

Loan debt service requirements to maturity are as follows:

<u>Year Ending September 30:</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 142,548	28,160
2019	145,725	25,056
2020	148,978	21,878
2021	152,303	18,626
2022	128,368	15,300
2023-2027	465,785	38,007
2028-2031	108,515	5,457
Total	<u>\$ 1,292,222</u>	<u>152,484</u>

CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2017, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds payable	\$ 904,000	1,400,000	(142,000)	2,162,000	434,000
Loans payable	<u>41,591</u>		<u>(41,591)</u>		
Governmental activity long-term liabilities	<u>\$ 945,591</u>	<u>1,400,000</u>	<u>(183,591)</u>	<u>2,162,000</u>	<u>434,000</u>
Business-type activities:					
Loans payable	\$ <u>1,431,626</u>		<u>(139,404)</u>	<u>1,292,222</u>	<u>142,548</u>
Business-type activity long-term liabilities	<u>\$ 1,431,626</u>	<u>0</u>	<u>(139,404)</u>	<u>1,292,222</u>	<u>142,548</u>

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.

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.

CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

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 became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of 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.

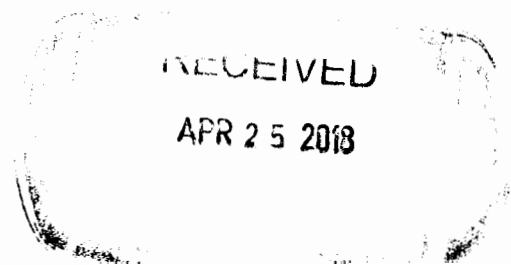
Contributions – Per Chapter 11 of Title 25, Miss. Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2017, 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, 2017, 2016 and 2015 were \$300,953, \$278,608 and \$261,988, respectively. The contributions for each year met the required contributions.

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

At September 30, 2017, the City of Carthage reported a liability of \$5,086,424 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportionate share was 0.030598 percent, which was an increase of 0.003411 from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the City of Carthage recognized pension expense of \$877,644.



CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

At September 30, 2017, the City of Carthage reported as a component of pension expense, deferred outflows and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 64,255	37,114
Net difference between projected and actual earnings on pension plan investments	405,920	393,005
Changes of Assumptions	89,556	
Changes in proportion and differences between entity contributions and proportionate share of contributions	464,173	
Entity contributions subsequent to the measurement date	69,366	
Total	\$ <u>1,093,270</u>	<u>430,119</u>

These amounts will be amortized as follows:

Year Ending September 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 491,462	113,911
2019	369,117	113,911
2020	163,325	104,045
2021		98,252
Total	\$ <u>1,023,904</u>	<u>430,119</u>

\$69,366 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018.

Actuarial assumptions. The total pension liability in the June 30, 2017 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 – 18.50 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 2022, set forward one year for males.

The actuarial assumption used in the June 30, 2017 valuation was based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

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	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Fixed Income	18.00	0.75
Global	12.00	4.75
Emerging Debt	2.00	2.25
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Cash	1.00	0.00
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.

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%)
Entity's proportionate share of the net pension liability	\$ 6,671,187	\$ 5,086,424	\$ 3,770,730

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.

CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

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.

4. Subsequent Events.

GAAP requires the city to evaluate events that occur subsequent to the date of the Statement of Net Position but before the financial statements are issued (subsequent events). Such events that provide additional evidence with respect to conditions that existed as of the Statement of Net Position date are recognized in the accompanying financial statements. However, subsequent events that provide evidence with respect to conditions that did not exist at the Statement of Net Position date but arose subsequently, and are of such a nature that their disclosure is essential to the user's understanding of the financial statements, are required to be disclosed herein. The City of Carthage has evaluated the City's activities and events that occurred through February 23, 2018, and determined that the following subsequent events have occurred requiring disclosure in the notes the financial statements:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/19/2017	2.37%	\$ 84,124	Negotiable note	Ad valorem taxes

5. Change in Accounting Standard.

The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. The provisions of these standards have been incorporated into the financial statements and notes.

6. Effect of Deferred Amounts on Net Position.

The City of Carthage's unrestricted net position amount of (\$1,106,700) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,093,270 balance of deferred outflow of resources at September 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next three years.

The City of Carthage's unrestricted net position amount of (\$1,106,700) includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$430,119 balance of deferred inflows of resources at September 30, 2017, will be recognized as income and will increase the unrestricted net position over the next four years.

7. Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

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CITY OF CARTHAGE

Notes to Financial Statements For the Year Ended September 30, 2017

The City of Carthage Board of Aldermen and the Leake County Board of Supervisors negotiates property tax abatements on an individual basis. The City has tax abatement agreements with two entities as of September 30, 2017:

<u>Category</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Construction and renovation of retail facilities (ad valorem tax on real property only)	100	\$ 1,871

Each agreement was negotiated in accordance with Section 27-31-101, et. seq., Miss. Code 1972 (Ann.), which allows localities to abate property taxes for a variety of economic development purposes. The abatements may be granted for a period up to ten years and for up to 100% of annual property taxes through a direct reduction in the entity's property tax bill.

The City has not made any commitments as part of the agreements other than to reduce taxes.

