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**FINANCIAL STATEMENTS**  
**CITY OF GUNTOWN, MISSISSIPPI**  
**Year Ended September 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen  
City of Guntown, Mississippi

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guntown, Mississippi as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Guntown, Mississippi's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guntown, Mississippi, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the schedule of the City's proportionate share of net pension liability on page 43 and the schedule of the City's contributions on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Guntown, Mississippi's basic financial statements. The individual fund financial statements, and other supplementary schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and the other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and the other supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2020, on our consideration of the City of Guntown, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Guntown, Mississippi's internal control over financial reporting and compliance.

*Franks, Franks, Wilkmon & Hagood P.A.*

Tupelo, Mississippi  
August 26, 2020

# **CITY OF GUNTOWN, MISSISSIPPI**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Required Supplementary Information for the Year Ended September 30, 2017**

This section of the City of Guntown's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2017. Please read it in conjunction with the City of Guntown financial statements, which follows this section.

#### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$4,639,712. Of this amount, \$146,869 may be used to meet the City of Guntown's ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$4,688,714, of which \$190,825 was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Guntown governmental funds reported combined ending fund balances of \$344,044, an increase of \$13,926 in comparison to the prior year. Approximately 90 percent of the combined fund balances, \$308,905 is considered unassigned and is available for spending at the City of Guntown discretion.
- The City of Guntown's total debt is \$3,837,514. New debt in the amount of \$405,668 was issued in the current fiscal year. Debt in the amount of \$159,160 was repaid during the current fiscal year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

# CITY OF GUNTOWN, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

Figure A-1

#### Major Features of the City of Guntown's Government-Wide and Fund Financial Statements

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



# **CITY OF GUNTOWN, MISSISSIPPI**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Government-wide Statements**

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

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

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

### **Fund Financial Statements**

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

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

## **CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Guntown has two types of funds:

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

### **Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. The City of Guntown's assets exceeded liabilities by \$4,639,712 at the close of the most recent fiscal year.

A large portion, 89 percent, of the City's net position reflects its investment in capital assets (such as land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# CITY OF GUNTOWN, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-1

### City of Guntown's Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 698,085	\$ 659,904	\$ 1,127,962	\$ 1,045,851	\$ 1,826,047	\$ 1,705,755
Noncurrent Assets	<u>980,444</u>	<u>635,635</u>	<u>6,977,213</u>	<u>7,145,796</u>	<u>7,957,657</u>	<u>7,781,431</u>
Total Assets	1,678,529	1,295,539	8,105,175	8,191,647	9,783,704	9,487,186
Deferred Outflows	<u>35,587</u>	<u>113,016</u>	<u>20,354</u>	<u>63,193</u>	<u>55,941</u>	<u>176,209</u>
Total Deferred Outflows	35,587	113,016	20,354	63,193	55,941	176,209
Current and Other Liabilities	102,306	82,450	212,066	248,239	314,372	330,689
Long-Term Liabilities	<u>948,251</u>	<u>733,022</u>	<u>3,841,039</u>	<u>3,836,576</u>	<u>4,789,290</u>	<u>4,569,598</u>
Total Liabilities	1,050,557	815,472	4,053,105	4,084,815	5,103,662	4,900,287
Deferred Inflows	<u>61,244</u>	<u>47,715</u>	<u>35,027</u>	<u>26,679</u>	<u>96,271</u>	<u>74,394</u>
Total Deferred Inflows	61,244	47,715	35,027	26,679	96,271	74,394
Net Investment in Capital Assets	692,561	626,217	3,427,582	3,564,208	4,120,143	4,190,425
Restricted	77,545	112,928	337,561	194,536	415,106	307,464
Unrestricted	<u>(167,791)</u>	<u>(193,777)</u>	<u>272,254</u>	<u>384,602</u>	<u>104,463</u>	<u>190,825</u>
Total Net Position	\$ 602,315	\$ 545,368	\$ 4,037,397	\$ 4,143,346	\$ 4,639,712	\$ 4,688,714

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The \$104,463 of unrestricted net position provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net position of our business-type activities was \$272,254 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City of Guntown generally can only use this net position to finance the continuing operations of the business type activities.

**Changes in net position.** Approximately 20.42 percent of the City of Guntown's revenue comes from property taxes and approximately 11.88 percent from sales tax, with 37.30 percent of all revenue coming from some type of tax. (See Table A-2.) Another 57.62 percent comes from fees charged for services, 0 percent from operating and capital grants and contributions and the balance is from intergovernmental revenues, investment earnings and other miscellaneous receipts.

# CITY OF GUNTOWN, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 135,635	\$ 128,311	\$ 885,996	\$ 875,884	\$ 1,021,631	\$ 1,004,195
Operating Grants & Contributions	0	0	0	0	0	0
Capital Grants & Contributions	0	19,015	0	12,226	0	31,241
General Revenues:						
Property Taxes	361,994	317,252	0	0	361,994	317,252
Sales Taxes	210,652	203,192	0	0	210,652	203,192
Other Taxes	88,734	64,880	0	0	88,734	64,880
Intergovernmental Revenue	49,550	19,232	0	0	49,550	19,232
Investment Income	316	301	836	757	1,152	1,058
Other	<u>38,705</u>	<u>42,782</u>	<u>640</u>	<u>2,300</u>	<u>39,345</u>	<u>45,082</u>
Total Revenues	885,586	794,965	887,472	891,167	1,773,058	1,686,132
<b>Expenses</b>						
General Government	358,879	376,935	0	0	358,879	376,935
Public Safety	499,623	504,137	0	0	499,623	504,137
Culture & Recreation	14,035	15,956	0	0	14,035	15,956
Water & Sewer System	0	0	853,174	759,700	853,174	759,700
Interest on Long-Term Debt	<u>876</u>	<u>697</u>	<u>95,473</u>	<u>95,276</u>	<u>96,349</u>	<u>95,973</u>
Total Expenses	<u>873,413</u>	<u>897,725</u>	<u>948,647</u>	<u>854,976</u>	<u>1,822,060</u>	<u>1,752,701</u>
Excess of Revenue Over Expenses	12,173	(102,760)	(61,175)	36,191	(49,002)	(66,569)
Transfers (to) from Other Funds	<u>44,774</u>	<u>59,086</u>	<u>(44,774)</u>	<u>(59,086)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>56,947</u>	<u>(43,674)</u>	<u>(105,949)</u>	<u>(22,895)</u>	<u>(49,002)</u>	<u>(66,569)</u>
Net Position—Beginning, previously stated	545,368	589,042	4,143,346	4,166,241	4,688,714	4,755,283
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Position—October 1, as restated	<u>545,368</u>	<u>589,042</u>	<u>4,143,346</u>	<u>4,166,241</u>	<u>4,688,714</u>	<u>4,755,283</u>
Net Position—Ending	<u>\$ 602,315</u>	<u>\$ 545,368</u>	<u>\$ 4,037,397</u>	<u>\$ 4,143,346</u>	<u>\$ 4,639,712</u>	<u>\$ 4,688,714</u>

