



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

CITY OF MAGNOLIA, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2017



CITY OF MAGNOLIA

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	2
FINANCIAL STATEMENTS	5
Statement of Net Position – Cash Basis	6
Statement of Activities – Cash Basis	7
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	8
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds	9
Statement of Net Position- Cash Basis- Proprietary Fund	10
Statement of Cash Receipts, Disbursement, and Changes in Net Position- Proprietary Fund.....	11
Notes to Financial Statements	12
OTHER INFORMATION	18
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) General Fund	19
Schedule of Investments.....	20
Schedule of Capital Assets	21
Schedule of Long-term Debt.....	22
Schedule of Surety Bonds for County Officials	23
Notes to Required Supplementary Information	24
SPECIAL REPORTS	25
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Limited Internal Control and Compliance Review Management Report.....	28
SCHEDULE OF FINDINGS AND RESPONSES	31

CITY OF MAGNOLIA

FINANCIAL SECTION



DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA
WILLIAM F. BAIRD, CPA
EUGENE S. CLARKE, IV, CPA
DAVID E. CLARKE, CPA

3528 MANOR DRIVE
VICKSBURG, MISSISSIPPI 39180

PHONE: (601) 636-1416
FAX: (601) 636-1417

MEMBERS OF
MISSISSIPPI SOCIETY OF CPAs
AMERICAN INSTITUTE OF CPAs
GOVERNMENT AUDIT QUALITY CENTER
PRIVATE COMPANIES PRACTICE SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of the City of Magnolia, Mississippi, as of September 30, 2017, and the respective changes in cash basis financial position, thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that the City of Magnolia, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

The Budgetary Comparison Schedules, Schedule of Investments, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, and Schedule of Surety Bonds for City Officials and corresponding notes have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Omission of Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019, on our consideration of the City of Magnolia, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Magnolia, Mississippi's 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 Magnolia, Mississippi's internal control over financial reporting and compliance.

Bridgers, Goodman, Baird & Clarke, PLLC

Bridgers, Goodman, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi

January 25, 2019

CITY OF MAGNOLIA

FINANCIAL STATEMENTS

CITY OF MAGNOLIA
Statement of Net Position- Cash Basis
September 30, 2017

Exhibit 1

	Primary Government Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	827,930	1,505,148	2,333,078
	<u>827,930</u>	<u>1,505,148</u>	<u>2,333,078</u>
Net Position			
Restricted:			
Expendable:			
Public Safety	41,367		41,367
Public Works		1,505,148	1,505,148
Culture and recreation	1,854		1,854
Debt Service	28,448		28,448
Unemployment Compensation	14,951		14,951
Unrestricted	741,310		741,310
Total Net Position	<u>827,930</u>	<u>1,505,148</u>	<u>2,333,078</u>

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

CITY OF MAGNOLIA
Statement of Activities- Cash Basis
September 30, 2017

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 401,026	62,163			(338,863)		(338,863)
Public safety	629,994	100,290	13,550		(516,154)		(516,154)
Public works	1,705,224	85,878			(1,619,346)		(1,619,346)
Culture and recreation	11,186		400		(10,786)		(10,786)
Debt Service:							
Principal	299,669				(299,669)		(299,669)
Interest	56,719				(56,719)		(56,719)
Total Governmental Activities	\$ 3,103,818	248,331	13,950	-	(2,841,537)	-	(2,841,537)
Business-type Activities:							
Water/Sewer:	991,406	1,013,828				22,422	22,422
Total Business-type Activities:	991,406	1,013,828	-	-	-	22,422	22,422
Total Government	\$ 991,406	1,013,828	-	-	-	22,422	22,422
General revenues:							
Property taxes				\$ 866,510			866,510
Road & bridge privilege taxes				91,963			91,963
Grants and contributions not restricted to specific programs				519,854			519,854
Unrestricted investment income				3,387		2,579	5,966
Miscellaneous				34,308			34,308
Transfers				(244,843)		244,843	-
Proceeds from sale of long term debt				1,500,000			1,500,000
Total General Revenues				2,771,179		247,422	3,018,601
Changes in Net Position				(70,358)		269,844	199,486
Net Position- Beginning, as previously reported				977,895		1,279,979	2,257,874
Prior Period Adjustment				(79,607)		(44,675)	(124,282)
Net Position- Beginning, as restated				898,288		1,235,304	2,133,592
Net Position - Ending				\$ 827,930		1,505,148	2,333,078

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

CITY OF MAGNOLIA
Statement of Cash Basis Assets and Fund Balances- Governmental Funds
September 30, 2017