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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 – General Fund

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension 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, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 466,218	729,864	729,864	
Licenses and permits	30,000	31,814	31,814	
Fines and forfeitures	300,000	244,291	244,291	
Intergovernmental revenues	2,059,000	1,865,215	1,865,215	
Charges for services	292,000	296,061	296,061	
Interest earned		1,233	1,233	
Miscellaneous revenues	219,985	299,134	299,134	
Total Revenues	<u>3,367,203</u>	<u>3,467,612</u>	<u>3,467,612</u>	<u>0</u>
EXPENDITURES				
General government	740,967	727,426	727,426	
Public safety	1,736,108	1,602,847	1,602,847	
Public works	771,038	797,235	797,235	
Health and welfare	27,000	29,305	29,305	
Culture and recreation	237,592	253,814	253,814	
Total Expenditures	<u>3,512,705</u>	<u>3,410,627</u>	<u>3,410,627</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(145,502)</u>	<u>56,985</u>	<u>56,985</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(461,949)	(461,949)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(461,949)</u>	<u>(461,949)</u>	<u>0</u>
Net Change in Fund Balance	(145,502)	(404,964)	(404,964)	
Fund Balances - Beginning	<u>1,300,000</u>	<u>1,547,012</u>	<u>1,547,012</u>	
Fund Balances - Ending	<u>\$ 1,154,498</u>	<u>1,142,048</u>	<u>1,142,048</u>	<u>0</u>

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

CITY OF CARTHAGE
Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	\$ 5,086,424	4,856,277	4,037,173	3,321,974
City's proportionate share of the net pension liability (asset)	0.030598 %	0.027187 %	0.026117 %	0.027368 %
City's covered employee payroll	\$ 1,912,305	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	265.98393	279.22572 %	247.43265 %	198.64036 %
Plan fiduciary net position as a percentage of the total pension liability	61.49 %	57.467727 %	61.703983 %	67.207687 %

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

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

CITY OF CARTHAGE
Schedule of the City's Contributions
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 300,953	278,608	261,988
Contributions in relation to the contractually required contribution	<u>300,953</u>	<u>278,608</u>	<u>261,988</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>
City employee covered payroll	\$ 1,910,813	1,768,940	1,663,411
Contributions as a percentage of covered employee payroll	15.75%	15.75%	15.75%

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

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

CITY OF CARTHAGE

Notes to the Required Supplementary Information For the Year Ended September 30, 2017

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.

C. Budget/GAAP Reconciliation.

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

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

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

	General Fund
Net Change in Fund Balance - Budget (Non-GAAP Basis)	\$ (404,964)
Increase (decrease):	
Net adjustments for revenue accruals	(15,117)
Net adjustments for expenditure accruals	<u>15,736</u>
Net Change in Fund Balance GAAP Basis	<u>\$ (404,345)</u>

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CITY OF CARTHAGE

Notes to the Required Supplementary Information For the Year Ended September 30, 2017

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

Changes in Benefit Provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Changes of Assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual and anticipated experience.

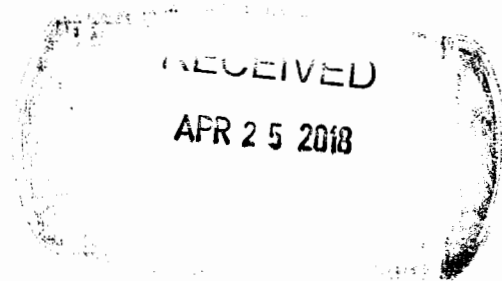
The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

CITY OF CARTHAGE

OTHER INFORMATION

CITY OF CARTHAGE
Schedule of Surety Bonds for Municipal Officials - UNAUDITED
For the Year Ended September 30, 2017

<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



CITY OF CARTHAGE

SPECIAL REPORTS

Windham and Lacey, PLLC

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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, 2017, 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 23, 2018.

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.

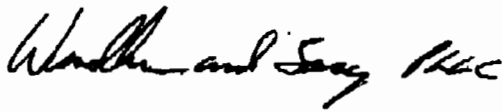
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Compliance and Other Matters

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 23, 2018

Windham and Lacey, PLLC

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

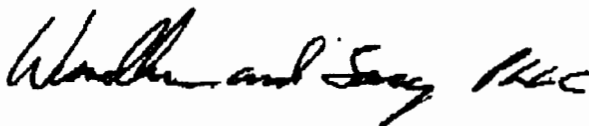
Honorable Mayor and
Members of the Board of Aldermen
City of Carthage, Mississippi

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, 2017, and have issued our report thereon dated February 23, 2018. 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.

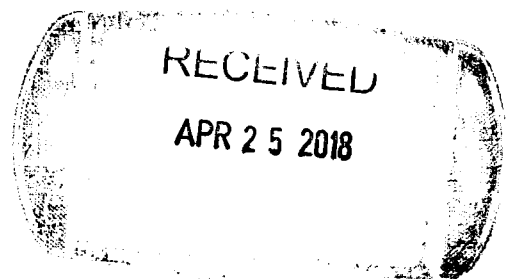
This report is intended solely for the information and use of management, the Board of Aldermen, and others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC
February 23, 2018

CITY OF CARTHAGE

SCHEDULE OF FINDINGS AND RESPONSES



CITY OF CARTHAGE

Schedule of Findings and Responses For the Year Ended September 30, 2017

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*.