### Governmental Activities

Governmental activities increased the City's net position by \$56,947. Key elements of this increase are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are property taxes (41 percent), charges for services (15 percent) and sales tax (24 percent).

## **CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **Business-type Activities**

Business-type activities decreased the City's net position by \$105,949.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$885,996 for the water and sewer system.

### **Financial Analysis of the Government's Funds**

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

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

**General Fund**—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$216,735, which comprised 84 percent of the fund balance. As a measure of the general fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total unassigned fund balance represents 28 percent of total fund expenditures. The fund balance of the City's general fund increased by \$55,178 during the current fiscal year.

**Special Revenue Fund**—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$84,903, which will be used for future expenditures.

**Proprietary Funds**—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$4,037,397, a change of \$105,949.

### **Budgetary Highlights**

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

The City's 2016-17 general fund operating budget increased by \$5,000 during the current fiscal year. This increase was primarily related to an increase in the Public Safety supplies budget. There was no change in the City's tax millage from 2016 to 2017.

# CITY OF GUNTOWN, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets**—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounted to \$7,957,657, net of accumulated depreciation of \$3,111,881. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 98,220	\$ 98,220	\$ 82,006	\$ 82,006	\$ 180,226	\$ 180,226
Plants, Buildings & Improvements	518,456	518,456	9,086,725	8,962,738	9,605,181	9,481,194
Machinery & Equipment	908,254	628,133	375,877	387,877	1,284,131	1,016,010
Accumulated Depreciation	(544,486)	(607,174)	(2,567,395)	(2,286,825)	(3,111,881)	(2,893,999)
Total	\$ <u>980,444</u>	\$ <u>637,635</u>	\$ <u>6,977,213</u>	\$ <u>7,145,796</u>	\$ <u>7,957,657</u>	\$ <u>7,783,431</u>

**Long-term Debt**—At year-end, the City had \$3,837,514 in bonds, note payables and capital leases outstanding. More detailed information about the City of Guntown's long-term liabilities is presented in the notes to the financial statements.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue Bonds	\$ 0	\$ 0	\$ 2,238,486	\$ 2,186,288	\$ 2,238,486	\$ 2,186,288
Notes Payable	0	0	1,311,145	1,395,300	1,311,145	1,395,300
Capital Lease Payable	<u>287,883</u>	<u>9,418</u>	<u>0</u>	<u>0</u>	<u>287,883</u>	<u>9,418</u>
Total	\$ <u>287,883</u>	\$ <u>9,418</u>	\$ <u>3,549,631</u>	\$ <u>3,581,588</u>	\$ <u>3,837,514</u>	\$ <u>3,591,006</u>

# **CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2018 budget. The total budgeted appropriations for the City's general fund operations is \$1,500,354. This is an increase from the prior year budget. The increase is primarily related to capital outlay in the fire department.

## **CONTACTING THE CITY OF GUNTOWN FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**



**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**September 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS:</u></b>			
Cash on Deposit	\$ 381,907	\$ 364,762	\$ 746,669
Money Market, Certificates of Deposit	-	322,959	322,959
Restricted Cash	-	337,561	337,561
Due From Other Governments	12,617	-	12,617
Accounts Receivable	-	102,680	102,680
Court Fines Receivable, net	268,063	-	268,063
Property Tax Receivable	3,958	-	3,958
Other Receivable	31,540	-	31,540
Capital Assets:			
Land	98,220	82,006	180,226
Plant, Buildings and Improvements	518,456	9,086,725	9,605,181
Machinery and Equipment	908,254	375,877	1,284,131
Accumulated Depreciation	(544,486)	(2,567,395)	(3,111,881)
<b>TOTAL ASSETS</b>	<b>1,678,529</b>	<b>8,105,175</b>	<b>9,783,704</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>			
Deferred Amounts Related to Pensions	35,587	20,354	55,941
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 35,587</b>	<b>\$ 20,354</b>	<b>\$ 55,941</b>

**CITY OF GUNTOWN, MISSISSIPPI  
STATEMENT OF NET POSITION  
September 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>LIABILITIES:</u></b>			
Accounts Payable and Accrued Expenses	\$ 68,670	\$ 21,817	\$ 90,487
Accrued Compensated Absences	5,963	5,444	11,407
Refundable Deposits	13,350	90,332	103,682
Net Pension Liability	674,691	385,881	1,060,572
Long-Term Liabilities:			
Due Within One Year	20,286	99,917	120,203
Due in More Than One Year	267,597	3,449,714	3,717,311
<b>TOTAL LIABILITIES</b>	<b>1,050,557</b>	<b>4,053,105</b>	<b>5,103,662</b>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
Deferred Amounts Related to Pensions	61,244	35,027	96,271
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>61,244</b>	<b>35,027</b>	<b>96,271</b>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	692,561	3,427,582	4,120,143
Restricted for:			
Ad Valorem	42,406		42,406
Debt Service	-	337,561	337,561
Special Revenue Projects	35,139	-	35,139
Unrestricted	(167,791)	272,254	104,463
<b>TOTAL NET POSITION</b>	<b>\$ 602,315</b>	<b>\$ 4,037,397</b>	<b>\$ 4,639,712</b>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended September 30, 2017**

