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BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

February 28, 2019

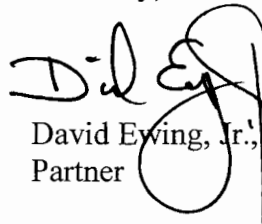
Ms. Emily McNeil, CPA
State of Mississippi
Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

Dear Ms. McNeil:

Enclosed is copy of the City of Port Gibson, MS audited financial statements for the year ended June 30, 2017.

Please feel free to contact us with any questions or comments you may have.

Sincerely,


David Ewing, Jr., CPA
Partner

Mfd

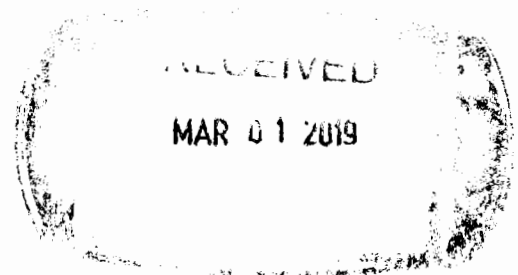
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CITY OF PORT GIBSON, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017



CITY OF PORT GIBSON, MISSISSIPPI
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September 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor Fred Reeves
and Honorable Members of the Board of Alderman
City of Port Gibson, Mississippi

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 Port Gibson, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Gibson, Mississippi, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-9), budgetary comparison information (page 16), and pension information (page 42) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2019, on our consideration of the City of Port Gibson, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Port Gibson, Mississippi's internal control over financial reporting and compliance.

Brown, Eng & Co.

Ridgeland, Mississippi
February 27, 2019

CITY OF PORT GIBSON, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2017

INTRODUCTION

The discussion and analysis of the City of Port Gibson, Mississippi's annual financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2017. The intent of this discussion and analysis is to look at the City's performance as a whole; we encourage readers to consider the information presented here in conjunction with additional information that we have furnished.

FINANCIAL HIGHLIGHTS

The assets of the City of Port Gibson, Mississippi exceeded its liabilities at the close of the most recent fiscal year by \$6,213,231 (*net positions*). Of this amount, \$3,971,248 (*unrestricted net positions*) is a deficit and no amount is available to meet the City's ongoing obligations to citizens and creditors.

The City's total net positions increased by \$642,429. This increase is due to an decrease in debt.

As of close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,307,207, an increase of \$7,678 in comparison with the prior year. Approximately \$737,364 or 31.96% of this total amount, none is *available for spending* at the City's discretion (*unrestricted fund balance*) since there is a deficit.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,056,935, or 64.05% of total general fund expenditures.

The City's total debt had a net decrease of \$345,552 or 5.47% during the current fiscal year. The key factor in this increase was due to retirement of debt and debt forgiveness with the Mississippi Department of Health for water and sewer infrastructure improvements.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The City reports all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the City's assets (including infrastructure acquired after July 1, 1980) and all of the City's liabilities (including long-term debt).

CITY OF PORT GIBSON, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2017

The government-wide financial statements are divided into two categories, which are described as follows:

- ♦ **Governmental Activities** - Expenses incurred in connection with providing basic services including public safety, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, intergovernmental sources, and utility franchise arrangements.
- ♦ **Business - Type Activities** - Expenses associated with providing utility services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with these services are reported as business type activities.

FUND FINANCIAL STATEMENTS

Fund financial statements provide detailed information regarding the City's most significant activities and are not intended to provide information for the City as a whole. Funds are accounting devices that are used to account for specific sources of funds. The City has two types of funds that are described as follows:

- ♦ **Governmental Funds** - These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the City's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- ♦ **Proprietary Fund** - These funds are used to account for activities that function in a manner similar to commercial enterprises. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

CITY OF PORT GIBSON, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2017

GOVERNMENT - WIDE FINANCIAL ANALYSIS

NET POSITION

A condensed version of the government-wide Statement of Net Position is presented as follows:

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets:						
Current and Other Assets	\$ 1,196,877	\$ 835,193	814,556	718,658	\$ 2,011,433	\$ 1,553,851
Capital Assets	<u>3,044,571</u>	<u>3,273,489</u>	<u>7,297,156</u>	<u>7,255,074</u>	<u>10,341,727</u>	<u>10,528,563</u>
Total Assets	<u>4,241,448</u>	<u>4,108,682</u>	<u>8,111,712</u>	<u>7,973,732</u>	<u>12,353,160</u>	<u>12,082,414</u>
Deferred outflow of resources	<u>275,019</u>	<u>522,225</u>	<u>49,937</u>	<u>94,950</u>	<u>324,956</u>	<u>617,175</u>
Liabilities:						
Current and Other Liabilities	79,823	101,681	275,317	489,203	355,140	590,884
Long-term Liabilities	<u>1,998,949</u>	<u>2,028,382</u>	<u>3,967,531</u>	<u>4,283,650</u>	<u>5,966,480</u>	<u>6,312,032</u>
Total Liabilities	<u>2,078,772</u>	<u>2,130,063</u>	<u>4,242,848</u>	<u>4,772,853</u>	<u>6,321,620</u>	<u>6,902,916</u>
Deferred inflows of resources	<u>130,488</u>	<u>201,315</u>	<u>12,777</u>	<u>24,556</u>	<u>143,265</u>	<u>225,871</u>
Net Position:						
Invested in Capital Assets (Net)	3,044,571	3,273,489	6,977,411	6,913,996	10,021,982	10,187,485
Restricted	-	-	162,497	160,042	162,497	160,042
Unrestricted	<u>(737,364)</u>	<u>(973,960)</u>	<u>(3,233,884)</u>	<u>(3,802,765)</u>	<u>(3,971,248)</u>	<u>(4,776,725)</u>
Total Net Position	<u>\$ 2,307,207</u>	<u>\$ 2,299,529</u>	<u>3,906,024</u>	<u>3,271,273</u>	<u>\$ 6,213,231</u>	<u>\$ 5,570,802</u>

As the presentation appearing above demonstrates, the largest portion of the City's net positions of \$6,213,231 or 161.30% are invested in capital assets. Net assets invested in capital assets consist of land, buildings, equipment, and any infrastructure acquired prior to September 30, 2017 less any debt used to acquire assets that remains outstanding. The City uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net assets 2.62% represent resources that are subject to restrictions that are imposed by agreements with the City's requirements imposed by various revenue sources. The remaining unrestricted net assets deficit 63.92% is not available to be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF PORT GIBSON, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2017

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- ◆ Increase in total current assets in the amount of \$457,582.
- ◆ Decrease in net capital assets in the amount of \$186,836.
- ◆ Decrease in current liabilities in the amount of \$235,744.
- ◆ Decrease in long-term liabilities in the amount of \$345,552.

