

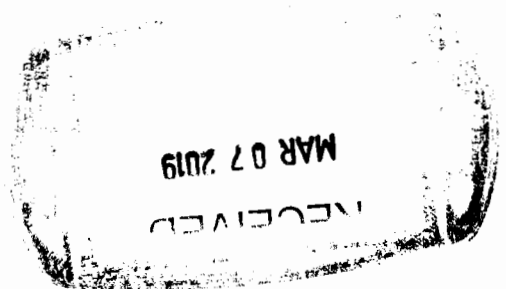


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CITY OF TCHULA, MISSISSIPPI

FNANCIAL STATEMENTS

SEPTEMBER 30, 2017



CITY OF TCHULA, MISSISSIPPI
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	
Combined Statement of Cash Receipts and Disbursements - All Funds	
Notes to the Financial Statements	3
Other Supplementary Schedules and Reports	9
Independent Auditor's Report on Compliance with State Laws and Regulations	13
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	15
Schedule of Findings and Responses	17

TAYLOR, POWELL, WILSON & HARTFORD, P.A.
CERTIFIED PUBLIC
ACCOUNTANTS POST OFFICE
Box 9369
GREENWOOD, MISSISSIPPI 38930-9369
662-453-6432

NDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Alderpersons
City of Tchula
Tchula, Mississippi

Report on the Financial Statement

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-type Activities of the City of Tchula, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statement which collectively comprise the City's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting as prescribed by the Office of the Mississippi State Auditor which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation,

and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in compliance with the audit requirements prescribed by the Office of the Mississippi State Auditor. As described more fully in Note 1, the City of Tchula, Mississippi has prepared their financial statements using accounting practices prescribed or permitted by Government Auditing Standards, issued by the Comptroller General of the United States, and the Mississippi State Department of Audit, which practices differ from accounting principles generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement referred to above is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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.

Summary of Opinions

Opinion Unit_____	Type of Opinion_____	Basis for the Qualified Opinion on the General Fund
Governmental:		
General Fund	Qualified	When fine revenues are collected by the municipal court clerk, various amounts of those collections are assessed by the State of Mississippi to be remitted by the City to the State Treasurer on a monthly basis. All of the assessments remitted to the State during the fiscal year
Proprietary:		
Water and Sewer Fund	Unmodified	the State Treasurer on a monthly basis. All of the assessments remitted to the State during the fiscal year

under audit were for various periods from May 2014 through February 2015. No assessments from collections for the current fiscal year's fines were remitted to the State Treasurer. We were unable to determine the amount to be remitted for the current fiscal year; however, based on the results of an audit of court assessments collections and/or submissions of court assessments completed by the Office of the Mississippi State Auditor, the amount of the current year's and previous year's unremitted assessments is material and is more fully described in note 5.

Qualified Opinion

In our opinion, except for the matters described in the "Basis for the Qualified Opinion on the General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the General Fund of the City of Tchula, Mississippi, as of September 30, 2017, and their respective cash receipts and disbursements, for the year then ended, on the basis of accounting described in Note 1.

Unmodified Opinion

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In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Water and Sewer Fund of the City of Tchula, Mississippi, as of September 30, 2017, and their respective cash receipts and disbursements, for the year then ended, on the basis of accounting described in Note I.

Other Matters

The Mississippi State Department of Audit guidelines suggest that the following schedules and report be included to supplement the basic financial statements but are not RSI:

Schedule of Investments

Schedule of Capital Assets

Schedule of Long-term Debt

Schedule of Surety Bonds for Municipal Officials

Independent Auditor's Report on Compliance with State Laws and Regulations

Such information, although not a part of the basic financial statements, is considered by the Office of the Mississippi State Auditor to be an essential part of financial reporting. We have applied certain limited procedures to the supplementary information, except for the Schedule of Capital Assets, 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. Although our opinions on the basic financial statements are not affected, we were unable to apply certain limited procedures to the Schedule of Capital Assets in accordance with auditing standards generally accepted in the United States of America or in accordance with the Office of the MS State Auditor due to the fact that adequate prior-year records have not been maintained and supporting data was not available for our audit. We did not audit this supplemental information and 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.

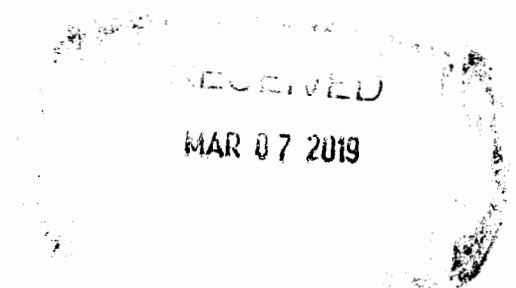
Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2018 on our consideration of the City of Tchula, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Tchula, Mississippi's internal control over financial reporting and compliance.

This report is intended for the information of the City's management, the Office of the Mississippi State Auditor, and the appropriate federal and state agencies 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.

Taylor, Powell, Wilson & Hartford, PA.