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charge for Services	Operating Contributions	Capital Grants and Contributions	Total	PRIMARY GOVERNMENT	
						Governmental Activities	Business-Type Activities
<b>PRIMARY GOVERNMENT</b>							
Government Activities:							
General Government	\$ 358,879	\$ 30,561	\$ -	\$ -	\$ 30,561	\$ (328,318)	\$ -
Public Safety	499,623	104,229	-	-	104,229	(395,394)	-
Culture and Recreation	14,035	845	-	-	845	(13,190)	-
Interest on Long-Term Debt	876	-	-	-	-	(876)	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>873,413</b>	<b>135,635</b>	<b>-</b>	<b>-</b>	<b>135,635</b>	<b>(737,778)</b>	<b>-</b>
Business-Type Activities:							
Water & Sewer System	948,647	885,996	-	-	885,996	-	(62,651)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>948,647</b>	<b>885,996</b>	<b>-</b>	<b>-</b>	<b>885,996</b>	<b>(62,651)</b>	<b>(62,651)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,822,060</b>	<b>\$ 1,021,631</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,021,631</b>	<b>\$ (737,778)</b>	<b>\$ (800,429)</b>
<b>GENERAL REVENUES:</b>							
Taxes:							
Property Taxes, Levied for General Purposes						\$ 361,994	\$ -
Sales and Use Taxes						210,652	-
Licenses and Permits						9,496	-
In Lieu Taxes						79,238	-
Intergovernmental Revenues						49,550	-
Gain (Loss) on Sale of Capital Assets						9,884	457
Investment Earnings						316	836
Miscellaneous						28,821	183
Transfers (to) from Other Funds						44,774	(44,774)
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>						<b>794,725</b>	<b>(43,298)</b>
<b>CHANGE IN NET POSITION</b>						<b>56,947</b>	<b>(105,949)</b>
<b>NET POSITION--BEGINNING</b>						<b>545,368</b>	<b>4,143,346</b>
<b>NET POSITION--ENDING</b>						<b>\$ 602,315</b>	<b>\$ 4,037,397</b>
							<b>\$ 4,639,712</b>

**CITY OF GUNTOWN, MISSISSIPPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2017**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS:</u></b>			
Cash on Deposit	\$ 293,630	\$ 88,277	\$ 381,907
Due From Other Governments	10,949	1,668	12,617
Other Receivables	31,540	-	31,540
<b>TOTAL ASSETS</b>	<b>\$ 336,119</b>	<b>\$ 89,945</b>	<b>\$ 426,064</b>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>			
<b><u>LIABILITIES:</u></b>			
Accounts Payable and Accrued Expenses	\$ 63,628	\$ 5,042	\$ 68,670
Refundable Deposits	13,350	-	13,350
<b>TOTAL LIABILITIES</b>	<b>76,978</b>	<b>5,042</b>	<b>82,020</b>
<b><u>FUND BALANCES (DEFICIT):</u></b>			
Restricted:			
Fire Protection	-	35,139	35,139
Ad Valorem	42,406		42,406
Unassigned	216,735	49,764	266,499
<b>TOTAL FUND BALANCES</b>	<b>259,141</b>	<b>84,903</b>	<b>344,044</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 336,119</b>	<b>\$ 89,945</b>	<b>\$ 426,064</b>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**September 30, 2017**

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 344,044
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	980,444
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.	3,958
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(287,883)
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(5,963)
Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(674,691)
Deferred outflows and inflows related to pensions are applicable to future periods and therefore they are not reported in the Governmental Funds Balance Sheet.	
Deferred outflows of resources related to defined benefit pension plan	35,587
Deferred inflows of resources related to defined benefit pension plan	(61,244)
Accrual of court fine revenues to qualify as financial resources.	<u>268,063</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 602,315</u>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2017**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
General Property Taxes	\$ 362,364	\$ -	\$ 362,364
Sales & Use Taxes	210,652	-	210,652
Licenses and Permits	9,496	-	9,496
In Lieu of Taxes	79,238	-	79,238
Intergovernmental Revenues	27,417	-	27,417
Rentals	30,561	-	30,561
Park Revenues	845	-	845
Fines and Forfeits	82,396	-	82,396
Insurance Rebate	-	22,133	22,133
Interest Income	224	92	316
Miscellaneous Revenues	26,161	2,660	28,821
<b>TOTAL REVENUES</b>	<b>829,354</b>	<b>24,885</b>	<b>854,239</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	335,515	-	335,515
Public Safety	435,082	424,853	859,935
Culture and Recreation	11,328	-	11,328
Debt Service	4,092	-	4,092
<b>TOTAL EXPENDITURES</b>	<b>786,017</b>	<b>424,853</b>	<b>1,210,870</b>
<b>EXCESS OF REVENUES</b>			
<b>OVER (UNDER) EXPENDITURES</b>	<b>43,337</b>	<b>(399,968)</b>	<b>(356,631)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Sale of Capital Assets	802	43,300	44,102
Proceeds from Long Term Debt	-	281,681	281,681
Transfers to Other Funds	(34,215)	(240)	(34,455)
Transfers from Other Funds	45,254	33,975	79,229
<b>TOTAL OTHER FINANCING</b>			
<b>SOURCES (USES)</b>	<b>11,841</b>	<b>358,716</b>	<b>370,557</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>55,178</b>	<b>(41,252)</b>	<b>13,926</b>
<b>FUND BALANCES - BEGINNING</b>	<b>203,963</b>	<b>126,155</b>	<b>330,118</b>
<b>FUND BALANCES - Ending</b>	<b>\$ 259,141</b>	<b>\$ 84,903</b>	<b>\$ 344,044</b>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT**  
**OF ACTIVITIES**  
**Fiscal Year Ended September 30, 2017**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 13,926
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	419,455
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(40,428)
Proceeds from the disposition of capital assets are reported as income in the Governmental Funds. The gain or loss on the sale of the capital assets and not the gross proceeds are reported as income in the Government-Wide Statement of Activities and Changes in Net Position.	(34,218)
Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.	(46,860)
Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in governmental funds.	(370)
Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received.	21,833
(Increase) decrease in accrual of compensated absences.	2,074
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.	
This amount represents long-term debt proceeds.	(281,681)
This amount represents long-term debt repayments and issuance costs.	3,216
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>56,947</u>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-BUDGET AND ACTUAL -**  
**BUDGETARY BASIS**  
**For the Fiscal Year Ended September 30, 2017**