CHANGES IN NET POSITION

A condensed version of the government-wide Statement of Changes in Net Position is presented as follows:

	Governmental Activities		Business Type Activities		Total	Total
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenue:						
Charges for services	\$ 133,974	\$ 133,812	1,017,017	976,108	\$ 1,150,991	\$ 1,109,920
Operating grants and contributions	21,527	17,430	-	-	21,527	17,430
Capital grants and contributions	100,809	148,014	-	-	100,809	148,014
General Revenue:						
Property taxes	1,039,169	970,356	-	-	1,039,169	970,356
Sales taxes	334,149	265,838	-	-	334,149	265,838
Franchise taxes	93,778	96,030	-	-	93,778	96,030
Charges for services	138,296	127,677	-	-	138,296	127,677
Licenses and permits	7,330	3,310	-	-	7,330	3,310
Fines and forfeits	9,467	20,774	-	-	9,467	20,774
Other	161,390	10,821	61,003	34,188	222,393	45,009
Total Revenue	2,039,889	1,794,062	1,078,020	1,010,296	3,117,909	2,804,358
Program Expenses:						
General Government						
Finance & Administrative	680,225	712,852	-	-	680,225	712,852
Public safety	683,713	689,935	-	-	683,713	689,935
Parks and recreation	15,520	3,671	-	-	15,520	3,671
Sanitation	103,356	103,356	-	-	103,356	103,356
Public works	510,665	440,472	-	-	510,665	440,472
Interest on long-term debt	14,976	15,926	-	-	14,976	15,926
Water/Sewer	-	-	974,623	873,255	974,623	873,255
Total Expenses	2,008,455	1,966,212	974,623	873,255	2,983,078	2,839,467
Increase (decrease) in Net Assets						
Before Transfers and Special Items	31,434	(172,150)	103,397	137,041	134,831	(35,109)
Change in Net Positions	31,434	(172,150)	103,397	137,041	134,831	(35,109)
Net Position Beginning	2,299,529	2,471,679	3,271,273	3,134,232	5,570,802	5,605,911
Prior period adjustment	(23,756)	-	(4,278)	-	(28,034)	-
Net Position Ending	\$ 2,307,207	\$ 2,299,529	3,370,392	3,271,273	\$ 5,677,599	\$ 5,570,802

CITY OF PORT GIBSON, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2017

The following are significant current year transactions that have had an impact on the Statement of Activities:

Governmental activities. Governmental activities increased the City's net position by \$7,678, accounting for 0.33% of the increase in the City's net assets. A key element of this increase is detailed as follows:

- ◆ Property tax revenue increased by \$68,813 or 7.00% during the year.
- ◆ Sales tax revenue increased by \$68,311 or 25.70% during the year.

Business-type activities. Business-type activities increased the City's net position by \$99,119, accounting for 3.03% of the increase in the City's net position. Key elements of this increase are as follows:

- ◆ Charges for services and revenue for the business-type activities increased by \$67,724 or 6.70%

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 current inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserve fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,307,207, an increase of \$31,434 in comparison to the prior year. In addition, the City's general fund, reported a net position of \$1,056,935, which is available for spending at the City's discretion.

Proprietary Funds - are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a proprietary fund to account for the water and sewer, solid waste and electric funds. Fund financial statements for the proprietary fund provide the same type of information as the government-wide financial statements, only in more detail.

CITY OF PORT GIBSON, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2017

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as part of the basic financial statements. Significant revisions to the General Fund's budget during the fiscal year are as follows:

- ♦ Actual property tax revenue collected during the fiscal year exceeded budget amounts due primarily to an increase in tax collections.
- ♦ Actual intergovernmental revenues fines reported for the fiscal year exceeded budgeted amounts due to increase in state shared revenues.
- ♦ Actual expenditures for the general fund were more than the budgeted amounts primarily due to a failure to budget for the retirement of long-term debt.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital asset - As of September 30, 2017, the City's total capital assets were \$18,161,284. This includes land, buildings, furniture and equipment, mobile equipment, and infrastructure. This amount represents a gross increase, before depreciation, of \$311,781 from the previous fiscal year. The majority of this increase is due to improvements made to city sanitary sewer collection system and the drinking water system.

Total accumulated depreciation as of September 30, 2017 was \$7,819,556, including \$498,616, of depreciation expense for the year. The balance in total net capital assets was \$10,341,728 at year end.

Debt Administration - As of September 30, 2017, the City had \$4,129,912 in long term debt outstanding. This includes state revolving loans and obligations under capital leases. Of this debt, \$225,213 is due within one year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the City of Port Gibson at P. O. Box 607, Port Gibson, Mississippi 39150.

CITY OF PORT GIBSON, MISSISSIPPI
Statement of Net Position
For the Year Ended September 30, 2017

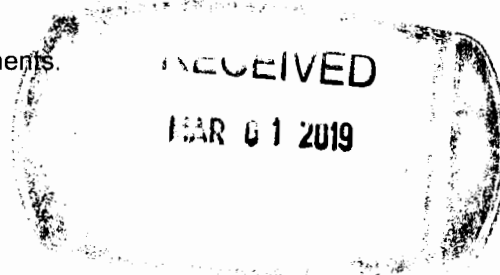
	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,052,666	635,700	\$ 1,688,366
Accounts receivable, net	9,646	9,727	19,373
Other receivables	19,777	-	19,777
Intergovernmental receivables	37,675	6,632	44,307
Due from other funds	77,113	-	77,113
Restricted Assets:			
Cash and cash equivalents	-	162,497	162,497
Capital Assets:			
Land	185,872	-	185,872
Buildings	2,591,743	134,286	2,726,029
Improvements other than buildings	-	3,336,093	3,336,093
Automotive and equipment	11,998	24,905	36,903
Machinery and equipment	46,989	101,520	148,509
Construction in progress	207,969	3,700,352	3,908,321
TOTAL ASSETS	<u>4,241,448</u>	<u>8,111,712</u>	<u>12,353,160</u>
Deferred Outflows of Resources			
Deferred outflows - pensions	275,019	49,937	324,956
Total Deferred Outflows of Resources	<u>275,019</u>	<u>49,937</u>	<u>324,956</u>
TOTAL ASSETS	<u>\$ 4,516,467</u>	<u>8,161,649</u>	<u>\$ 12,678,116</u>
LIABILITIES			
Accounts payable, general	\$ 77,454	49,327	\$ 126,781
Payroll taxes payable	2,369	-	2,369
Accrued interest payable	-	6,710	6,710
Customer's deposits	-	142,167	142,167
Due to other funds	-	77,113	77,113
Noncurrent liabilities:			
Due within one year	30,733	194,480	225,213
Due in more than one year	413,879	3,490,820	3,904,699
Net pension liability	1,554,337	282,231	1,836,568
Total Liabilities	<u>2,078,772</u>	<u>4,242,848</u>	<u>6,321,620</u>
Deferred Inflows of Resources			
Lease revenues	60,119	-	60,119
Pensions	70,369	12,777	83,146
Total Deferred Inflows of Resources	<u>130,488</u>	<u>12,777</u>	<u>143,265</u>
Net Position:			
Net investment in capital assets	3,044,571	6,977,411	10,021,982
Restricted	-	162,497	162,497
Unrestricted	(737,364)	(3,233,884)	(3,971,248)
Total Net Position	<u>2,307,207</u>	<u>3,906,024</u>	<u>6,213,231</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,516,467</u>	<u>8,161,649</u>	<u>\$ 12,678,116</u>

The Accompanying Notes are an integral part of these Financial Statements.

