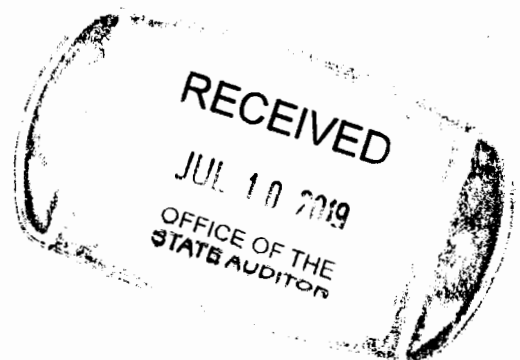




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CITY OF CARTHAGE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND
SPECIAL REPORTS

SEPTEMBER 30, 2018



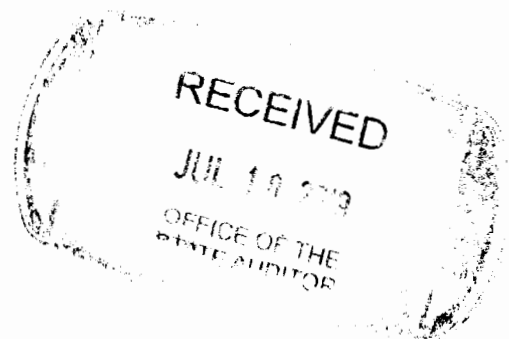
CITY OF CARTHAGE, MISSISSIPPI

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CITY OF CARTHAGE, MISSISSIPPI

FINANCIAL SECTION



Windham and Lacey, PLLC

Certified Public Accountants

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Members:
American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Carthage, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the 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 on the basis of cash receipts and disbursements; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Carthage, Mississippi, as of September 30, 2018, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Other Matters

Required Supplementary Information

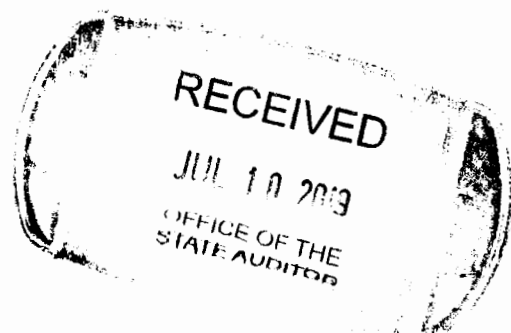
Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards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

Other Information

The Schedule of Changes in Long-term Debt, the Schedule of Capital Assets, the Schedule of Surety Bonds for Municipal Officials and Employees and the Statement of Cash Receipts and Disbursements - Water/Sewer Fund for the City of Carthage, Mississippi, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

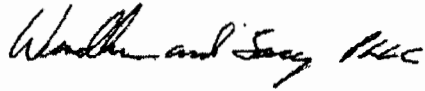
Other Reporting Requirements Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2019, on our consideration of the City of Carthage, 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 effectiveness of the City of Carthage, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Carthage, Mississippi's internal control over financial reporting and compliance.



Emphasis of Matter

As discussed in Note 1, the City of Carthage, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
March 20, 2019

CITY OF CARTHAGE, MISSISSIPPI

FINANCIAL STATEMENTS



City of Carthage, Mississippi
Statement of Activities and Net Assets - Cash Basis
As of and For the Year Ended September 30, 2018