February 21, 2018



CITY OF TCHULA,
MISSISSIPPI
COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Governmental	Business-type	
	Activities	Activities	(Memorandum Only)
	General	Water & Sewer	September 30,
Taxes:			
General property taxes	\$ 202,942.84	\$ 202,942.84	\$ 213,836.94
Penalties and interest on delinquent taxes	21,516.11	21,516.11	17,104.51
Licenses and permits:			
Privilege licenses	9,137.00	9,137.00	6,845.00
Franchise charges - utilities	27,298.10	27,298.10	33,365.12
Intergovernmental Revenue:			
Federal receipts:			
Gas Line Relocation Grant	24,850.21	24,850.21	352,079.29
Health Council Grant			925.00
Victim of Crime Act Recovery Grant	75,824.90	75,824.90	39,999.11
Mass Transit Grant	30,002.20	30,002.20	64,928.00
HOME Grant	16,540.00	16,540.00	
CDBG Grant	18,440.00	18,440.00	
Water System Improvement Grant	14,050.01	14,050.01	
Federal Transportation Grant - Walking Trail	22,061.14	22,061.14	
EPA Grant - Sewer Lagoon Improvements		59,567.94	39,445.84
State shared revenues:			
MDEQ Solid Waste Grant	14,989.26	14,989.26	
General sales tax diversion	77,795.66	77,795.66	89,538.02
Gasoline tax	6,288.00	6,288.00	6,288.00
Alcoholic beverages licenses	2,700.00	2,700.00	900.00
Grand Gulf funds	11,249.46	11,249.46	11,550.24
Fire insurance premium tax	11,735.63	11,735.63	13,442.77
General municipal aid	3,670.24	3,670.24	4,722.03
County shared revenues:			
Road maintenance	14,281.33	14,281.33	9,828.58
Fire protection contribution			2,500.00
Charges for services:			

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CITY OF TCHULA,

Refuse collection fees	82,481.14	82,481.14	81,327.17
Water and sewer Fees		359,748.24	354,360.51
Fines and forfeits — net of amounts remitted to State	28,611.50	28,611.50	34,849.49
Sale of surplus assets	17,622.00	17,622.00	
Miscellaneous receipts	15,737.05	248.54	51,099.27
	Fund	Fund	20172016 RECEIPTS:

See Accountant's Compilation Report.

MISSISSIPPI COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (ALL FUNDS) FOR THE YEAR ENDED SEPTEMBER 30, 2017

Governmental	Business-type	
Activities	Activities	(Memorandum Only)
General	Water & Sewer	September 30,

DISBURSEMENTS:

General Government:

Executive

Financial

Other

Total receipts

Public Safety:

Police

Fire Culture and recreation Health and Welfare:

Sanitation and landfill fees

Enterprise:

Water and Sewer

Capital outlay Debt

service: Redemption of

principal

Debt service interest

Total disbursements

Excess, (deficiency) of receipts over disbursements

OTHER FINANCING SOURCES (USES):

Capital Improvement Loan Proceeds

Transfers

749,823.78

resources, (uses)

419,564.72

1,169,388.50

Total other financing
1,428,934.89

Excess, (deficiency) of receipts and other financing sources over disbursements and other financing uses

CASH BASIS FUND BALANCE - BEGINNING OF YEAR

CASH BASIS BALANCE - END OF YEAR

S 41,027.58 \$
159,638.72

CITY OF TCHULA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

1 14,075.95

239,660.24

239,660.24

176,375.48

NOTE 13 H 1.35

OF SIGNIFICANT ACCOUNTING POLICIES

16,944.60

16,944.60

10,974.50

39,330.68

9,765.31

49,095.99

82,460.18

131,787.27

303,623.47

90,924.86

303,623.47

222,712.13

276,782.27

751,431.91

66,266.86

18,574.39

84,841.25

38,142.25

12,987.80

1,226.11

14,213.91

10,046.16

See Accountant's Compilation Report.

24,887.91

(24,887.91)

270,014.25

834,831.05

424,114.14

1,258,945.19

1,652,100.87

(85,007.27)

(4,549.42)

(89,556.69)

(223,165.98)

(60,1

19.36)(29,437.33)

(89,556.69)

46,848.27

270,014.25

24,887.91

(24,887.91)

169.94 48,967.62 154,137.56

107,289.29

\$ 45,050.58 \$ 19,530.29 \$ 64,530.25 \$ -154,137.156

SUMMARY

The City of Tchula, Mississippi ("the City") operates under the Mayor-Board of Alderman form of government and provides the following services: public safety (police and fire protection), streets, sanitation, culture and recreation, public improvements, planning and zoning, general administrative services, and water and sewer services.

Reporting Entity — This report includes all of the funds of the City, and there are no component units.

Basis of Accounting — All governmental and proprietary funds are accounted for using the cash receipts and disbursements basis of accounting, as prescribed by the Mississippi State Department of Audit. This basis of accounting differs from generally accepted accounting principles in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with generally accepted accounting principles. Financial statements issued following accounting principles generally accepted in the United States of America normally contain Government-Wide Financial Statements, Fund Financial Statements, Management Discussion and Analysis (MD&A), Required Supplemental Information (Budgetary Reporting), and other Supplemental Information.