CITY OF PORT GIBSON, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2017

	Program Revenues			Net (Expenses) Revenues Changes in Net Assets			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
Primary Government:							
Governmental activities:							
Administration	\$ 625,282	-	9,180	44,746	(571,356)	-	\$ (571,356)
Judicial	54,943	-	-	-	(54,943)	-	(54,943)
Public safety	683,713	-	12,347	-	(671,366)	-	(671,366)
Public works	510,665	-	-	-	(510,665)	-	(510,665)
Parks and recreation	15,520	-	-	56,063	40,543	-	40,543
Sanitation	103,356	133,974	-	-	30,618	-	30,618
Interest on long-term debt	14,976	-	-	-	(14,976)	-	(14,976)
Total governmental activities	<u>2,008,455</u>	<u>133,974</u>	<u>21,527</u>	<u>100,809</u>	<u>(1,752,145)</u>	<u>-</u>	<u>(1,752,145)</u>
Business-type activities:							
Water/Sewer	843,357	1,017,017	-	35,632	-	209,292	209,292
Interest on long-term debt	131,266	-	-	-	-	(131,266)	(131,266)
Total Business-type activities	<u>974,623</u>	<u>1,017,017</u>	<u>-</u>	<u>35,632</u>	<u>-</u>	<u>78,026</u>	<u>78,026</u>
Total Primary Government	<u>\$ 2,983,078</u>	<u>1,150,991</u>	<u>21,527</u>	<u>136,441</u>	<u>(1,752,145)</u>	<u>78,026</u>	<u>\$(1,674,119)</u>
General Revenues:							
Property taxes				\$ 1,039,169	-	-	\$ 1,039,169
Sales taxes				334,149	-	-	334,149
Franchise taxes				93,778	-	-	93,778
Charges for services				138,296	-	-	138,296
Fines and report fees				9,467	-	-	9,467
License and permits				7,330	-	-	7,330
Miscellaneous				159,051	-	58,931	217,982
Forgiveness of debt				-	-	500,000	500,000
Unrestricted investment earnings				2,339	-	2,072	4,411
Total general revenues, special items, and transfers				<u>1,783,579</u>		<u>561,003</u>	<u>2,344,582</u>
Change in net positions				31,434		639,029	670,463
Net Positions - Beginning				<u>2,299,529</u>		<u>3,271,273</u>	<u>5,570,802</u>
Prior period adjustments				<u>(23,756)</u>		<u>(4,278)</u>	<u>(28,034)</u>
Net Positions - Ending				<u>\$ 2,307,207</u>		<u>3,906,024</u>	<u>\$ 6,213,231</u>

The Accompanying Notes are an integral part of these Financial Statements.



CITY OF PORT GIBSON, MISSISSIPPI
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended September 30, 2017

Amounts reported for net position in the Statement of Net Position are different because:

Total Fund Balances - Governmental Funds	\$	1,056,935
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Amounts reported for net position in the Statement of Net Position are different because:

Capital Assets	7,113,991	
Less: Accumulated Depreciation	<u>(4,069,420)</u>	3,044,571

Some liabilities, including pension obligations, are not due and payable in the current period and, therefore are not reported in the funds.

Net pension liability	(1,554,337)	
-----------------------	-------------	--

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	275,019	
Deferred inflows of resource related to pensions	<u>(70,369)</u>	(1,349,687)

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

Notes payable	(444,612)	
Other adjustments	<u>-</u>	<u>(444,612)</u>

Net Position of Governmental Activities	\$	<u><u>2,307,207</u></u>
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The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF PORT GIBSON, MISSISSIPPI
Balance Sheet
Governmental Funds
For the Year Ended September 30, 2017

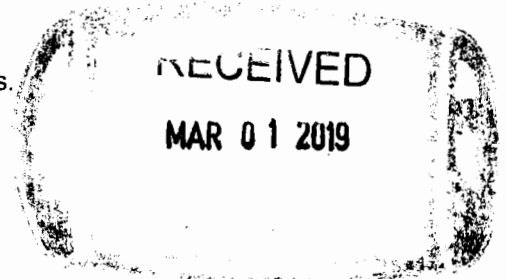
	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash	\$ 1,052,666	\$ 1,052,666
Accounts receivable, net of allowances	9,646	9,646
Other receivables	19,777	19,777
Intergovernmental receivable	37,675	37,675
Due from other funds	77,113	77,113
TOTAL ASSETS	<u>\$ 1,196,877</u>	<u>\$ 1,196,877</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable, general	\$ 77,454	\$ 77,454
Payroll taxes payable	2,369	2,369
Total Liabilities	<u>79,823</u>	<u>79,823</u>
Deferred Inflows of Resources		
Lease revenues	<u>60,119</u>	<u>60,119</u>
Fund Balance		
Unassigned	<u>1,056,935</u>	<u>1,056,935</u>
Total Fund Balance	<u>1,056,935</u>	<u>1,056,935</u>
TOTAL LIABILITIES AND NET FUND BALANCES	<u>\$ 1,196,877</u>	<u>\$ 1,196,877</u>

The Accompanying Notes are an integral part of these Financial Statements.

CITY OF PORT GIBSON, MISSISSIPPI
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Total Governmental Funds
REVENUES:		
General property taxes	\$ 1,039,169	\$ 1,039,169
Privilege licenses and permits	10,930	10,930
Intergovernmental revenues	444,111	444,111
Franchise taxes	29,578	29,578
Charges for services	133,974	133,974
Fines and report fees	9,467	9,467
Interest income	2,339	2,339
Rent income	138,296	138,296
Miscellaneous	232,027	232,027
Total Revenues	<u>2,039,891</u>	<u>2,039,891</u>
EXPENDITURES:		
General Government:		
Administration	531,391	531,391
Judicial	54,507	54,507
Public safety	565,536	565,536
Public works	315,621	315,621
Parks and recreation	13,361	13,361
Sanitation	103,406	103,406
Debt services:		
Principal	29,751	29,751
Interest and service charges	14,976	14,976
Capital outlay:		
General government	21,659	21,659
TOTAL EXPENDITURES	<u>1,650,208</u>	<u>1,650,208</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>389,683</u>	<u>389,683</u>
Net change in fund balance	389,683	389,683
Fund Balance at Beginning of Year	667,252	667,252
Fund Balance at End of Year	<u>\$ 1,056,935</u>	<u>\$ 1,056,935</u>

The Accompanying Notes are an intergral part of these Financial Statements.



CITY OF PORT GIBSON, MISSISSIPPI
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2017

		AMOUNTS
Net change in fund balances		\$ 389,683
Prior period adjustment		(23,756)
Amounts reported in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays	21,659	
Depreciation expense.	<u>(250,576)</u>	(228,917)
The statement of activities reports pension expense and other activity related to net pension liability:		
Pension expense	159,380	
Contributions made after the measurement date	<u>(26,247)</u>	133,133
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		(29,751)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
		<u>(237,749)</u>
Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Other adjustments	<u>28,791</u>	<u>28,791</u>
Change in fund balances of governmental activities		<u>\$ 31,434</u>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF PORT GIBSON, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
General Fund
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 840,000	840,000	1,039,169	\$ 199,169
Privilege licenses and permits	6,192	6,192	10,930	4,738
Intergovernmental revenues	1,327,297	1,327,297	444,111	(883,186)
Franchise taxes	30,000	30,000	29,578	(422)
Charges for services	51,872	51,872	133,974	82,102
Rent	5,150	5,150	138,296	133,146
Fines and report fees	15,680	15,680	9,467	(6,213)
Interest	2,000	2,000	2,339	339
Miscellaneous	390,000	390,000	232,027	(157,973)
TOTAL REVENUES	<u>2,668,191</u>	<u>2,668,191</u>	<u>2,039,891</u>	<u>(628,300)</u>
OPERATING DISBURSEMENTS:				
General Government				
Administration	648,418	648,418	531,391	117,027
Judicial	62,225	62,225	54,507	7,718
Public Safety				
Police and fire protection	622,382	622,382	565,536	56,846
Public Works				
Streets improvements	373,501	373,501	315,621	57,880
Sanitation	103,356	103,356	103,406	(50)
Parks and recreation	7,005	7,005	13,361	(6,356)
Capital outlays	674,633	674,633	21,659	652,974
Debt service	90,902	90,902	44,727	46,175
Total Expenditures	<u>2,582,422</u>	<u>2,582,422</u>	<u>1,650,208</u>	<u>932,214</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>85,769</u>	<u>85,769</u>	<u>389,683</u>	<u>303,914</u>
Net change in fund balance	85,769	85,769	389,683	303,914
Fund Balance at Beginning of Year	<u>667,252</u>	<u>667,252</u>	<u>667,252</u>	-
Fund Balance at End of Year	<u>\$ 753,021</u>	<u>753,021</u>	<u>1,056,935</u>	<u>\$ 303,914</u>

The Accompanying Notes are an intergral part of these Financial Statements.