Exhibit 3

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General Fund</u>	<u>Bond Fund</u>	<u>Governmental</u>	<u>Governmental</u>
			<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 482,359	317,123	28,448	827,930
Total Assets	<u>482,359</u>	<u>317,123</u>	<u>28,448</u>	<u>827,930</u>
FUND BALANCES				
Restricted for:				
Public Safety	41,367			41,367
Culture and recreation	1,854			1,854
Debt Service			28,448	28,448
Unemployment Compensation	14,951			14,951
Unassigned	424,187	317,123		741,310
Total Fund Balances	\$ <u>482,359</u>	<u>317,123</u>	<u>28,448</u>	<u>827,930</u>

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

CITY OF MAGNOLIA
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
September 30, 2017

Exhibit 4

	Major Funds		Other	Total
	General	Bond	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 866,510			866,510
Road and bridge privilege taxes	91,963			91,963
Licenses, commissions and other revenue	62,163			62,163
Fines and forfeitures	50,428			50,428
Intergovernmental revenues	533,404			533,404
Charges for services	135,740			135,740
Interest income	1,761	1,570	56	3,387
Miscellaneous revenues	34,708			34,708
Total Revenues	1,776,677	1,570	56	1,778,303
EXPENDITURES				
Current:				
General government	401,026			401,026
Public safety	629,994			629,994
Public works	520,777	1,184,447		1,705,224
Culture and recreation	11,186			11,186
Debt service:				
Principal	299,669			299,669
Interest	56,719			56,719
Total Expenditures	1,919,371	1,184,447	-	3,103,818
Excess of Revenues over (under) Expenditures	(142,694)	(1,182,877)	56	(1,325,515)
OTHER FINANCING SOURCES (USES)				
Proceeds from long term debt		1,500,000		1,500,000
Transfers out	(213,852)		(30,991)	(244,843)
Total Other Financing Sources and Uses	(213,852)	1,500,000	(30,991)	1,255,157
Net Changes in Fund Balances	(356,546)	317,123	(30,935)	(70,358)
Fund Balances - Beginning, as previously reported	918,512	-	59,383	977,895
Prior period adjustment	(79,607)			(79,607)
Fund Balances- Beginning, as restated	838,905	-	59,383	898,288
Fund Balances - Ending	\$ 482,359	317,123	28,448	827,930

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

CITY OF MAGNOLIA
Statement of Net Position- Cash Basis- Proprietary Fund
September 30, 2017

Exhibit 5

	<u>Business-type Activities</u>
Assets	
Cash and cash equivalents	\$ <u>1,505,148</u>
	<u>1,505,148</u>
Net Position	
Restricted:	
Expendable:	
Public Works	<u>1,505,148</u>
Total Net Position	\$ <u>1,505,148</u>

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

Business-Type Activities- Enterprise Fund

	Water/ Sewer
REVENUES	
Charges for services	\$ 1,013,828
Interest income	2,579
Total Revenues	<u>1,016,407</u>
EXPENDITURES	
Current:	
Public works	671,498
Debt service:	
Principal	288,566
Interest	<u>31,342</u>
Total Expenditures	<u>991,406</u>
Excess of Revenues over (under) Expenditures	<u>25,001</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	<u>244,843</u>
Total Other Financing Sources and Uses	<u>244,843</u>
Net Changes in Fund Balances	<u>269,844</u>
Fund Balances - Beginning, as previously stated	<u>1,279,979</u>
Prior period adjustment	(44,675)
Net Position- Beginning, as restated	<u>1,235,304</u>
Fund Balances - Ending	<u>\$ 1,505,148</u>

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

CITY OF MAGNOLIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

A. Financial Reporting Entity – The City of Magnolia, Mississippi (the City) is a political subdivision of the State of Mississippi. The City is governed by an elected five-member Board of Aldermen. The financial statements of the City are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require the City of Magnolia to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the City. There are no outside organizations that should be included as component units of the City reporting entity.

State law pertaining to city government provides for the independent election of city officials. The following elected and appointed officials are all part of the City legal entity and therefore are reported as part of the primary government financial statements.

- Board of Aldermen

B. Basis of Presentation – The City's basic financial statements consist of government-wide statements, including a Statement of Net Position - Cash Basis and a Statement of Activities - Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis display information concerning the City as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other nonexchange receipts and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position - Cash Basis presents the financial condition of the governmental activities and business-type activities of the City at year-end. The Government-wide Statement of Activities - Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the City's governmental activities and business-type activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other receipts not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general receipts of the City.