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CITY OF TCHULA,

Basis of Presentation — Fund Accounting — The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise revenues/receipts and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. The City uses the following funds:

Governmental Fund Types:

General Fund:

The General Fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

Special Revenue Fund:

Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes. There is currently no Special Revenue Fund.

CITY OF TCHULA, MISSISSIPPI
NOTES TO FNANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - OF SIGNIFICANT ACCOUNTNG POLICIES

SUNMARY

(Continued)

Governmental Fund Types: (Continued)

Debt Service Fund:

Debt service funds are used to account for and report the accumulation of funds restricted or committed for the periodic payment of principal and interest on general long-term debt. There is currently no Debt Service Fund.

Capital Projects Fund:

Capital Projects Funds are used to account for financial resources to be used for acquisition and/or construction of major capital facilities (other than those financed by proprietary funds including proprietary fund grants). Such resources are derived principally from proceeds of revenue bonds and federal grants. There is currently no Capital Projects Fund.

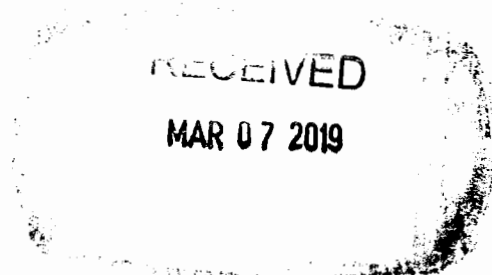
Proprietary Fund Types:

Proprietary Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Proprietary Fund for the City is the Water and Sewer Fund which is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collections thereof. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

The reporting model for financial statement format and presentation requirements of the Governmental Accounting Standards Board Statement do not apply when only a Statement of Cash Receipts and Disbursements prepared on an other comprehensive basis of accounting is presented.

Budget — The budget for all funds is prepared and adopted on the cash receipts and disbursements basis of accounting, a basis of accounting other than generally accepted accounting principles. This basis is consistent with the applicable laws of the State of Mississippi. Revenues which are legally receipted from October 1 through September 30 may be credited to the budget. Expenditures which may be charged to the budget are those which



CITY OF TCHULA,
NOTES TO FINANCIAL
FOR THE YEAR ENDED

2017

NOTE -

were legally budgeted, incurred prior to the end of the fiscal year, and disbursed during the fiscal year or within 30 days thereafter.

Cash and Investments — For the purpose of the financial statement, cash includes all demand, savings accounts, and certificates of deposits of the City.

SUITdARY

(Continued)

Capital Assets — Capital asset purchases are recorded as expenditures at the time of acquisition. Such assets are not capitalized but instead are fully expensed in the year of purchase. Consequently, depreciation has not been provided on fixed assets.

Revenues and Expenditures/Expenses — Revenues for governmental and proprietary funds are recorded when they are received. Expenditures for governmental funds are recorded when the warrant is issued.

Use of Estimates — The preparation of financial statements on the cash receipts and disbursements basis of accounting requires management to make estimates and assumptions that affect the City's assets, liabilities, cash receipts, and cash disbursements during the current period. Actual results could differ from those estimates.

Total Columns on Statements — The "Total" columns on the statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Adjustments to eliminate interfund transactions have not been recorded in arriving at such amounts and the memorandum totals are not intended to fairly present the financial position or results of operations of the City, taken as a whole.

NOTE 2 - PROPERTY TAXES

Property taxes are attached as an enforceable lien on property as of February 1. The City utilized the county tax rolls and values in assessing the ad valorem taxes on real and personal property within the City boundaries. Holmes County collects the City's real and personal property taxes and remits said collections to the City less a 5% collection fee. The primary months of collection are December and January.

The City's millage rate for 2016 taxes, which were collected in the year ended September 30, 2017, was at a rate of 47.05 mills.

Property for which ad valorem taxes have not been paid is advertised for sale in April and September each year. Property not sold at auction is purchased by the City.

A reconciliation of assessed properties and property taxes is contained in Note 10 of this report.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments consist of bank deposits in the form of checking accounts, savings accounts and certificates of deposit with the City's depository banks. At September 30, 2017, the carrying amount of the City's deposits with financial institutions was \$64,580.87 and the bank balance was \$151,781.22. The collateral for public entities'

CITY OF TCHULA, MISSISSIPPI
NOTES TO FNANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - OF SIGNIFICANT ACCOUNTNG POLICIES

deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972).

Under this program, the entity's funds are protected through the collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

MissISSIPPI
STATEMENTS
SEPTEMBER 30,

3 CASH AND INVESTMENTS (Continued)

The bank balance is categorized as follows:

Amount insured by the FDIC	151,781.22
Amount collateralized through the Statewide Collateral Pool Program Sponsored by the State of Mississippi Treasury Department	
Uncollateralized	
	<hr/>
Total bank balance	<u>\$ 151,781.22</u>

NOTE 4 - PENSION PLAN

The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multipleemployer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy — PERS members are required to contribute 9.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate at September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions for the years ended September 30, 2017, 2016, and 2015 were \$55,026.70, \$48,498.27, and \$49,027.77, respectively equal to the required contributions for the years.