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
<b>REVENUES:</b>				
General Property Taxes	\$ 314,000	\$ 314,000	\$ 360,093	\$ 46,093
Sales & Use Taxes	200,000	200,000	210,630	10,630
Licenses and Permits	8,600	8,600	9,496	896
In Lieu of Taxes	68,200	68,200	79,238	11,038
Intergovernmental Revenues	33,500	33,500	27,417	(6,083)
Rentals	38,050	38,050	30,561	(7,489)
Park Revenues	1,900	1,900	845	(1,055)
Fines and Forfeits	117,656	117,656	82,396	(35,260)
Interest Income	100	100	224	124
Grant Income	3,500	3,500	0	(3,500)
Miscellaneous Revenues	500	500	26,161	25,661
<b>TOTAL REVENUES</b>	<b>786,006</b>	<b>786,006</b>	<b>827,061</b>	<b>41,055</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	382,864	382,864	335,515	47,349
Public Safety	464,822	469,822	435,082	34,740
Culture and Recreation	79,300	79,300	11,328	67,972
Debt Service	0	0	4,092	(4,092)
<b>TOTAL EXPENDITURES</b>	<b>926,986</b>	<b>931,986</b>	<b>786,017</b>	<b>145,969</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(140,980)</b>	<b>(145,980)</b>	<b>41,044</b>	<b>187,024</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Sale of Capital Assets			802	802
Transfers (to) from Other Funds	(28,000)	(28,000)	11,039	39,039
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(28,000)</b>	<b>(28,000)</b>	<b>11,841</b>	<b>39,841</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES</b>	<b>\$ (168,980)</b>	<b>\$ (173,980)</b>	<b>\$ 52,885</b>	<b>\$ 226,865</b>

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



**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2017**

**ASSETS**

Current Assets

Cash on Deposit	\$ 364,762
Money Market, Certificates of Deposit	322,959
Restricted Cash	337,561
Accounts Receivable	102,680
Total Current Assets	<u>1,127,962</u>

Fixed Assets

Distributions Systems	9,086,725
Equipment	375,877
Land	82,006
Less: Accumulated Depreciation	<u>(2,567,395)</u>
Net Fixed Assets	<u>6,977,213</u>

**TOTAL ASSETS**

8,105,175

Deferred Outflows of Resources

Deferred Outflows - Pensions	<u>20,354</u>
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**TOTAL DEFERRED OUTFLOWS OF RESOURCES**

20,354

**LIABILITIES**

Current Liabilities

Accounts Payable	21,817
Notes and Bonds Payable - Within One Year	99,917
Total Current Liabilities	<u>121,734</u>

Noncurrent Liabilities

Accrued Compensated Absences	5,444
Net Pension Liability	385,881
Refundable Deposits	90,332
Notes and Bonds Payable, Net of Current Maturities	3,449,714
Total Noncurrent Liabilities	<u>3,931,371</u>

**TOTAL LIABILITIES**

4,053,105

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows - Pensions	<u>35,027</u>
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**TOTAL DEFERRED INFLOWS OF RESOURCES**

35,027

**NET POSITION**

Net Investment in Capital Assets	3,427,582
Restricted for:	
Debt Service	337,561
Unrestricted	<u>272,254</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 4,037,397</u></u>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2017**

**OPERATING REVENUES**

Charges for Services	\$ 885,996
Other Receipts	183
	<u>                    </u>
Total Operating Revenues	<u>886,179</u>

**OPERATING EXPENSES**

Personnel Services	279,021
Contractual Services	30,741
Supplies	110,974
Depreciation and Amortization	291,100
Other Services	141,338
	<u>                    </u>
Total Operating Expenses	<u>853,174</u>
Operating Income	<u>33,005</u>

**NON-OPERATING REVENUES (EXPENSES)**

Interest Income	836
Gain(Loss) on Sale of Capital Assets	457
Interest and Fiscal Charges	(95,473)
	<u>                    </u>
Total Non-Operating Revenues (Expenses)	<u>(94,180)</u>

**INCOME BEFORE OPERATING TRANSFERS**

(61,175)

**TRANSFERS (TO) FROM OTHER FUNDS**

Transfers from Other Funds	155,168
Transfers to Other Funds	(199,942)
	<u>                    </u>
Net Transfers (to) from Other Funds	<u>(44,774)</u>

**CHANGE IN NET POSITION**

(105,949)

**NET POSITION - OCTOBER 1**

4,143,346

**NET POSITION - SEPTEMBER 30**

\$ 4,037,397

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Customers	\$ 899,390
Cash Payments for Personnel Services	(245,034)
Cash Payments for Contractual Services	(30,741)
Cash Payments for Supplies	(110,974)
Cash Payments for Other Services	(123,891)
Net Cash Provided By Operating Activities	<u>388,750</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Operating Transfers - In from (Out) to Other Funds	(44,774)
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	<u>(44,774)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of Fixed Assets	(123,987)
Proceeds from Sale of Fixed Asset	1,927
Proceeds From Issuance of Debt	123,987
Principal Paid on Bonds, Notes and Capital Lease Payables	(155,944)
Interest Paid on Bonds, Notes and Capital Lease Payables	(95,473)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(249,490)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments	836
Net Cash Provided By Investing Activities	<u>836</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	95,322
CASH AND CASH EQUIVALENTS - BEGINNING	<u>929,960</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,025,282</u>

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

Operating Income (Loss)	\$ 33,005
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities	
Depreciation	291,100
Net Pension Expense	35,164
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	13,211
Increase (Decrease) in Accounts Payable - operating activities	6,547
Increase (Decrease) in Accrued Expenses - operating activities	(3,323)
Increase (Decrease) in Refundable Deposits	13,046
Total Adjustments	<u>355,745</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 388,750</u>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

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

The statement of net position presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and are clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Non-major funds, where applicable, are aggregated and presented in a single column.