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that

CITY OF MAGNOLIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

constitute its assets, fund balances, receipts and disbursements. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting – The Government-wide, Governmental Funds and Proprietary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The City reports the following major governmental funds:

General Fund – This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Bond Fund – This fund is used to account for monies from specific revenue sources that are restricted for repayment of bond funds.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

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

Permanent Funds – These funds are used to account for and report resources that are restricted to the extent that only interest received, and not principal, may be used for purposes that support the City's programs.

PROPRIETARY FUND TYPE

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the City has decided that periodic

CITY OF MAGNOLIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

determination of receipts is collected, disbursements paid and/or net income is necessary for management accountability

D. Account Classifications – The account classifications used in the financial statements conform to the board classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Associations.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications

Government-wide Financial Statements:

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

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.”

Net Position Flow Assumption – When a disbursement is paid for purposes for which both restricted and unrestricted (unassigned) resources are available, it is the City’s general policy to use restricted resources first. When disbursements are made for purposes for which unrestricted (unassigned) resources are available, and amounts in the unrestricted classification could be used, it is the City’s general policy to spend unassigned amounts.

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 restricted or unassigned. The following are descriptions of fund classifications used by the City:

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

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that

CITY OF MAGNOLIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

reports a positive unassigned fund balance amount. In other governmental funds if disbursements paid for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption – When a disbursement is paid for purposes for which both restricted and unrestricted (unassigned) resources are available, it is the City’s general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (unassigned) resources are available, it is the City’s general policy to spend unassigned amounts.

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

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property; however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All property taxes are recognized as receipts when collected.

H. Changes in Accounting Standards – The City implemented the following standard issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures*. The provisions of this standard have been incorporated into the financial statements and notes; however, no disclosure for Statement No. 77 is required for the current fiscal year.

NOTE 2 – DEPOSITS.

The carrying amount of the City’s total deposits with financial institutions at September 30, 2017, was \$2,333,078, and the bank balance was \$2,382,328. The collateral for public entities’ deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits

CITY OF MAGNOLIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

NOTE 3 – INTERFUND TRANSFERS.

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Utility	General	\$ 213,852
Utility	Other Governmental	30,991
		<u>\$ 244,843</u>

The principal purpose of the transfers in to Utility Fund were to consolidate obsolete funds.

NOTE 4 – CLAIMS AND JUDGMENTS.

Risk Financing: The City finances its exposure to risk of loss related to workers' compensation for injuries to its employees through Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2017, to January 1, 2018. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

NOTE 5- DEFINED BENEFIT PENSION PLAN.

Plan Description: The City of Magnolia, Mississippi, 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.

Funding Policy: At September 30, 2017, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members 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 \$97,300, \$97,770 and \$93,541, respectively, equal to the required contributions for each year.

CITY OF MAGNOLIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 6 – PRIOR PERIOD ADJUSTMENT

The summary of significant net asset reclassifications are as follows:

Statement of Activities:

Explanation	Governmental Activities	Business-type Activities	Total
Prior year error	\$ (79,607)	(44,675)	(124,282)

NOTE 7- SUBSEQUENT EVENTS.

Events that occur after the statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Magnolia evaluated the activity of the City through January 25, 2019, (the date the financial statements were available to be issued), and determined that no subsequent events occurred requiring disclosure in the notes to the financial statements.

CITY OF MAGNOLIA

OTHER INFORMATION

CITY OF MAGNOLIA

**Budgetary Comparison Schedule- Budget to Actual (Non-GAAP Basis)- General Fund
For the Year Ended September 30, 2017
UNAUDITED**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 802,000	841,500	866,510	(25,010)
Road and Bridge privilege taxes	95,000	92,000	91,963	37
Licenses, commissions and other receipts	136,000	139,500	62,163	77,337
Fines and forfeitures	30,000	35,000	50,428	(15,428)
Intergovernmental receipts	462,500	377,200	533,404	(156,204)
Charges for services	130,000	130,000	135,740	(5,740)
Miscellaneous revenues	73,150	60,000	36,469	23,531
Total Revenues	1,728,650	1,675,200	1,776,677	(101,477)
EXPENDITURES				
General government	394,246	367,316	401,026	(33,710)
Public safety	744,277	695,700	657,459	38,241
Public works	775,457	632,500	531,564	100,936
Culture and recreation	13,150	10,100	11,186	(1,086)
Education	4,500	4,000		4,000
Debt Service:				
Principal	146,619	258,647	261,416	(2,769)
Interest	38,646	38,646	56,720	(18,074)
Bond Issue costs		100,000		100,000
Total Expenditures	2,116,895	2,106,909	1,919,371	187,538
Excess of Revenues over (under) Expenditures	(388,245)	(431,709)	(142,694)	(289,015)
OTHER FINANCING SOURCES (USES)				
Sources				-
Uses			(213,852)	213,852
Total Other Financing Sources and Uses			(213,852)	-
Net Change in Fund Balance	(388,245)	(431,709)	(356,546)	-
Fund Balance - Beginning, as previously reported	388,245	431,709	918,512	-
Prior period adjustment			(79,607)	
Fund Balance- Beginning, as restated	388,245	431,709	838,905	
Fund Balance - Ending	\$ -	-	482,359	-