CITY OF PORT GIBSON, MISSISSIPPI
Statement of Net Position
Proprietary Fund
For the Year Ended September 30, 2017

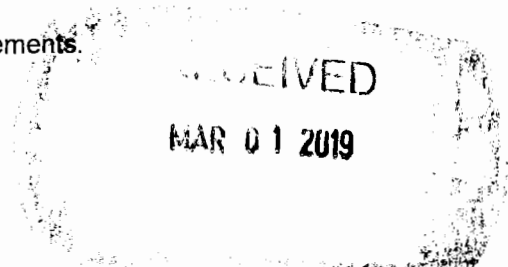
	Business - Type Activities Water/Sewer Fund
Assets	
Cash and cash equivalents	\$ 635,700
Accounts receivable, net of allowances	9,727
Grants funds receivables	6,632
Total Current Assets	<u>652,059</u>
Restricted Assets:	
Cash and cash equivalents	162,497
Property, plant and Equipment, at Cost	
Buildings	134,286
Water plant, distribution system and equipment	7,086,230
Automotive and equipment	24,905
Machinery and equipment	101,520
	<u>7,346,941</u>
Less: accumulated depreciation	<u>(3,750,137)</u>
	3,596,804
Construction in progress	3,700,352
Net property, plant and equipment	<u>7,297,156</u>
Total Assets	<u>8,111,712</u>
Deferred Outflows of Resources	
Deferred outflows of resources	49,937
Total Deferred Outflows of Resources	<u>49,937</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,161,649</u>
Liabilities and Net Assets	
Accounts payable	\$ 49,327
Due to other funds	77,113
Total current liabilities	<u>126,440</u>
Current Liabilities Payable from restricted Assets:	
Customer deposits	142,167
Accrued interest payable	6,710
Current portion of note	173,316
Obligation under capital lease	21,164
Total Current liabilities payable from restricted assets	<u>343,357</u>
Long-Term Debt (less amounts classified as current)	
Net pension liability	282,231
Note payable	3,192,239
Obligation under capital lease	298,581
Total long-term debt	<u>3,773,051</u>
Total Liabilities	<u>4,242,848</u>
Deferred Inflows of Resources	
Deferred inflows of resources	12,777
Total deferred inflows of resources	<u>12,777</u>
Net Position	
Net Investment in Capital Assets	6,977,411
Restricted for debt service	162,497
Unrestricted	<u>(3,233,884)</u>
Total Net Positions	<u>3,906,024</u>
Total Liabilities and Net Position	<u>\$ 8,161,649</u>

The Accompanying Notes are an integral part of these Financial Statements.

CITY OF PORT GIBSON, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2017

	Business - Type Activities
Operating Revenues:	
Water sales to customers	\$ 586,117
Sewer sales to customers	430,900
Other revenue	<u>4</u>
Total Operating Revenues	<u>1,017,021</u>
Operating Expenses:	
Personnel services	211,342
Supplies	74,777
Other services and charges	285,168
Provision for bad debt	24,030
Depreciation	<u>248,040</u>
Total Operating Expenses	<u>843,357</u>
Operating Income (Loss)	<u>173,664</u>
Nonoperating revenues (expenses)	
Interest income	2,072
Other income	58,927
Interest and service charges on long-term debt	(131,266)
Forgiveness of debt	500,000
Federal grant contribution	<u>35,632</u>
Total nonoperating revenues	<u>465,365</u>
Change in net position	639,029
Total net position, beginning	<u>3,271,273</u>
Prior period adjustment	(4,278)
Retained Earnings as restated	<u>3,266,995</u>
Total net position, ending	<u>\$ 3,906,024</u>

The Accompanying Notes are an integral part of these Financial Statements.



CITY OF PORT GIBSON, MISSISSIPPI
Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended September 30, 2017

	Business-Type Activities
	Water/Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from water customers and users	\$ 561,874
Receipts from sewer customers and users	430,904
Payments to employees	(209,493)
Payments to suppliers	(411,627)
Net cash provided by (used for) operating activities	<u>371,658</u>
(Increase) Decrease in:	
Accounts receivable	(213)
Intergovernmental receivable	55,922
Increase (Decrease) in:	
Accounts payable	(91,851)
Due to other funds	(131,532)
Customer's deposits	937
Accrued interest payable	6,710
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>211,631</u>
CASH FLOWS USED FOR NONCAPITAL FINANCING ACTIVITIES:	
Provision for bad debt	(24,030)
NET CASH FLOWS USED FOR NONCAPITAL ACTIVITIES	<u>(24,030)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of capital assets	(290,122)
Other investing activities	104,869
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>(185,253)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Interest earned on account	2,072
Interest paid on retirement of long-term debt	(131,266)
Other income	58,927
Proceeds from issuance of debt	372,620
Repayment of long-term debt	(188,726)
Federal grant contribution	35,632
NET CASH FLOWS USED BY FINANCING ACTIVITIES	<u>149,259</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	151,607
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	646,590
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 798,197</u>
<u>Supplemental cash flow information:</u>	
Cash paid during the year:	
Interest Expense	<u>\$ 131,266</u>

The Accompanying Notes are an integral part of these Financial Statements.

CITY OF PORT GIBSON, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Port Gibson, Mississippi (the City) was incorporated under the provisions of Mississippi Law. The City is governed by its Mayor and a Board of Aldermen/Alderwomen consisting of seven members. Services provided to the citizens of Port Gibson include but are not limited to public safety (police and fire protection), streets, recreation, and utility services (water and sewer).

The City's accompanying policies conform to generally accepted accounting principles for governmental units. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Some of the City's more significant accounting policies are described as follows:

FINANCIAL REPORTING ENTITY

The accompanying financial statements reflect only the primary government of the City of Port Gibson. The primary government includes only those funds, organizations, institutions, agencies, departments, and offices that are not legally separate from the City.

BASIC FINANCIAL STATEMENTS

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

1. Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
2. Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the City only applies those FASB pronouncement that were issued on or before November 30, 1989.

The government-wide and fund financial statements present the City's financial position and results of operations from differing perspectives which are described as follows:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.



CITY OF PORT GIBSON, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

FUND FINANCIAL STATEMENTS

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and business-type (enterprise) funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The City's major funds are described as follows:

MAJOR GOVERNMENTAL FUNDS

General Fund - The general fund is the primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

MAJOR BUSINESS- TYPE FUNDS

Water/Sewer System - The water/sewer system fund is used to account for the operation of the City's water/sewer system, which is supported by user charges.

Business-Type funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with the funds ongoing operations. Principal operating revenues are charges to customers for water and sewer service.

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

CITY OF PORT GIBSON, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

Under the modified accrual basis of accounting and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end or if it is due under cost reimbursement arrangement. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, claims, and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measure focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

Cash and Cash Equivalents

The City's deposits excess funds in the financial institutions selected by the Mayor and governing board. State statute specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificate of deposits with maturities of 12 months or less. Cash and cash equivalents are valued at costs.