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CITY OF TCHULA,
NOTES TO FINANCIAL
FOR THE YEAR ENDED

2017

NOTE -

NOTE 5 - cownnTMENTs AND CONTINGENCIES

The City participates in federally assisted grant programs, principal of which are Community Development Block Grants and Rural Development Grants. These programs are subject to program compliance audits by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or applicable fund. In general, the City expects amounts disallowed, if any, to be immaterial.

The City is occasionally involved in various other legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the City.

However, the MS State Auditor's Office conducted an audit of the court assessments collections and/or submissions of court assessments in connection with the City's underpayment of state assessments on municipal court fines that should have been collected as required by Miss. Code Ann. (1972) Section 99-19-73 & 83-39-31. The results of that audit identified assessments collected by the City; yet, not remitted for years 2011 through 2017 totaling: \$68,556.42 due to the Mississippi Department of Finance and Administration for State assessments, and \$1,082.00 due to the Mississippi Department of Public Safety for Crime Stoppers.

CITY OF TCHULA,
NOTES TO FINANCIAL
FOR THE YEAR ENDED

2017

NOTE -

MISSISSIPPI
STATEMENTS
SEPTEMBER 30,

5 COMNUTMENTS AND CONTINGENCIES (Continued)

Also for the fiscal year under audit, the City was delinquent in remitting payroll taxes for both the employee and employer portion in the total amount of \$48,730.95. The total is comprised of \$45,345.56 due to the Internal Revenue Service, \$215.39 due to the MS Department of Employment Security, and \$3,170.00 due to the MS Department of Revenue. These amounts do not include penalties or interest. The City is also indebted to Holmes County for multiple prior year's solid waste garbage receptacles and collections totaling \$28,833.36 and jail/inmate fees totaling \$73,254.80.

As of the date of this audit, no legal action has been taken against the City in regards to these issues.

NOTE 6 - RISK MANAGEMENT

The City has entered into a joint and several relationships with other public entities in the Mississippi Municipal Worker's Compensation Group and the Mississippi Municipal Liability Group. Each member shares responsibility for premium contribution based on payroll and their own loss experiences as well as assessments needed for fund inadequacies. They also share the benefit of fund surplus in the form of dividends when applicable.

NOTE 7 - TRANSFERS

Transfers between Governmental and Business-type funds use unrestricted revenues collected in the general fund and water and sewer fund to finance various programs and expenditures accounted for in the other funds in accordance with budgetary authorizations.

NOTE 8 - LEASES

The City is the lessor of a natural gas transmission pipeline and facilities and a natural gas distribution system to MRG Tchula, LLC, a Mississippi limited liability company and wholly owned subsidiary of Mississippi River Gas, LLC. The City will maintain ownership of all assets. The purpose of the lease agreement is to assure the citizenry of the City of Tchula, MS that they will receive efficient, reasonable, and competent service of natural gas to its residential and commercial establishments. Lease payments will total \$20,000 per year annually. Said lease payments may be reduced by any significant replacements, additions, extensions, or betterments paid by MRG Tchula, LLC upon condition that the City approves the expenditures. In addition to the basic annual rental payment, the company shall make quarterly franchise tax payments to the City of .25 cents per Mcf of gas sold to both residential and commercial consumers served by the gas distribution system located within and adjacent to the corporate limits of the City. The lease agreement is set for three year interval renewals assuming all parties agree to renew the lease. The next renewal date is January 15, 2018.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 21, 2018, the date the financial statements were available to be issued and has determined that, other than the issues referenced in Note 5, no conditions have occurred subsequent to the financial statement date that would have a material effect on the current cash basis financial statements.

However, it has been determined that:

OF TCHULA,

Payroll Related Issues: As of February 21, 2018 the City has remitted all MS Department of Employment Security and MS Department of Revenue payroll taxes for the September 30, 2017 fiscal year along with penalties and interest. The amount due to the Internal Revenue Service was still outstanding.

crty MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 10-RECONCILIATION OF TAX ASSESSMENTS TO FUND COLLECTIONS

Tax assessments were found to be mathematically correct and in agreement with collections as follows:

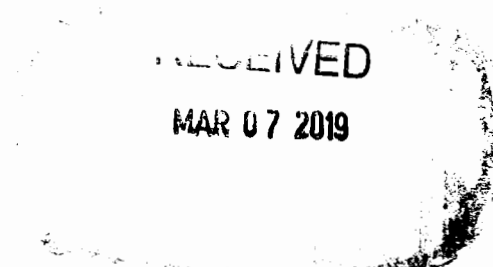
Realty	Taxable	Millage	Tax
Personal other than autos	Assessed		
Public utilities	Values	47.05	110,595
Mobile homes	2,350,574	47.05	1 8,021
Autos	383,024	47.05	46,034
	978,414	47.05	1,794
	38,130	47.05	31 603
Homestead exemptions allowed	671 690		208,047
Homestead exemption reimbursementstate	\$ 4,421,832		(19,137)
Prior year taxes collected	\$ 406,734		14,941
Penalties and interest-delinquent taxes			5,333
Less: 5% County collection fee			21,516
Total taxes to account for			(5,950)
			\$ 224,750

Credits:	Homestead Exemption Reimbursement from State	Total
General Fund	14,941	224,459
Balance represented by:		
Unpaid personalty		291
Total taxes accounted for	\$ 209,518	\$ 224,750

The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

Ad valorem taxes were found to be within the limitation of Section 27-39-320 to 27-39-323 Mississippi Code Annotated (1972).