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

CITY OF MAGNOLIA
Schedule of Investments
For the Year Ended September 30, 2017
UNAUDITED

Fund	Description	Beginning Date	Maturity Date	Interest Rate	October 1 Balance	Purchases	Redeemed Sales	September 30 Balance
GENERAL FUND								
	Certificate of Deposit with Trustmark Bank	05/07/18	11/08/18	0.1000%	50,911			51,011
	Certificate of Deposit with First Bank	09/24/17	09/24/18	0.6500%	14,866			14,951
Total General Fund					65,777	-	-	65,962
OTHER GOVERNMENTAL FUNDS								
	Certificate of Deposit with First Bank	06/29/17	12/03/17	0.2500%	28,339			-
Total Other Governmental Funds					28,339	-	-	28,376
TOTAL GOVERNMENTAL FUNDS					94,116	-	-	94,338
ENTERPRISE FUNDS								
	Certificate of Deposit with First Bank	06/29/17	12/03/17	0.2500%	53,540			53,609
TOTAL ENTERPRISE FUNDS					53,540	-	-	53,609

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

CITY OF MAGNOLIA
Schedule of Capital Assets
For the Year Ended September 30, 2017
UNAUDITED

	Balance Oct. 1, 2017	Additions	Deletions	Balance Sept. 30, 2017
GOVERNMENTAL ACTIVITIES				
Capital Assets:				
Land	\$ 326,426			326,426
Construction in Progress		1,142,392		1,142,392
Buildings	967,502			967,502
Improvements other than buildings	173,128			173,128
Leased equipment	315,738			315,738
Machinery and equipment	759,555	22,671		782,226
Total Governmental Activities Capital Assets	\$ 2,542,349	1,165,063	-	3,707,412
BUSINESS-TYPE ACTIVITIES				
Capital Assets:				
Land	\$ 30,764			30,764
Buildings	17,565			17,565
Machinery and equipment	205,506			205,506
Water/Sewer infrastructure	11,136,786			11,136,786
Water/Sewer improvements	5,903,382	228,219.00		6,131,601
Total Governmental Activities Capital Assets	\$ 17,294,003	228,219.00	-	17,522,222

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

CITY OF MAGNOLIA
Schedule of Changes in Long-Term Debt
For the Year Ended September 30, 2017
UNAUDITED

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2016	Issued	Principal Payments	Balance Sept. 30, 2017
Governmental Activities:							
A. General Obligation Bonds:							
2016 G.O. Bond	11/1/2016	12/1/2031	2.87%		1,500,000		1,500,000
B. Capital Leases							
John Deere 310SK Backhoe	9/29/2014	10/29/2019	2.14%	69,540		10,182	59,358
2015 Kenworth T370 Pumper Fire Truck	12/1/2014	10/5/2024	3.05%	188,243		20,745	167,498
C. Other Loans							
CAP Loan #50718	6/5/2012	12/1/2023	2.00%	260,615		33,742	226,873
Total				\$ 518,398	1,500,000	64,669	1,953,729
Business-Type Activities:							
A. Limited-Obligation Bonds:							
Combined Water & Sewer Sys Revenue Refunding Bonds \$3,415,000 (payments split by Water/Sewer and General)	6/5/2012	6/1/2022	2.00-2.70%	2,090,000		470,000	1,620,000
B. Other Loans							
CAP Loan #50212	6/5/2012	5/1/2019	3.00%	101,212		39,556	61,656
CAP Loan #50655	6/5/2012	4/1/2032	2.00%	254,354		14,010	240,344
Total				\$ 2,445,566	-	523,566	1,922,000

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

CITY OF MAGNOLIA
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017
UNAUDITED

Position	Company	Bond Amount
Anthony Witherspoon, Mayor	Travelers Insurance	50,000
Clarence Burton, Jr, Alderman	Old Republic	50,000
Darrell Pounds, Alderman	Travelers Insurance	50,000
Antonio Martin, Alderman	Travelers Insurance	50,000
Becky W. Magee, Alderman	Travelers Insurance	50,000
Joseph A. Cornacchione, Alderman	Travelers Insurance	50,000
Cynthia Richardson, City Clerk	Travelers Insurance	50,000
Lauria Evans, Deputy Clerk	Travelers Insurance	50,000
Trideana Lenard, Court Clerk	Travelers Insurance	50,000
Rosezea Scott, Billing Clerk	Travelers Insurance	50,000
Ray Reynolds, Police Chief	Travelers Insurance	50,000

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

QUITMAN COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2017
UNAUDITED

NOTE 1 - Budgetary Comparison Schedule

A. Budgetary Information.

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

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund.