Investments

The City can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality, or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

Investments are reported at fair value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

INTERFUND TRANSACTIONS AND BALANCES

Interfund transactions and balances are the result of timing differences between the date expense/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are not offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF PORT GIBSON, MISSISSIPPI
Notes to Financial Statements
September 30, 2017

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

INTERNAL ACTIVITY

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statement, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

Restricted Assets - Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

Capital Assets - Capital assets, which include property, equipment and infrastructure acquired after October 1, 2003, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

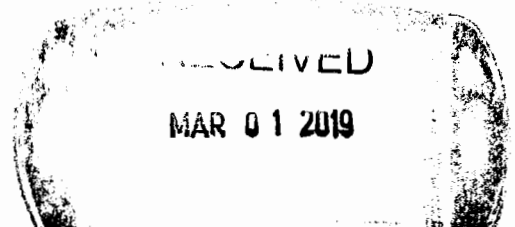
All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the City.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land Improvements	20
Heavy Machinery and Equipment	5-15
Computer Equipment	3
Vehicles	3-10
Infrastructures	8-50

Interest is capitalized on proprietary funds assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on investment proceeds over the same period.

Compensated Absences - the City does not accumulate unpaid vacation, sick pay, and other employee benefit amounts because employees are not allowed to carry over significant amounts.



CITY OF PORT GIBSON, MISSISSIPPI
Notes to Financial Statements
September 30, 2017

Use of Estimates - The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balance Spending Policy - The City has not adopted a formal spending policy as it relates to the fund balance, therefore excess amounts are expended in the following manner in accordance with GASB 54 default level: committed, assigned and unassigned.

Deferred Outflows/Inflows of Resources - In additions to assets, the statement of financial position sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

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 (revenues) until that time.

NOTE 2 - BUDGETARY CONTROL

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The procedures detailed below are followed in establishing the budgetary data reflected in the financial statements.

The City Clerk and Mayor prepare a proposed budget based on an estimate of the revenues expected to be received in the next fiscal year and submits the proposal to the Board of Aldermen. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is set.

A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

As required by state law, the budgets are amended whenever projected revenue fails to meet original expectations or when projected expenditures exceed original expectations. Budgetary amounts are presented as amended and all budgetary appropriations lapse at the end of the fiscal year.

NOTE 3 - CASH AND CASH EQUIVALENTS

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, Mississippi 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.

CITY OF PORT GIBSON, MISSISSIPPI
Notes to Financial Statements
September 30, 2017

The carrying amount of the City's deposits with financial institutions in the governmental activities and the business-type activities funds was \$1,052,666 and \$798,197, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$1,688,366 and Restricted Assets - \$162,497. The Restricted Assets represent the cash balance in the enterprise fund deposit account which is legally restricted and may not be used for purposes that support the City's programs.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a failure of a financial institutions, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the City deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2017, none of the City's bank balance of \$1,860,542 was exposed to custodial credit risk.

NOTE 4 - AD VALOREM TAXES

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year in which the tax is levied. Property taxes are recognized when the revenue is measurable and available. Available means due or past due and collected no longer than 60 days after the close of the current period. For the year ended September 30, 2017, the City levied and collected 40.00 mills of taxes for general corporate purposes of the City.

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

Individual fund interfund receivable and payable balances are presented as of September 30, 2017 as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 77,113	\$ -
Water/Sewer System Fund	-	77,113
Total	<u>\$ 77,113</u>	<u>\$ 77,113</u>

NOTE 6 - RECEIVABLES

Receivables at September 30, 2017 consisted of the following:

	<u>General Fund</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Accounts Receivable</u>			
Charges for services	\$ -	93,042	\$ 93,042
Property taxes	9,646	-	9,646
Total accounts receivable	<u>9,646</u>	<u>93,042</u>	<u>102,688</u>
<u>Due From Other Governments</u>			
Sales Taxes	28,090	-	28,090
Mississippi Department of Health	-	6,632	6,632
Mississippi Department of Archives	9,585	-	9,585
Other	19,777	-	19,777
Total due from other governments	<u>57,452</u>	<u>6,632</u>	<u>64,084</u>
Less: allowance for uncollectibles	-	(83,315)	(83,315)
Receivables, net of allowance	<u>\$ 67,098</u>	<u>16,359</u>	<u>\$ 83,457</u>

CITY OF PORT GIBSON, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 7 - CAPITAL ASSETS

A summary of capital asset transactions for the year ended September 30, 2017 follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Non Depreciable Capital Assets				
Land	\$ 185,872	-	-	\$ 185,872
Construction in process	186,310	21,659	-	207,969
Total non depreciable capital assets	<u>372,182</u>	<u>21,659</u>	<u>-</u>	<u>393,841</u>
Depreciable Capital Assets				
Buildings and Improvements	6,007,731	-	-	6,007,731
Automotive and equipment	143,359	-	-	143,359
Machinery and Equipment	569,060	-	-	569,060
Total depreciable capital assets	6,720,150	-	-	6,720,150
Accumulated Depreciation	<u>(3,818,843)</u>	<u>(250,576)</u>	<u>-</u>	<u>(4,069,419)</u>
Net depreciable capital assets	2,901,307	(250,576)	-	2,650,731
Total Governmental Activities	<u>\$ 3,273,489</u>	<u>(228,917)</u>	<u>-</u>	<u>\$ 3,044,572</u>
Business-Type Activities:				
Non Depreciable Capital Assets				
Utility Construction in Process	\$ 3,410,230	290,122	-	\$ 3,700,352
Total nondepreciable capital assets	<u>3,410,230</u>	<u>290,122</u>	<u>-</u>	<u>3,700,352</u>
Depreciable Capital Assets				
Building	134,286	-	-	134,286
Water system & improvements	2,055,696	-	-	2,055,696
Sewer system & improvements	5,030,534	-	-	5,030,534
Automotive and equipment	24,905	-	-	24,905
Machinery and equipment	101,520	-	-	101,520
Total depreciable capital assets	7,346,941	-	-	7,346,941
Accumulated Depreciation	<u>(3,502,097)</u>	<u>(248,040)</u>	<u>-</u>	<u>(3,750,137)</u>
Net depreciable capital assets	3,844,844	(248,040)	-	3,596,804
Total Business-Type Activities	<u>\$ 7,255,074</u>	<u>42,082</u>	<u>-</u>	<u>\$ 7,297,156</u>

Depreciation expense charged to various functions presented on the statement of activities is presented as follows:

	Governmental Activities	Business-Type Activities	Total
Finance & Administrative	\$ 50,810	-	\$ 50,810
Police Protection	16,752	-	16,752
Public Works	180,854	-	180,854
Parks and Recreation	2,160	-	2,160
Water/Sewer System	-	157,214	157,214
Sewer System	-	90,826	90,826
Total Depreciation Expense	<u>\$ 250,576</u>	<u>248,040</u>	<u>\$ 498,616</u>

CITY OF PORT GIBSON, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 8 - LONG-TERM DEBT

Governmental Activities

A summary of long-term debt transactions for the year ended September 30, 2017, were as follows:

Governmental activities:	Beginning Balance at 10/01/16	Additions	Reductions	Debt Forgiveness Adjustments	Ending Balance at 9/30/17	Amount Due Within One Year
Obligation under capital lease	\$ 474,363	-	(29,751)	-	\$ 444,612	\$ 30,733
Total	\$ 474,363	-	(29,751)	-	\$ 444,612	\$ 30,733

Obligations Under Capital Leases

The outstanding Obligations Under Capital Leases are as follows as of September 30, 2017.