OTHER SUPPLEMENTARY
SCHEDULES AND REPORTS



CITY OF TCHULA,
SUPPLEMENTARY
FOR THE YEAR ENDED

MISSISSm1
SCHEDULES
SEPTEMBER 30, 2017

General Vann	Mayor	MS Municipal Association	\$	50,000	
Annie Horton	City clerk	Zurich North America		100,000	
Marqueta Jefferson	Deputy clerk	RLI Insurance Co.		50,000	
Larry Jefferson	Aldersperson	MS Municipal Association		25,000	
Erma Head	Aldersperson	MS Municipal Association		25,000	
Derrick Wilson	Aldersperson	MS Municipal Association		25,000	
Leo Wilson	Aldersperson	MS Municipal Association		25,000	
Leroy Buchanan	Aldersperson	MS Municipal Association		25,000	
Kenneth Hampton	Chief of Police	RLI Insurance Co.		50,000	Resigned
	Chief of Police	RLI Insurance Co.		50,000	
Gloria Scott	Court Clerk	FCCI Insurance		50,000	

Schedule of Investments — All Funds

The City had no investments at September 30, 2017.

Schedule of Capital Assets - All Funds

	Beginning			Ending
GOVERNMENTAL ACTIVITIES: Balance Capital assets:		Increases	(Decreases)	Balance
Buildings and improvements	\$ 979,002	\$		\$ 979,002
Machinery and equipment	204,908	9,212	(17,622)	196,498
Infrastructure	469,741	75,742		545,483
Less: Accumulated depreciation	(177,044)			(177,044)

CITY OF TCHULA,
SUPPLEMENTARY
FOR THE YEAR ENDED
Schedule of Surety Bonds for City Officials

Total business-type activities \$ 3,654,393 \$ 90,925 \$ 3,745,318

9

MISSISSIPPI
SCHEDULES
SEPTEMBER 30, 2017

Schedule of Long-term Debt

REVENUE BONDS:

Combined Water and Sewerage System Revenue Bond
- \$195,000 dated as of 9-30-1991, payable in monthly
installments of \$1,016 principal and interest
payments at a rate of 4.00%. Maturing on 10-17-17.

\$

OTHER LONG-TERM DEBT:

Ford Motor Credit loan dated 2-17-15 for
\$54,224.98 at a rate of 5.95% per annum fixed
rate. First payment of \$10,000 due 2-17-15 and
3 consecutive annual payments of \$16,529.70
which includes princ & int. Maturing 2-17-18.

Capital Improvements Revolving Loan dated I - I -
02 for \$98,000 at a rate of 3.00% per annum
fixed rate. Payments of \$543.50 per month,

Balance Transactions Balance
Payments of \$1,566.15 begin July 2017 per month,
which includes principal and interest.
Maturing March 2036

BankPlus loan dated 3-31-16 for \$156,000 payable
annually at the amount of \$34,306.83 starting 3-31-
17 at 3.25% interest. Maturing on 3-31-21.

State Revolving Fund Water Pollution Loan
SRF-C280769 dated 12-2013 for \$225,542 at 1.75%
interest payable monthly by reducing the amount of
sales tax received from MS by \$1,126.25 per month.
Maturing 9-1-33.

State Revolving Fund Waste Water Loan
SRF WPE-C280015-01 for \$81 at 4.00% interest
payable monthly by reducing the amount of sales tax

received from MS by

Total governmental activities \$ 1,476,607 \$ 84,954 \$ (17,622) \$ 1,543,939

BUSINESS-TYPE

ACTIVITIES: Capital

assets:

Land, buildings and Infrastructure \$ \$ 78,925 \$ 4,584,227

Machinery and equipment 12,000 12,000

Less: Accumulated depreciation (850.909) (850.909)

which includes principal and interest. Maturing
2-1-22.

\$850.39 per month. Maturing 7-1-20.

State Revolving Fund Drinking Water
Improvement Loan - dated 9-21-12 for \$294,949
at a rate of 1.95% per annum fixed rate.