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

The City reports the following governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

Budgets and Budgetary Accounting

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

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be posted in a municipal newspaper.
- (7) And, between September 15th-30<sup>th</sup>, the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**Cash and Cash Equivalents**

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

**Receivables**

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

**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 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."

**Capital Assets**

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

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

**Revenue Recognition – Property Taxes**

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

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

General Obligation Enterprise Bond

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

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

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

Encumbrances

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

Compensated Absences

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

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

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Pensions

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



**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 7 for additional details.

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

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 7 for additional details.

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 improvement 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."

Fund Financial Statements:

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

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the City:

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City did not have any nonspendable resources as of September 30, 2017.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified unexpended fire rebate funds as being restricted because their use is restricted by State Statute.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board of Aldermen delegating this responsibility to the City's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has no assigned fund balances as of September 30, 2017.
- **Unassigned:** This classification includes the residual fund balance for the General Fund and all other amounts not included in other spendable classifications.

**Use of Restricted/Unrestricted Net Position**

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

**Business Information**

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 2 – CASH AND INVESTMENTS**

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

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

The City's investments as of September 30, 2017 are:

**Investments:**

Certificates of Deposit	\$ 322,959
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**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 3 – CAPITAL ASSETS**

The following is a summary of capital asset activity as of September 30, 2017:

Governmental Activities:

	Restated Balance 10/1/2016	Additions	Disposals	Balance 9/30/2017
Capital Assets, not being depreciated:				
Land	\$ 98,220	\$ 0	\$ 0	\$ 98,220
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	518,456	0	0	518,456
Machinery and Equipment	628,133	419,455	(139,334)	908,254
Total Capital Assets being depreciated	1,146,589	419,455	(139,334)	1,426,710
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(207,833)	(8,470)	0	(216,303)
Machinery and Equipment	(401,341)	(31,958)	105,116	(328,183)
Total Accumulated Depreciation	(609,174)	(40,428)	105,116	(544,486)
Total Capital Assets, depreciated, net	537,415	379,027	(34,218)	882,224
Governmental Activities Capital Assets, net	\$ 635,635	\$ 379,027	\$ (34,218)	\$ 980,444

Business-Type Activities:

	Restated Balance 10/1/2016	Additions	Disposals	Balance 9/30/2017
Capital Assets, not being depreciated:				
Land	\$ 82,006	\$ 0	\$ 0	\$ 82,006
Total Capital Assets, not being depreciated	82,006	0	0	82,006
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	8,962,738	123,987	0	9,086,725
Machinery and Equipment	387,877	0	(12,000)	375,877
Total Capital Assets being depreciated	9,350,615	123,987	(12,000)	9,462,602
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(1,994,651)	(277,830)	0	(2,272,481)
Machinery and Equipment	(292,174)	(13,270)	10,530	(294,914)
Total Accumulated Depreciation	(2,286,825)	(291,100)	0	(2,567,395)
Total Capital Assets, depreciated, net	7,063,790	(167,113)	(1,470)	6,895,207
Business-Type Activities Capital Assets, net	\$ 7,145,796	\$ (167,113)	\$ (1,470)	\$ 6,977,213

**NOTE 3 – CAPITAL ASSETS (continued)**

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

requirements.

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

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

Governmental Activities:	
General Government	\$ 8,876
Public Safety	29,008
Culture and Recreation	<u>2,544</u>
 Total Depreciation Expense – Governmental Activities	 \$ <u>40,428</u>
 Business-type Activities:	
Water and Sewer	\$ <u>291,100</u>

**NOTE 4 – RECEIVABLES**

Receivables at September 30, 2017, consisted primarily of taxes, account (billings for user charged services including unbilled utility services), sales tax, property tax and in lieu tax.

All accounts receivable are shown net of an allowance for uncollectible amounts of \$338,478 for Governmental activities. The allowance is based on management estimates and the average age of receivables. Management has not set up an allowance for uncollectible amounts in the proprietary fund.

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 5 – LONG-TERM DEBT**

The following is a summary of bond and other debt transactions of the City for the year ended September 30, 2017:

	<u>Bonds Payable</u>	<u>Notes Payable/ Capital Lease</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/1/16	\$ 2,186,288	\$ 1,404,718	\$ 3,591,006
Add: Bonds and Other Long-Term Debt Acquired	123,987	281,681	405,668
Less: Bonds and Other Long-Term Debt Retired	<u>71,789</u>	<u>87,371</u>	<u>159,160</u>
Bonds and Other Long-Term Debt at 9/30/17	<u>\$ 2,238,486</u>	<u>\$ 1,599,028</u>	<u>\$ 3,837,514</u>

Bonds and other long-term debt at September 30, 2017 are comprised of the following issues:

**Revenue Bonds:**

\$1,255,000 Revenue Refunding Bond dated May 30, 2013 (Series 2013), due in annual principal installments bearing semi-annual interest at 0.70% to 3.50% through January 2033; collateralized by the water and sewer system net revenues. \$ 1,070,000

\$870,000 Combined Water and Sewer System Revenue Bond dated December 1, 2014 (Series 2014), due in annual principal installments bearing semi-annual interest at 3.50% through January 2050; collateralized by the water and sewer system net revenues. 848,050

\$400,000 Combined Water and Sewer System Revenue Bond dated July 17, 2017 (Series 2014), due in annual principal installments bearing semi annual interest at 4.00% through January 2052; collateralized by the water and sewer system net revenues 320,436

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017**

**NOTE 5 – LONG-TERM DEBT (continued)**

**Notes Payable:**

\$500,000 dated April 1, 2008, to Mississippi Development Authority  
Capital Improvements Revolving Loan (CAP) due in 240 monthly  
installments of \$2,529 with interest at 2.00% through March 1, 2028. 286,278