During January 2015, the City reached a settlement agreement with FNBS Investments, Inc. with respect to a lease-purchase agreement. The new agreement is with Crews and Associates in the amount of \$900,000 of which \$524,160 or 58.24% is allocated to the general fund with an interest rate of 3.5%, with 178 monthly installments of \$3,727, which includes principal and interest payable from the General Fund. The agreement has a maturity dated of 2029. The lease-purchase agreement qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of motor vehicles, equipment, and utility system improvements. At the end of the lease, the lessee will have the option to purchase the lessor's interest in the property for the purchase option price of \$1. This debt will be retired from the general fund.

Total

Amount
Outstanding

\$ 444,612
\$ 444,612

CITY OF PORT GIBSON, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

Fiscal year ending September 30	Principal	Interest	Total
2018	\$ 30,733	13,994	\$ 44,727
2019	31,747	12,980	44,727
2020	32,794	11,933	44,727
2021	33,876	10,851	44,727
2022	34,993	9,734	44,727
Thereafter	<u>280,469</u>	<u>33,598</u>	<u>314,067</u>
Total minimum lease payments	<u>\$ 444,612</u>	<u>93,090</u>	537,702
Less: amount representing interest			(93,090)
Present value of minimum lease payments			<u>\$ 444,612</u>

Included in capital assets is machinery and equipment and motor vehicle with costs totaling \$259,681 under capital lease. The accumulated amortization for this capital asset is \$163,008 as of September 30, 2017, and is recorded as a component of depreciation expense. Amortization expense was \$25,071 for the year ended September 30, 2017.

Business-Type Activities

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

Business -type activities:	Beginning Balance at 10/01/16	Additions	Reductions	Debt Forgiveness Adjustments	Ending Balance at 9/30/17	Amount Due Within One Year
MDA loan payable	\$ 36,588	-	(13,494)	-	\$ 23,094	\$ 12,608
DWESRF loan	2,517,216	372,620	(33,691)	(500,000)	2,356,145	102,395
Obligation under capital lease	341,078	-	(21,333)	-	319,745	21,164
DWSRF loan	63,049	-	(63,049)	-	-	-
DEQSRF loan	994,383	-	(50,959)	-	943,424	51,859
DEQWPE loan	<u>49,087</u>	<u>-</u>	<u>(6,201)</u>	<u>-</u>	<u>42,886</u>	<u>6,454</u>
Totals	<u>\$ 4,001,401</u>	<u>372,620</u>	<u>(188,727)</u>	<u>(500,000)</u>	<u>\$ 3,685,294</u>	<u>\$ 194,480</u>

Mississippi Development Authority Loan

In 2002 the City of Port Gibson executed a loan agreement with the Mississippi Development Authority in the amount of \$182,620 dated July 23, 2002, with an interest rate of 2.00%, matures July 23, 2019 and monthly payments of \$1,175.19 which includes principal and interest. The proceeds were used to make improvements to the City's sewer system. The debt is being repaid from the enterprise fund.

\$ 23,094

CITY OF PORT GIBSON, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

The annual requirement to amortize all debt outstanding as of September 30, 2017 including interest payments of \$14,102 are as follows:

Year Ended September 30,	Principal	Interest	Total
2018	\$ 12,608	1,494	\$ 14,102
2019	10,486	359	10,845
	<u>\$ 23,094</u>	<u>1,853</u>	<u>\$ 24,947</u>

Obligations Under Capital Leases

The outstanding Obligations Under Capital Leases are as follows as of September 30, 2017.

	<u>Amount Outstanding</u>
During January 2015, the City reached a settlement agreement with FNBS Investments, Inc. with respect to a lease-purchase agreement. The new agreement is with Crews and Associates in the amount of \$900,000 of which \$375,840 or 41.76% is allocated to the water/sewer fund with an interest rate of 3.5% with 178 monthly installments of \$2,673 which includes principal and interest payable from the City's Utility Fund. The agreement has a maturity dated of 2029. The lease-purchase agreement qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of motor vehicles, equipment, and utility system improvements. At the end of the lease, the lessee will have the option to purchase the Lessor's interest in the property for the Purchase Option Price of \$1. This debt will be retired from the water sewer fund.	<u>\$ 319,745</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

Fiscal year ending September 30	Principal	Interest	Total
2018	\$ 21,164	10,908	\$ 32,072
2019	21,917	10,155	32,072
2020	22,696	9,376	32,072
2021	23,503	8,569	32,072
2022	24,502	7,570	32,072
Thereafter	<u>205,963</u>	<u>21,256</u>	<u>227,219</u>
Total minimum lease payments	<u>\$ 319,745</u>	<u>67,834</u>	<u>387,579</u>
Less: amount representing interest			<u>(67,834)</u>
Present value of minimum lease payments			<u>\$ 319,745</u>

Included in capital assets are heavy equipment, motor vehicles, water meters, and office equipment with costs totaling \$6,213,231 under capital lease. The accumulated amortization for this capital asset is \$737,364 as of September 30, 2017, and is recorded as a component of depreciation expense. Amortization expense was \$22,461 for the year ended September 30, 2017.

CITY OF PORT GIBSON, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

Mississippi State Department of Health SRF Loan

Loan No. DWI-L110005-01-0

Drinking Water Improvement Loan

During 2012 the City of Port Gibson executed a loan agreement with the Mississippi State Department of Health, Bureau of Public Water Supply in the amount of \$2,746,903 (less a \$500,000 principal forgiveness) dated October 7, 2012, with an estimated interest rate of 1.95%, and 237 monthly payments of \$13,974.37 which includes principal and interest. The proceeds were used to make improvements to the City's Drinking Water System. As of May 31, 2017, the project is complete. The debt will be repaid from the enterprise fund.

2,356,144

Total

\$ 2,356,144

Loan No. DWI-L110005-01

Year Ended September 30,

	Principal	Interest	Total
2018	\$ 102,395	42,033	\$ 144,428
2019	104,410	40,018	144,428
2020	106,464	37,964	144,428
2021	108,559	35,869	144,428
2022	110,695	33,773	144,468
2023 to 2027	587,013	135,127	722,140
2028 to 2032	647,078	75,062	722,140
2033 to 2036	589,530	25,729	615,259
	<u>\$ 2,356,144</u>	<u>425,575</u>	<u>\$ 2,781,719</u>

CITY OF PORT GIBSON, MISSISSIPPI
Notes to Financial Statements
September 30, 2017

Mississippi Department of Environmental Quality

Loan No. SRF C280768-01

Sanitary Sewer Improvement

In 2011 the City of Port Gibson executed a loan agreement with the Mississippi Department of Environmental Quality in the amount of \$1,130,960 dated November 14, 2011, with an estimated interest rate of 1.75%, and 240 monthly payments of \$5,662.82 which includes principal and interest. The proceeds were used to make improvements to the City's sanitary sewer system. The debt is being repaid from the enterprise fund.

\$ 943,429

Loan No. WPE-C280019-01-0

Sewer Repair Loan

During 2013 the City of Port Gibson executed a loan agreement with the Mississippi State Department of Health, Bureau of Public Water Supply in the amount of \$64,916 dated October 28, 2013, with an interest rate of 4.00%, and 117 monthly payments of \$670.96 which includes principal and interest. The proceeds were used to make repairs to the City's Waste Water System. The debt is being repaid from the enterprise fund.