C. Unbudgeted Funds.

The following funds were not budgeted for the year ended September 30, 2017:

Special Revenue Funds:
Bond Fund

The unbudgeted funds are in violation of state law.

NOTE 2 – LONG-TERM DEBT INFORMATION

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2017, the amount of outstanding debt was equal to 6% of the latest property assessments.

CITY OF MAGNOLIA

SPECIAL REPORTS

DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA
WILLIAM F. BAIRD, CPA
EUGENE S. CLARKE, IV, CPA
DAVID E. CLARKE, CPA

3528 MANOR DRIVE
VICKSBURG, MISSISSIPPI 39180

PHONE: (601) 636-1416
FAX: (601) 636-1417

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S
GOVERNMENT AUDIT QUALITY CENTER
PRIVATE COMPANIES PRACTICE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Magnolia, Mississippi (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 25, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify deficiencies in internal control, as described in the accompanying Schedule of Findings and Responses as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of the City of Magnolia, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated January 25, 2019, included within this document.

The City of Magnolia, Mississippi's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of Magnolia'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

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.

Bridgers, Goodman, Baird & Clarke, PLLC

Bridgers, Goodman, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi
January 25, 2019

DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA
WILLIAM F. BAIRD, CPA
EUGENE S. CLARKE, IV, CPA
DAVID E. CLARKE, CPA

3528 MANOR DRIVE
VICKSBURG, MISSISSIPPI 39180

PHONE: (601) 636-1416
FAX: (601) 636-1417

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S
GOVERNMENT AUDIT QUALITY CENTER
PRIVATE COMPANIES PRACTICE SECTION

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

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

In planning and performing our audit of the financial statements of the City of Magnolia, Mississippi (the County) for the year ended September 30, 2017, we considered the City of Magnolia, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the City of Magnolia, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated January 25, 2019, on the financial statements of the City of Magnolia, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

1. Finding

During our review of fixed assets, we determined that fixed assets are not being accurately maintained.

Recommendation

The City should ensure that fixed assets are being accurately maintained with additions and deletions being approved by the Board of Aldermen on a timely basis.

City's Response

In the future we will comply and ensure fixed assets are being accurately maintained with additions and deletions being approved by the Board of Aldermen on a timely basis.

2. Finding

During our review of inter-fund transfers, we determined that certain transfers were unauthorized.

Recommendation

The City should ensure that all inter-fund transfers are appropriately authorized by the Board of Aldermen.

City's Response

In the future we will comply and ensure that all inter-fund transfers are appropriately authorized by the Board of Aldermen.

3. Finding

During our review of the budget, we determined that all funds were not budgeted during the initial or amending budgetary process.

Recommendation

The City should ensure that all funds are budgeted during the budgeting process and amended as necessary.

City's Response

In the future, we will ensure that all funds are budgeted during the budgeting process and amend as necessary.

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

This report is intended solely for the information and use of management, the Board of Aldermen, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

Bridgers, Goodman, Baird & Clarke, PLLC

Bridgers, Goodman, Baird & Clarke, PLLC

Certified Public Accountants

Vicksburg, Mississippi

January 25, 2019

CITY OF MAGNOLIA

SCHEDULE OF FINDINGS AND RESPONSES

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor's report issued on the financial statements | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified? | Yes |
| 3. Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

Significant Deficiency

2017-001. Criteria: The City is responsible for establishing and maintaining effective internal control over the accounting records

Condition: The balance sheet records were inaccurately maintained.

Effect: The auditor could not with confidence confirm with reasonable assurance the accuracy of the balance sheet accounts.

Recommendation: The City should establish and maintain an effective internal control system over the accounting system and balance sheet accounts ensuring that personnel are trained and knowledgeable and that adequate supporting records are kept in an organized manner.

Response:

 In the future we will establish and maintain an effective internal control system over the accounting system and balance sheet accounts ensuring that personnel are trained and knowledgeable and that adequate supporting records are kept in an organized manner.