Total long-term debt \$ Outstanding During Fiscal
Year Outstanding 10-1-2016 Issued Redeemed 9-
30-2017

CITY OF TCHULA,
SUPPLEMENTARY
FOR THE YEAR ENDED

12,006.62	\$ 11,861.81 \$ 144.81	156,000.00	29,236.83	126,763.17
30,326.69	14,725.26 15,601.43	198,606.66	10,120.31	188,486.35
32,305.67	6,712.58 25,593.09	36,210.55	8,918.59	27,291.96
		<u>760,405.19</u>	<u>\$ 84,841.25</u>	<u>\$ 675,563.94</u>
294,949.00	3,265.87 291,683.1			
3				

MISSISSIPPI
SCHEDULES
SEPTEMBER 30, 2017

Schedule of Long-term Debt

The annual aggregate maturities for the Combined Water and Sewer System Junior Lien Revenue Bond for the years subsequent to September 30, 2017 are as follows:

<u>Year Ended September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	144.81	\$ 0.59	\$ 145.40
	144.81	Total	\$ 0.59
\$ 145.40			

The annual aggregate maturities for the Ford Motor Credit Capital Lease for the years subsequent to September 30, 2017 are as follows:

<u>Year Ended September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	15,601.43	\$ 928.27	\$ 16,529.70

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Total	E.....-..uoæ \$	928.27	\$ <u>16,529.70</u>
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<u>Year Ended September 30.</u>	<u>Principal</u>			
Interest	Total			
2018	5,833.99	\$	688.01	\$ 6,522.00
2019	6,011.43		510.57	6,522.00
2020	6,194.28		327.72	6,522.00
2021	6,382.70		139.30	6,522.00
2022	1,170.69		4.51	1,175.20
Total	\$ 1,670.11	\$	27,263.20	•593.09

Year Ended September 30.	Principal	Interest	Total
2018	\$13,223.75	\$ 5,570.05	\$ 18,793.80
2019	13,483.92	5,309.88	18,793.80
2020	13,749.22	5,044.58	18,793.80
2021	14,019.74	4,774.06	18,793.80
2022	14,295.60	4,498.20	18,793.80
2023-2027	75,809.33	18,159.67	93,969.00
2028-2032	83,566.45	10,402.55	93,969.00
2033-2036	63,535.12	2,243.18	65,778.30
Total	<u>\$ 291,683.13</u>	<u>\$ 56,002.17</u>	<u>\$ 347,685.30</u>
		56,002.17	

MISSISSIPPI
SCHEDULES
SEPTEMBER 30, 2017

Page 12

CITY OF TCHULA,
SUPPLEMENTARY
FOR THE YEAR ENDED

The annual aggregate maturities for the BankPlus loan dated 3-31-16 for the years subsequent to September 30, 2017 are as follows:

<u>Year Ended September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 30,187.03	\$ 4,119.80	34,306.83
2019	31,168.11	3,138.72	34,306.83
2020	32,181.07	2,125.76	34,306.83
2021	33,226.96	1,079.87	34,306.83
<hr/>			
Total	<u>\$ 126,763.17</u>	10,464.15	<u>\$---A37,227.32</u>

The annual aggregate maturities for the State Revolving Water Pollution Loan dated 12-2013 for the years subsequent to September 30, 2017 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 10,298.82	\$ 3,216.18	\$ 13,515.00
2019	10,480.51	3,034.49	13,515.00
2020	10,665.40	2,849.60	13,515.00
2021	10,853.55	2,661.45	13,515.00
2022	11,045.02	2,469.98	13,515.00
2023-2027	58,217.44	9,357.56	67,575.00
2028-2032	63,536.93	4,038.07	67,575.00
2033	13 388.68	126.32	13,515.00
<hr/>			
Total	<u>\$ 188,486.35</u>	<u>\$ 27,753.65</u>	<u>216,240.00</u>

The annual aggregate maturities for the State Revolving Fund Waste Water Loan dated 2010 for the years subsequent to September 30, 2017 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	9,281.95	\$ 922.73	\$ 10,204.68
2019	9,660.11	544.57	10,204.68
2020	8,349.90	154.00	8,503.90
<hr/>			
Total	<u>\$ 27,291.96</u>	<u>\$ 1,621.30</u>	<u>28,913.26</u>

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

To the Honorable Mayor and
Board of Alderpersons
City of Tchula, MS

We have audited the Statement of Cash Receipts and Disbursements — All Funds of the City of Tchula, MS as of and for the year ended September 30, 2017 and have issued our report dated February 21, 2018. We have conducted our audit in accordance with auditing standards prescribed by the Office of the State Auditor and the standards applicable to financial audits contained in Government Auditing Standards.

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

The results of those procedures and our audit of the general purpose financial statements disclosed the following instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding: As part of the municipality's audit, the governing authorities of the City must make certain assertions with regard to legal compliance. The municipal compliance questionnaire was developed to assist the municipality in addressing whether specific laws have been adhered to by the municipality. The municipal compliance questionnaire is to be completed at fiscal year-end and is to be accepted by the board, signed by the City Clerk and Mayor, and entered into the municipality's minute book at their next regular meeting. The municipal compliance questionnaire for the year ended September 30, 2017 was not certified or entered into the minutes.

Recommendation: The City should comply with the requirement to complete and certify the annual municipal compliance questionnaire.

City's Response: See below for City's Response to all findings.