\$50,432 dated December 5, 2014, to Mississippi Department of Health  
Drinking Water Emergency Loan 2014 due in 57 monthly installments of  
\$928.20 with interest at 2.00% through October 1, 2019. 22,710

\$1,091,065 dated August 23, 2013, to Mississippi Department of Health  
Drinking Water Emergency Loan 2015 due in 236 monthly installments of  
\$5,569.88 with interest at 1.95% through May 1, 2035. 1,002,157

**Capital Leases:**

\$15,810 dated July 15, 2014, to First Government Lease Company due in  
60 monthly installments of \$314.75 with interest at 4.50% through June  
15, 2019; collateralized by three police cars. 6,202

\$281,681 dated February 1, 2017, to Community First National Bank due  
in 15 annual installments of \$24,007.26 with interest at 3.30% through  
November 1, 2031; collateralized by a fire truck. 281,681

**Total Long-term Debt** \$ **3,837,514**

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

The annual requirements to amortize all debt outstanding as of September 30, 2017 including interest payments of \$1,467,073 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 20,286	\$ 7,508	\$ 155,891	\$ 97,506	\$ 176,177	\$ 105,014
2019	17,902	8,961	163,311	94,417	181,213	103,378
2020	15,642	8,365	155,503	91,362	171,145	99,727
2021	16,167	7,841	156,900	87,956	173,067	95,797
2022	16,708	7,299	159,295	84,566	176,003	91,865
2023 – 2027	93,321	27,715	859,826	364,414	952,147	392,129
2028 – 2032	108,857	11,180	797,801	255,673	906,658	266,853
2033 – 2037	0	0	473,318	147,963	473,318	147,963
2038 – 2042	0	0	223,736	102,168	223,736	102,168
2043 – 2047	0	0	267,500	54,777	267,500	54,777
2048 – 2050	0	0	136,550	7,402	136,550	7,402
	<u>\$ 287,883</u>	<u>\$ 78,869</u>	<u>\$ 3,549,631</u>	<u>\$ 1,388,204</u>	<u>\$ 3,837,514</u>	<u>\$ 1,467,073</u>

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017**

**NOTE 5 – LONG-TERM DEBT (continued)**

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 399,141
Less: Accumulated Depreciation	<u>(15,939)</u>
	<u>\$ 383,202</u>

**NOTE 6 – INTERFUND TRANSACTIONS AND BALANCES**

The following is a summary of interfund transfers at September 30, 2017:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	240
General Fund	Water & Sewer System Fund	44,774
Other Governmental Funds	General Fund	<u>33,975</u>
Total		<u>\$ 78,989</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to reimburse for administrative services for the proprietary fund.

**NOTE 6 – LITIGATION**

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

**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

*Plan Description-* The City of Guntown contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.



**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)**

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

Employee membership data related to the Plan, as of June 30, 2017 was as follows:

Retirees and Survivors	102,260
Terminated Vested Employees	16,682
Inactive Nonvested Members	50,170
Active Members	<u>152,382</u>
Total	<u>321,494</u>

*Contributions-* At September 30, 2017, PERS members were required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016 and 2015 were \$65,403, \$62,326 and \$67,773, respectively, equal to the required contributions for each year.

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)**

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions-* At September 30, 2017, the City of Guntown reported a liability of \$1,060,572 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 of Guntown's proportion of the net pension liability was based on a projection of the City of Guntown's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2017, net pension liability was 0.0064 percent, which was based on a measurement date of June 30, 2017. This was an increase of 2 percent 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 Guntown recognized pension expense of \$79,476. At September 30, 2017, the City of Guntown reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Results - Pensions	\$ 15,237	\$ 7,739
City Pension Contributions Subsequent to the Measurement Date	17,131	13,617
Changes of Assumptions	23,573	1,807
Net Difference Between Projected and Actual Investment Earnings on Investments	0	0
Changes in Proportion and Differences Between ER Contributions and Proportionate Share Of ER Contributions	0	73,108
Total	\$ <u>55,941</u>	\$ <u>96,271</u>

The \$17,131 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018.

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

Fiscal Year Ending September 30,	<u>Amount</u>
2018	\$ 12,400
2019	14,150
2020	10,425
2021	20,486
Total	\$ <u>57,461</u>

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)**

*Actuarial Assumptions*-The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.25-18.50%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were 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.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, 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%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Assets	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Debt	2.00%	2.25%
Cash	1.00%	0.0%
Total	100.00%	

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2017**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)**

*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 City of Guntown's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*-The following presents the City of Guntown's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the City of Guntown's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$1,391,012
Current discount rate	7.75%	\$1,060,572
1% increase	8.75%	\$ 786,236

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

**NOTE 8 – FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS**

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$2,293 more than cash revenues.

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE 9 – RISK MANAGEMENT**

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

Risk of loss related to workers compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employers liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2017, will not materially affect the financial condition of the City. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the City during the current or prior year.

**NOTE 10 – CONTINGENT LIABILITIES**

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

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 26, 2020, the date which the financial statements were available to be issued. On August 6, 2019, the City entered a lease purchase financing agreement for the purchase of an excavator in the amount of \$61,114 with Hancock Whitney Bank. The repayment of this will begin September 6, 2019, at the monthly rate of \$1,375.

## INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**Fiscal Year Ended September 30, 2017**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>			
General Property Taxes	\$ 314,000	\$ 360,093	\$ 46,093
Sales & Use Taxes	200,000	210,630	10,630
Licenses and Permits	8,600	9,496	896
In Lieu of Taxes	68,200	79,238	11,038
Intergovernmental Revenues	33,500	27,417	(6,083)
Rentals	38,050	30,561	(7,489)
Park Revenues	1,900	845	(1,055)
Fines and Forfeitures	117,656	82,396	(35,260)
Interest Income	100	224	124
Grant Income	3,500	-	(3,500)
Miscellaneous Revenues	500	26,161	25,661
Total revenues	<u>786,006</u>	<u>827,061</u>	<u>41,055</u>
<b><u>EXPENDITURES</u></b>			
General Government			
Personnel Services	202,587	167,987	34,600
Supplies	33,301	18,115	15,186
Other Services and Charges	143,725	143,717	8
Capital Outlay	3,251	5,696	(2,445)
Total	<u>382,864</u>	<u>335,515</u>	<u>47,349</u>
Public Safety			
Personnel Services	276,240	271,041	5,199
Supplies	39,000	40,281	(1,281)
Other Services and Charges	117,082	100,053	17,029
Capital Outlay	42,500	23,707	18,793
Total	<u>474,822</u>	<u>435,082</u>	<u>39,740</u>
Culture and Recreation			
Personnel Services	17,774	556	17,218
Supplies	5,275	3,670	1,605
Professional Services	8,750	7,102	1,648
Capital Outlay	47,501	-	47,501
Total	<u>\$ 79,300</u>	<u>\$ 11,328</u>	<u>\$ 67,972</u>

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued**  
**Fiscal Year Ended September 30, 2017**

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Debt Service			
Principal Retired	\$ -	\$ 3,216	\$ (3,216)
Interest Expense	-	876	(876)
Total	<u>-</u>	<u>4,092</u>	<u>(4,092)</u>
 Total expenditures	 <u>936,986</u>	 <u>786,017</u>	 <u>192,024</u>
 Excess (Deficit) revenues over (under) expenditures	 <u>(150,980)</u>	 <u>41,044</u>	 <u>(150,969)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Capital Assets	-	802	802
Transfers from Other Funds	451,185	45,254	(405,931)
Transfers (to) Other Funds	<u>(411,000)</u>	<u>(34,215)</u>	<u>376,785</u>
Total other financing sources (uses)	<u>40,185</u>	<u>11,841</u>	<u>(28,344)</u>
 Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	 <u>(110,795)</u>	 <u>52,885</u>	 <u>163,680</u>
 Fund balances at October 1, 2016	 <u>164,432</u>	 <u>203,963</u>	 <u>(39,531)</u>
Fund balances at September 30, 2017	\$ <u><u>53,637</u></u>	\$ <u><u>256,848</u></u>	\$ <u><u>124,149</u></u>
Adjustments To GAAP Basis:			
Add: Accrued revenues		<u>2,293</u>	
Fund Balance GAAP September 30, 2017		\$ <u><u>259,141</u></u>	



## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF THE CITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
Last 10 Fiscal Years  
For the Fiscal Year Ended September 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Guntown's proportion of net pension liability (%)	0.006400%	0.006300%	0.006700%
B. Guntown's proportionate share of net pension liability	\$1,060,572	\$1,120,693	\$1,035,688
C. Guntown's covered employee payroll	\$415,253	\$395,710	\$430,303
D. Guntown's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	255.40%	283.21%	240.69%
E. Plan fiduciary net position as a percentage of total pension liability	61.49%	57.47%	61.70%

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 fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2016, 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 GUNTOWN, MISSISSIPPI**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**For the Last 10 Fiscal Years**  
**For the Fiscal Years Ended September 30, 2017**

	2017	2016	2015	2014
A. Statutorily required contributions	\$65,403	\$62,326	\$67,773	\$66,930
B. Contributions in relation to statutorily required contributions	\$65,403	\$62,326	\$67,773	\$66,930
C. Contribution deficiency (excess)	\$0	\$0	\$0	\$0
D. Guntown's covered employee payroll	\$415,253	\$395,710	\$430,303	\$424,948
E. Contributions as a percentage of covered employee payroll	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2016, 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 GUNTOWN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2017**

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

**SIGNIFICANT ACCOUNTING POLICIES:**

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

\* - Major Program

## OTHER SUPPLEMENTARY INFORMATION

CITY OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
September 30, 2017

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Mary Roberts	City Clerk	Travelers Insurance	\$50,000
Michael Hall	Chief of Police	Travelers Insurance	\$50,000
Tonya Brown	Water Billing Clerk	Scott Insurance	\$50,000
Angie Watson	Court Clerk	Travelers Insurance	\$50,000
Gary Herring	Mayor	Scott Insurance	\$50,000
John Herring	Alderman	Scott Insurance	\$50,000
James Hopkins	Alderman	Scott Insurance	\$50,000
Brent Lindsey	Alderman	Scott Insurance	\$50,000
William McMohan	Alderman	Scott Insurance	\$50,000
Gregory Cagle	Alderman	Scott Insurance	\$50,000
Michael Hall	Deputy Court Clerk	Scott Insurance	\$50,000
Scotty Bradley	Deputy Court Clerk	Scott Insurance	\$50,000
Summer Whitt	Deputy Court Clerk	Scott Insurance	\$50,000
Dean Hill	Police	Scott Insurance	\$25,000
Tom Speaks	Police	Scott Insurance	\$25,000
Joshua Davis	Police	Scott Insurance	\$25,000
Robert Cook	Police	Scott Insurance	\$25,000
Jeremy Winginton	Police	Scott Insurance	\$25,000
Michael Stahl	Police	Scott Insurance	\$25,000
Devin Burress	Police	Scott Insurance	\$25,000
Scotty Bradley	Police	Scott Insurance	\$25,000
James Bradley	Police	Scott Insurance	\$25,000
David Austin	Police	Scott Insurance	\$25,000
Adam Hamilton	Police	Scott Insurance	\$25,000
Jimmy Jarman	Police	Scott Insurance	\$25,000
Justin Williams	Police	Scott Insurance	\$25,000
Jason Jackson	Police	Scott Insurance	\$25,000
Jason McCaffrey	Police	Scott Insurance	\$25,000
William Whitehead	Police	Scott Insurance	\$25,000
Quinton Witcher	Police	Scott Insurance	\$25,000
Alex Floyd	Police	Scott Insurance	\$25,000