42,886

Total

\$ 986,315

Loan No. SRF C280768-01

Year Ended September 30,

	Principal	Interest	Total
2018	\$ 51,959	15,995	\$ 67,954
2019	52,773	15,181	67,954
2020	53,704	14,250	67,954
2021	54,652	13,302	67,954
2022	55,616	12,338	67,954
2023 to 2027	293,146	46,624	339,770
2028 to 2032	319,932	19,838	339,770
2033	61,647	543	62,190
	<u>\$ 943,429</u>	<u>138,071</u>	<u>\$ 1,081,500</u>

The estimated annual requirement to amortize all debt outstanding as of September 30, 2017 including interest payments of \$8,052 are as follows:

Loan No. WPE - C280019-01-0

Year Ended September 30,

	Principal	Interest	Total
2018	\$ 6,454	1,598	\$ 8,052
2019	6,716	1,336	8,052
2020	6,990	1,062	8,052
2021	7,348	704	8,052
2022	7,571	481	8,052
2023	7,807	172	7,979
	<u>\$ 42,886</u>	<u>5,353</u>	<u>\$ 48,239</u>

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CITY OF PORT GIBSON, MISSISSIPPI
Notes to Financial Statements
September 30, 2017

NOTE 9 - GASB 54 FUND BALANCE PRESENTATION - CLASSIFICATION TOTAL

The City has implemented GASB Statement 54, as such, the fund balances of the governmental funds are classified by specific purpose as follows:

Restricted - amounts that can be spent for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned - amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

Fund Balances:	General Fund	Nonmajor Funds	Total
Unassigned:			
Other purposes	\$ 1,056,935	-	\$ 1,056,935
Total Fund Balances	<u>\$ 1,056,935</u>	<u>-</u>	<u>\$ 1,056,935</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. General Information

Plan Description and Provisions: The City of Port Gibson, 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. Cods Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444- PERS.

CITY OF PORT GIBSON, MISSISSIPPI
Notes to Financial Statements
September 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (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.

Plan Funding Policy: PERS members are required to contribute 9.00% of their annual covered salary and the City of Port Gibson, Mississippi is required to contribute at an actuarially determined rate. This rate 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 City of Port Gibson, Mississippi contributions to PERS for the years ended September 30, 2017, and 2016, were \$120,317, and \$117,274, respectively, equal to the required contributions for each year.

As of most recent measurement date of the net pension liability, membership data for the pension plan is as follows:

<u>Members Category</u>	<u>Pension</u>
Retirees and beneficiaries currently receiving benefits	2
Active members:	
Vested	34
Total Participants	<u>36</u>

CITY OF PORT GIBSON, MISSISSIPPI
Notes to Financial Statements
September 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

At September 30, 2017, The City reported a liability of \$1,836,568 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contribution of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2017 net pension liability was 0.0118881 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.000047 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, 2015.

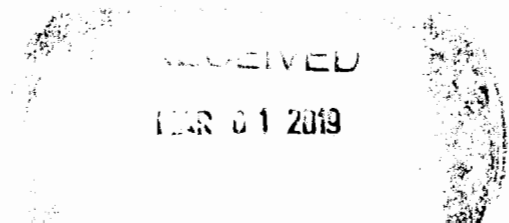
Deferred outflows of resources and deferred inflows of resources by source reported by the City at September 30, 2017 for the municipal plan is as follows:

A. Governmental Activities:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,972	\$ -
Net Difference between projected and actual earnings on pension plan investments	90,927	70,369
Changes of assumptions	133,873	-
Employers contributions subsequent to the measurement date	26,247	-
Total	<u>\$ 275,019</u>	<u>\$ 70,369</u>

B. Business Activities

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,292	\$ -
Net Difference between projected and actual earnings on pension plan investments	16,532	12,777
Changes of assumptions	24,341	-
Employers contributions subsequent to the measurement date	4,772	-
Total	<u>\$ 49,937</u>	<u>\$ 12,777</u>



CITY OF PORT GIBSON, MISSISSIPPI
Notes to Financial Statements
September 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension at September 30, 2017 will be recognized in pension expense as follows:

<u>Year ended September 30</u>	<u>Amount</u>
2018	\$ 30,568
2019	30,568
2020	22,010
Total	<u>\$ 83,146</u>

C. Actuarial assumptions.

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 net pension liability to change in the discount rate. Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town'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 current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of net pension liability	<u>\$ 2,420,765</u>	<u>\$ 1,836,568</u>	<u>\$ 1,352</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

D. Schedule of Assumptions

The total pension liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Schedule of Assumptions</u>	<u>Municipal Pension</u>
Inflation	3.0 percent
Salary changes	3.75 - 19.00 %, depending on age, service, and type of employment including inflation.
Investment rate of return	7.75%, net of pension plan investment expense, including inflation.
Mortality Assumption	RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, set forward one year for males.

CITY OF PORT GIBSON, MISSISSIPPI
Notes to Financial Statements
September 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U. S Broad	34%	5.20%
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	100%	

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The City has been named as a defendant in several lawsuits as of September 30, 2017. These suits are at various stages in the legal system. It is not possible to predict at this time the extent of the City's liability. The City's legal counsel believes that the City of Port Gibson will prevail in these lawsuits.

NOTE 12 - RESERVED FUND BALANCES AND RETAINED EARNINGS

Various bond covenants require the City to maintain cash reserves that can only be used under specific circumstances. The City has no bond covenants.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by participation in a public entity risk pool that operates as a common insurance program and by acquiring commercial insurance coverage. Claims resulting from these risks have historically not exceeded insurance coverage.

CITY OF PORT GIBSON, MISSISSIPPI
Notes to Financial Statements
September 30, 2017

NOTE 14 - PROPERTY TAXES RECEIVABLE AND PROPERTY TAX CALENDAR

Property taxes receivable are recorded in the general fund after the general fund budget is approved by the Board of Aldermen/Aldermwomen. At fiscal year-end, the receivable represent delinquent taxes.

Property taxes on real, personal and public utilities attach as an enforceable lien on the levy date or January 1 for the preceding calendar year. Claiborne County bill and collect the real, personal and ad valorem taxes for the City of Port Gibson, Mississippi. The taxes are remitted to the City on a monthly basis.

The taxes are due on or before February 1; however, installment payments can be made one-half of balance due February 1 and one-fourth each on May 1 and August 1. Major tax payments that are received February through May, are recognized as revenue in the year received. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 27, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

NOTE 16 - NEW ACCOUNTING STANDARDS

A. In fiscal year 2017, the City implemented the following GASB Statements:

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). These requirements of this statement are effective for financial statements for periods beginning after June 15, 2017.