Finding: Section 21-35-29 Miss. Code Ann. (1972) empowers the State Auditor to prescribe rules, regulations and classifications necessary to carry out the provisions of the municipal budgeting laws. The State Auditor has prescribed that budgeted departments must be presented by purpose. The minimum acceptable defined purposes (as appropriate) are: Personnel Services; Contractual Services; Supplies; Grants, Subsidies and Allocations; Debt Service; Capital Outlay; and Transfers and Other Functions. The City's following departments were not separated by purpose: General Government, Public Safety Fire, Public Safety Police, Culture and Recreation, and Street Department. Also, Section 21-35-25, Miss. Code Ann. (1972) states that a municipality must comply with legal publication requirements when budgetary changes of 10% or more are made to a department's budget. Grant revenues exceeded those budgeted by \$261,325.66 and the resultant grant expenditures were not budgeted. No amendment was made for either excess grant revenues or excess grant expenditures; therefore, there was no related publication announcing a budgetary change of more than 10%. Also, expenditures exceeded those budgeted in Public Safety Police and Transfers with no corresponding amendment.

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Recommendation: The City should comply with Section 21-35-25, Miss. Code Ann. (1972), by making necessary amendments to the budget no later than the regular July meeting of the board of governing authorities.

Finding: Section 17-17-348, Miss. Code Ann. (1972) states that the municipality must publish an itemized report of all revenues, costs, and expenses incurred by the municipality during the immediately preceding fiscal year in operating the garbage or rubbish collection or disposal system. No such report was published.

Recommendation: The City should comply with Section 17-17-348, Miss. Code Ann. (1972) by publishing the garbage collection and disposal report for the preceding fiscal year as soon as possible after the close of the fiscal year.

Finding: Section 21-35-13, Miss. Code Ann. (1972) states that the municipal clerk should submit to the board a monthly report of expenditures against each budget item for the preceding month and fiscal year to date and the unexpended balances of each budget item. Although the monthly expenditures reports were presented at every board meeting, their relation to budget monthly or yearly unexpended balances was not presented.

Recommendation: The City should comply with Section 21-35-13, Miss. Code Ann. (1972) by having the municipal clerk provide reports monthly to the board that, along with the monthly expenditures, does report the monthly and fiscal year to date unexpended balances of each budget item.

Finding: Section 21-15-21 states that all fines and forfeitures collected by the municipality should be settled immediately to the municipal treasury. Section 99-19-73, and 83-39-31 states that state-imposed court assessments should be collected and settled monthly to the state treasurer. All fines and forfeitures collected by the municipality were not settled immediately to the municipal treasury and the related state-imposed court assessments were not settled monthly to the state treasurer. The amount of state assessments collected and not remitted to the state treasurer during the fiscal year under audit was investigated by the Office of the Mississippi State Auditor and resulted in unremitted assessments totaling \$68,556.42.

Recommendation: The City should comply with Sections 21-15-21, 99-19-73, and 83-39-31 by settling all collected fines and forfeitures to the municipal treasury timely and by remitting the required state-imposed assessment to the state treasurer on a monthly basis.

Finding: Section 21-17-5 states that all municipalities with a population of more than 2,000 according to the latest federal decennial census should secure a bond for Alderman/Commissioners in the amount of not less than \$50,000. The 2010 census states the population of the City of Tchula, MS at 2,096. Alderperson's bonds for the fiscal year were found to be in the amount of \$25,000 and, therefore, not in compliance.

Recommendation: The City should increase the bonds on Alderpersons to the required \$50,000 minimum coverage.

Finding: The City has not conducted an annual inventory of its assets nor are fixed assets properly tagged and accounted for as required by the Municipal Audit and Accounting Guide issued by the Office of the Mississippi State Auditor.

Recommendation: The City should comply with the requirement to conduct an annual inventory of its assets and properly tag its fixed assets in a manner consistent with the Municipal Audit and Accounting Guide.

City's Responses: Practically all of the administration (from Mayor to Alderpersons to City Attorney) took office during the latter part of the fiscal year ended September 30, 2017. The current City administration has been made aware of the findings and is dedicated to correcting all findings. The current administration also understands that many of these findings were also noted in the previous audit, but has not had time to implement corrections due to the fact that the 2016 and 2017 audits were conducted within three months of each other.

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

Taylor, Powell, Wilson & Hartford, P.A.

February 21, 2018

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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

To the Honorable Mayor and
Board of Alderpersons
City of Tchula, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Cash Receipts and Disbursements-All Funds of the City of Tchula, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City of Tchula, Mississippi's basic financial statements and have issued our report thereon dated February 21, 2018.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2017-2.

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2017-1. .

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Tchula, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items: 2017-3 and 2017-4.

City of Tchula, Mississippi's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City'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.

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

Taylor, Powell, Wilson & Hartford, P.A.

February 21, 2018

CITY OF TCHULA, **MISSIS**
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2017

Summary of Auditor's Results:

The auditor's report expresses the following opinions on the financial statements of the City of Tchula, Mississippi:

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental:	
General Fund	Qualified
Proprietary:	
Water and Sewer Fund	Unmodified

See the "Independent Auditor's Report on Compliance with State Laws and Regulations" report for the seven findings related to the City's instances of noncompliance with state laws and regulations.

Significant deficiencies, material weaknesses, and compliance matters relating to the audit of the financial statements are reported in the 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 and included below as findings 2017-1, 2017-2, 2017-3, and 2017-4.