**CITY OF GUNTOWN, MISSISSIPPI**  
**SCHEDULE OF LONG TERM DEBT**  
**For the year ended September 30, 2017**

	BALANCE OUTSTANDING October 1, 2016		TRANSACTIONS DURING FISCAL YEAR		BALANCE OUTSTANDING September 30, 2017
			ISSUED	REDEEMED	
<u>Revenue Bonds</u>					
USDA 91-14	\$ 859,265	\$ -	\$ 11,215	\$ -	\$ 848,050
Series 2013	1,125,000	-	55,000	-	1,070,000
USDA 92-15	202,023	123,987	5,574	-	320,436
<u>Other Long Term Debt</u>					
MDA CAP Water Department	313,063	-	26,785	-	286,278
Capital Lease - Police Cars FGLC	9,418	-	3,216	-	6,202
Firetruck Loan	-	281,681	-	-	281,681
MSDH - Drinking Water Emergency Loan	33,279	-	10,569	-	22,710
MSDH - Drinking Water Improvement Loan	1,048,958	-	46,801	-	1,002,157
<b>TOTAL</b>	<b>\$ 3,591,006</b>	<b>\$ 405,668</b>	<b>\$ 159,160</b>	<b>\$ -</b>	<b>\$ 3,837,514</b>

## OTHER REPORTS



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

Honorable Mayor and Board of Aldermen  
City of Guntown, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guntown, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Guntown, Mississippi's basic financial statements and have issued our report thereon dated August 26, 2020.

**Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as 2017-02, 2017-03, 2017-04 and 2017-05 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as 2017-01 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Guntown, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect

on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-02, 2017-03, 2017-04, 2017-05 and 2017-06.

#### **City of Guntown, Mississippi's Response to Findings**

City of Guntown, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Guntown, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

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

Firm's signature

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.

Tupelo, Mississippi  
August 26, 2020

**CITY OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2017**

**FINANCIAL STATEMENT FINDINGS:**

**FINDING 2017-01 (Significant Deficiency)**

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

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

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

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

**Finding 2017-02 (Material Weakness, Noncompliance)**

**Criteria:** The City is required, by state statutes, to prepare a budget for all required governmental funds of the City and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts. The City is further required to publish notice of any departmental budget amendments in excess of 10% of the originally adopted departmental budgeted amount.

**Cause of Condition:** The City had budget overages in three categories for the year ended September 30, 2017. The City also failed to publish notice of amendments greater than 10% of departmental expenditures during the fiscal year.

**Recommendation:** The City should ensure that all expenditures are within the final amended budget amounts. The City Clerk should generate monthly budget to actual revenue and expense reports that should be used to ensure budgets are amended before expenses are disbursed in excess of budgeted amounts. The City should ensure that notice is published anytime that the City amends a departmental budget in excess of 10% of the originally budgeted amounts.

**Response:** The City will take steps necessary to provide the Board with accurate revenue and expense budget to actual comparisons on a monthly basis for all required accounts. The City will take steps necessary to ensure that budgets are amended prior to budget overages occurring. The City will ensure that the proper notice is published for all amendments of departmental budgets in excess of 10%.

**CITY OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2017**

**Finding 2017-03 (Material Weakness, Noncompliance)**

**Criteria:** The City is required, by State statutes, to maintain adequate subsidiary records substantiating the existence, completeness, and valuations of its fixed assets.

**Cause of Condition:** The City did not conduct an annual inventory observation of fixed assets pursuant to guidelines set forth by the Mississippi Office of the State Auditor. The City does not have a complete, compliant listing of fixed assets.

**Recommendation:** The City should conduct a year-end inventory of its fixed assets needed to maintain accountability of assets. The City should also prepare a complete fixed asset listing; substantiating the valuation, location, description, and inventory tag numbers of its fixed assets. The City should ensure all new assets purchased are tagged and properly accounted for on the fixed asset listing when the assets are placed in service.

**Response:** The City will conduct year-end inventory observations of their fixed assets. Also, the City will continue to develop a complete listing of all fixed assets to comply with State statutes.

**Finding 2017-04 (Material Weakness)**

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

**Cause of Condition:** The City did not maintain adequate internal controls over its interfund balancing. During our audit, we noted that there were significant differences between the interfund receivables and payables and interfund transfers. It appears that these balances have not been reconciled on a routine basis.

**Recommendation:** The City should implement adequate internal controls over all its accounting functions sufficient to provide timely reconciliation of all interfund balances and transactions.

**Response:** The City will work to implement a monthly reconciliation process for all interfund balances and transactions.

**Finding 2017-05 (Noncompliance)**

**Criteria:** The City is required, by state statutes, to settle all state assessments collected through the municipal court on a monthly basis with the State Treasurer.

**Cause of Condition:** The assessments collected during October 2016 were not settled to the State Treasurer during the following month. The City settled the October 2016 assessments to the State Treasurer along with the November 2016 assessments.

**Recommendation:** The City should ensure that all assessments are settled each month pursuant to state statutes.

**Response:** The City will take steps necessary to ensure that assessments are settled each month pursuant to state statutes.

**CITY OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2017**

**Finding 2017-06 (Material Noncompliance)**

**Criteria:** The City is required, by state statute Miss. Code Ann. (1972) Sect. 27-29-320 through 27-29-323, to not increase the ad valorem tax beyond the growth limitation, and, if so, that proper escrow procedures were followed.

**Cause of Condition:** The City collected ad valorem taxes more than the allowed growth and did not properly escrow the excess taxes.

**Recommendation:** The City should ensure that the levy does not result in more than the allowed growth. Also, the City should escrow the excess collections and reduce the next year's amount required to be raised by ad valorem collections.

**Response:** The City will take the necessary steps to ensure that the proper amount of ad valorem levied does not exceed the growth limitation and will properly escrow the excess and reduce the next year's levy.

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Alderman  
City of Guntown, Mississippi

We have audited the basic financial statements of the City of Guntown, Mississippi, as of and for the year ended September 30, 2017, and have issued our report thereon dated August 26, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed a material instance of noncompliance with state laws and regulations listed in the Schedule of Findings and Responses as Finding No. 2017-06. We also disclosed an immaterial instance of noncompliance listed as Findings No. 2017-02, 2017-03 and 2017-05.

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

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

*Franks, Franks, Wilemon & Hagood P.A.*

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.  
Tupelo, Mississippi  
August 26, 2020