In June 2015, the GASB issued Statements No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures". This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

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CITY OF PORT GIBSON, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 16 - NEW ACCOUNTING STANDARDS (Continued)

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

B. The City will adopt the following new accounting pronouncements in future years:

The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2016, the GASB issued Statement No. 82, "Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

In November 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations". This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In January 2017, the GASB issued Statement No. 84, "Fiduciary Activities". The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

CITY OF PORT GIBSON, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 16 - NEW ACCOUNTING STANDARDS (Continued)

In March 2017, the GASB issued Statement No. 85, The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In May 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishments Issues" The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In June 2017, the GASB issued Statement No. 87, "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

CITY OF PORT GIBSON, MISSISSIPPI
Notes to the Financial Statements
September 30, 2017

NOTE 16 - NEW ACCOUNTING STANDARDS (Continued)

In April 2018, the GASB issued Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements". The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In June 2018, the GASB issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period". The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PORT GIBSON, MISSISSIPPI
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 PERS
 Last 10 Fiscal Years*
 September 30, 2017

	2017	2016	2015
City's proportion of the net pension liability (asset)	\$ 1,836,568	\$ 1,836,268	\$ 1,467,811
City's proportionate share of the net pension liability (asset)	0.011881%	0.011834%	0.011881%
City's covered-employee payroll	749,129	764,425	744,594
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	245.16 %	240.22 %	197.13 %
Plan fiduciary net position as a percentage of the total pension liability	74.17 %	61.70 %	67.21 %

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

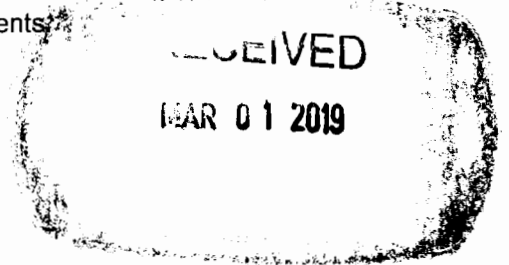
This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the fiscal year September 30, 2017 , and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

The Accompanying Notes are an intergral part of these Financial Statements.

City of Port Gibson, Mississippi
Required Supplementary Information
Schedule of the City Contributions
PERS
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required Contribution	\$ 117,988	\$ 120,397	\$ 117,274
Contribution in relation to the contractually required contribution	<u>117,988</u>	<u>120,397</u>	<u>117,274</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 749,129	\$ 764,425	\$ 744,594
Contributions as a percentage of covered-employee payroll	15.75	15.75	15.75

The Accompanying Notes are an integral part of these Financial Statements.



CITY OF PORT GIBSON, MISSISSIPPI

REPORTS ON COMPLIANCE AND
INTERNAL CONTROL

SEPTEMBER 30, 2017



BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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

The Honorable Mayor Fred Reeves
and Honorable Members of the Board of Alderman
Port Gibson, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Gibson, 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 City of Port Gibson, Mississippi's basic financial statements and have issued our report thereon dated February 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of financial statements, we considered the City of Port Gibson, 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 Port Gibson, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Port Gibson, Mississippi'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 the internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2017-001)

Compliance and Other Matters

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

City of Port Gibson's Response to Findings

The City of Port Gibson, Mississippi response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Port Gibson, 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.

Brown, Egg & Co.
Ridgeland, Mississippi
February 27, 2019

CITY OF PORT GIBSON, MISSISSIPPI
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
Year Ended September 30, 2017

Finding 2017-01

Collection of Utility Accounts Receivable

Finding

During our water and sewer testwork, we found that one (1) alderperson, and several other customers had outstanding balances that have extended beyond a reasonable period of time.

Auditor's Recommendation

We strongly suggest that the City enforce its payment policies. In addition, the City should implement administrative control procedures to ensure that collection procedures are properly executed in a timely manner. This will help to improve collections and thereby increase the profitability and the availability of funds.

Auditee's Response

The City will adopt procedures to ensure that the collection policy is enforced for all customers and proper action will be taken to enforce procedures for nonpaying customers.



BROWN, EWING & CO.
P. A.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor Fred Reeves, and
Honorable Members of the Board of Alderman
of the City of Port Gibson, Mississippi

We have audited the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Gibson, Mississippi (the City) as of and for the year ended September 30, 2017, which collectively comprise the City of Port Gibson, Mississippi's basic financial statements and have issued our report thereon dated February 27, 2019. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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 procedures performed to test compliance with certain other state laws and regulations disclosed no instances on noncompliance.

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

Brown, Ewing & Co.
Ridgeland, Mississippi
February 27, 2019

CITY OF PORT GIBSON, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2017

Official Name	Position	Insured By	Bond Amount
Fred Reeves	Mayor	Western Surety Company	\$ 50,000
Lee Ethel King	City Clerk	Western Surety Company	50,000
Debra Chambliss	Deputy Clerk	Western Surety Company	50,000
Calvin Jackson	Chief of Police	Western Surety Company	50,000
Valarie Townsend	Water Supervisor	Western Surety Company	50,000
Inez White	Water Department Deputy Clerk	Western Surety Company	50,000
Shakema Aikerson	Water Department Office Manager	Western Surety Company	50,000
Lula Buck	Aldерwoman	Travelers Casualty	25,000
Chelshe Archie	Aldерwoman	Travelers Casualty	25,000
Myrtle Hedrick	Aldерwoman	Travelers Casualty	25,000
Clarence Scutter	Alderman	Travelers Casualty	25,000
Scott Davis	Alderman	Travelers Casualty	25,000
Jacqueline Watson	Aldерwoman	Travelers Casualty	25,000

CITY OF PORT GIBSON, MISSISSIPPI
Statement of Legal Debt Limit
September 30, 2017

Authorized Debt Limit Percent Rule

Authorized Debt Limit Percent	10%	15%
2016 Tax Roll Estimation	\$ 8,907,111	\$ 8,907,111
Less: Homestead Exemption	(22,051)	(22,051)
Net 2016 Estimation Tax Roll	<u>\$ 8,885,060</u>	<u>\$ 8,885,060</u>
Assessed Valuation under respective debt limit	\$ 888,506	\$ 1,332,759
Less: All Bonded Indebtness	-	-
Deduct: Authorized Exemptions		
Water/Sewer Revenue Bonds	-	-
Present debt subject to limitation	-	-
Margin for further debt under respective debt limits	<u>\$ 888,506</u>	<u>\$ 1,332,759</u>

Section 21-33-303 of Mississippi Code of Ordinances 1972 Annotated - Limitation of indebtedness as amended April 8, 1985, March 30, 1987, October 1, 1989, March 1, 1992, and July 1, 1995.

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%), until September 30, 1999, and then ten percent (10%) thereafter of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes, and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality contract and indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) until September 30, 1999, and fifteen percent (15%) thereafter of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

CITY OF PORT GIBSON, MISSISSIPPI
Schedule of Long-Term Debt
September 30, 2017

	During Fiscal Year						
	Authorized	Issued	Balance Outstanding 10/01/16	Issued	Retired	Debt Forgiveness Adjustments	Balance Outstanding 09/30/17
<u>General Government:</u>							
Obligation under capital lease	\$ 1,189,045	1,189,045	474,363	-	29,751	-	\$ 444,612
Total General Government	<u>1,189,045</u>	<u>1,189,045</u>	<u>474,363</u>	<u>-</u>	<u>29,751</u>	<u>-</u>	<u>444,612</u>
<u>Proprietary:</u>							
Long-term Debt							
Ms Development Authority Cap	182,620	182,620	36,588	-	13,494	-	23,094
Loan							
MS Dept. of Health	2,811,353	2,811,353	2,517,216	372,620	33,691	500,000	2,356,145
Obligation under capital lease	739,532	739,532	341,078	-	21,333	-	319,745
DWSRF loan	484,397	484,397	63,049	-	63,049	-	-
DEQSRF loan	-	-	994,383	-	50,959	-	943,424
DEQWPE loan	64,916	64,916	49,087	-	6,201	-	42,886
Total Long-Term Debt	<u>4,282,818</u>	<u>4,282,818</u>	<u>4,001,401</u>	<u>372,620</u>	<u>188,727</u>	<u>500,000</u>	<u>3,685,294</u>
Total Long-Term Debt	<u>\$ 5,471,863</u>	<u>5,471,863</u>	<u>4,475,764</u>	<u>372,620</u>	<u>218,478</u>	<u>500,000</u>	<u>\$ 4,129,906</u>