Findings — Financial Statements Audit:

Significant Deficiency

2017-1. Segregation of Duties and Adequately Trained Personnel

Condition: The desired level of internal control obtained by adequate separation of duties in the accounting control categories is not being achieved due to the small number of persons employed and the turnover of administration.

Criteria: In several instances, a single employee performs various procedures in the accounting process which would normally be divided among other employees in an environment where there were more clerical and accounting employees.

Effect: The City has certain inherent weaknesses in its internal control structure. As typical for a city this size, it is not economically feasible to employ additional persons solely for the purpose of achieving adequate internal controls. Also, due to the turnover of administration, adequate supervision of the City's internal controls could not be achieved.

Recommendation: The City should utilize other systems of checks and balances to minimize the inherent weaknesses in internal controls. Also, the Mayor and City Board of Alderpersons should closely monitor the City's financial position on a weekly and monthly basis, which may include inspections of reconciliations of revenues to books and banks.

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City's Response: The Mayor and Board of Alderpersons understand the inherent weaknesses in internal control that exists due to employing limited personnel who have access to many accounting phases, specifically the handling of cash. The Mayor and City Board of Alderpersons have agreed to increase their involvement in the daily accounting activities of the City and have instituted several controls in order to increase control effectiveness. Unfortunately, for this fiscal year under audit, the current administration was not in place to affect internal controls.

Material Weakness

2017-2. Ability to Properly Produce Financial Statements and Maintain Financial Records

Conditions: Inability of management to prepare the financial statements on the Cash Receipts and Disbursements basis which is an accounting practice prescribed and permitted by the Mississippi State Department of Audit. Also, the City improperly recorded or mistakenly omitted some transactions necessary to produce a set of materially correct financial statements.

Criteria: Part of effective internal controls over financial reporting is the ability to properly produce financial statements in accordance with the cash basis of accounting. Management is responsible for ensuring that all items are reported inclusively and correctly on the City's financial statements.

Effect: During our audit we discovered several material transactions that were either not recorded or not recorded correctly in the general ledger. As a result the City lacks internal controls over the maintenance of its financial records and in its preparation of financial statements, and instead, relies, primarily, on its external auditors for assistance with these tasks.

Recommendation: Special consideration should be made as to classification so that amounts are recorded correctly. All bank account activity should be bookkept to the appropriate fund, and bank reconciliations should be done timely in order to guarantee all transactions are recorded timely and accurately. Also, accounting personnel should be trained in the preparation of financial statements in the applicable prescribed form.

City's Response: The City will take full responsibility for all adjusting or reclassifying journal entries proposed by our external auditors. The current administration is fully devoted to improving the current financial accounting system and has taken proactive steps. As of the date of this report, the City has contracted with an outside accounting firm for payroll services and is relying on that accounting firm for advice and consultation.

Compliance and Other Matters

2017-3. Compliance with Laws and Regulations

See "Independent Auditor's Report on Compliance with State Laws and Regulations" for compliance with state laws findings, recommendations, and City's responses.

Conditions: The municipality is responsible for timely remitting various payroll related taxes withheld from employees' earnings, the employer's matching portion of certain taxes, and/or employer payroll related taxes.

Criteria: Part of compliance with federal and state laws as related to payroll taxes is the ability to properly and timely file and remit the various required payroll taxes. Management is responsible for ensuring that all payroll items are reported correctly and paid timely.

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Effect: During our audit we discovered that the City was delinquent in filing various payroll reports and delinquent in remitting payroll taxes in the amounts of: Internal Revenue Service for \$45,345.56 for employee and employer FICA and federal withholding, MS Department of Employment Security for \$215.39 for state unemployment, and MS Department of Revenue for \$3,170.00 for employee state withholding.

Recommendation: All payroll reports/forms and unremitted payroll taxes should be submitted and paid immediately to be in compliance with applicable federal and state laws.

City's Response: The current administration is fully devoted to complying with all state and federal payroll tax laws and has, since September 30, 2017, remitted all payroll taxes due to the State of Mississippi and is committed to solving the federal tax issue. The City has also contracted with an outside accounting firm for payroll tax services and is relying on that accounting firm for advice and consultation.

2017-4. Compliance with Grant Expenditures

Condition: It was noted during the inspection of the revenues and expenditures of various federal grants that expenditures were not always paid within three days of receiving grant funds, as follows:

State and Tribal Assistance Grant - five expenditures totaling \$45,217.69

Gas Line Relocation Grant - two expenditures totaling \$24,850.21

Federal Transportation Grant — one expenditure for \$1,862.10

Water System Improvement Grant — two expenditures totaling \$14,050.01

HOME Grant — two expenditures totaling \$11,000.00

CDGB Grant — two expenditures totaling \$18,440.00

Criteria: All federal grant expenditures must be paid within three days of receiving grant funds.

Effect: Noncompliance with grant procedures could potentially jeopardize future grant awards.

Recommendation: The City should immediately comply with grant procedures. Grant revenues should not be requested until the related expenditures are ready for processing. Expenditures should be paid within three days of receiving grant funds.

City's Response: The City will be diligent to pay expenditures/expenses within three days of receiving grant revenues in order to stay in compliance.