| Functions/Programs | Program Cash Receipts | | | | Net (Disbursements) Receipts and Changes in Net Cash Position | | |
|--|-----------------------|--|--|--|--|-----------------------------|--------------------|
| | Cash Disbursements | Fines, Fees and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental Activities: | | | | | | | |
| General government | \$ 987,263 | 1,880 | 4,968 | | (980,415) | | (980,415) |
| Public safety | 1,668,827 | 159,158 | 117,313 | | (1,392,356) | | (1,392,356) |
| Public works | 1,213,658 | 296,633 | | 7,465 | (909,560) | | (909,560) |
| Health and welfare | 21,051 | 36,288 | | | 15,237 | | 15,237 |
| Culture and recreation | 1,724,982 | 43,925 | | | (1,681,057) | | (1,681,057) |
| Economic development | | | | | 0 | | 0 |
| Interest on long-term debt | 46,302 | | | | (46,302) | | (46,302) |
| Total Governmental Activities | <u>5,662,083</u> | <u>537,884</u> | <u>122,281</u> | <u>7,465</u> | <u>(4,994,453)</u> | <u>0</u> | <u>(4,994,453)</u> |
| Business-type Activities: | | | | | | | |
| Water/Sewer | 1,097,261 | 1,204,316 | | | | 107,055 | 107,055 |
| Total Business-type Activities | <u>1,097,261</u> | <u>1,204,316</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>107,055</u> | <u>107,055</u> |
| Total Government | <u>\$ 6,759,344</u> | <u>1,742,200</u> | <u>122,281</u> | <u>7,465</u> | <u>(4,994,453)</u> | <u>107,055</u> | <u>(4,887,398)</u> |
| General Receipts | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | \$ 753,009 | | 753,009 |
| Road & bridge privilege taxes | | | | | 181,085 | | 181,085 |
| Sales tax | | | | | 2,065,341 | | 2,065,341 |
| Franchise taxes | | | | | 135,268 | | 135,268 |
| Grants and contributions not restricted to specific programs | | | | | 63,807 | | 63,807 |
| Unrestricted interest income | | | | | 18,797 | 10,567 | 29,364 |
| Miscellaneous | | | | | 105,498 | | 105,498 |
| Proceeds from debt | | | | | 684,124 | | 684,124 |
| Transfers | | | | | 136,245 | (136,245) | 0 |
| Total General Receipts | | | | | <u>4,143,174</u> | <u>(125,678)</u> | <u>4,017,496</u> |
| Change in net cash position | | | | | (851,279) | (18,623) | (869,902) |
| Net Cash Position - Beginning | | | | | <u>3,020,809</u> | <u>1,226,047</u> | <u>4,246,856</u> |
| Net Cash Position - Ending | | | | | <u>\$ 2,169,530</u> | <u>1,207,424</u> | <u>3,376,954</u> |

City of Carthage, Mississippi
Statement of Activities and Net Assets - Cash Basis
As of and For the Year Ended September 30, 2018

(Continued)

ASSETS

Cash and cash equivalents \$ 3,376,954

Total Assets \$ 3,376,954

NET CASH POSITION

Restricted:

Public safety \$ 99,544

Committed:

Culture and recreation 631,928

Capital projects 246,234

Debt service 203,743

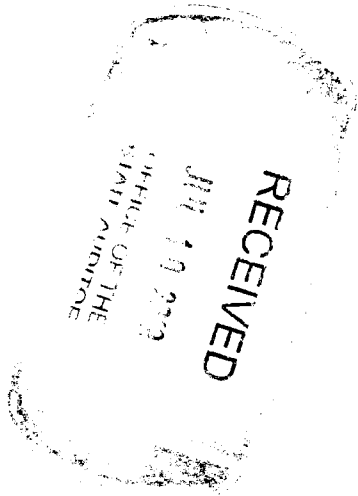
Assigned:

Street paving 155,243

Unrestricted 2,040,262

Total Net Cash Position \$ 3,376,954

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



City of Carthage, Mississippi
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
As of and For the Year Ended September 30, 2018

| | <u>Governmental Activities</u> | | | | | <u>Business-type Activities</u> | |
|-------------------------------|--------------------------------|-------------------------|-------------------------------|------------------------|------------------|---------------------------------|------------------|
| | <u>Major Funds</u> | | | | | <u>Major Funds</u> | |
| | <u>General Fund</u> | <u>Capital Projects</u> | <u>Capital Projects</u> | <u>Non-Major Funds</u> | <u>Total</u> | <u>Water/Sewer Funds</u> | <u>Total</u> |
| | | <u>McMillan Park</u> | <u>Ball Park Construction</u> | | | | |
| RECEIPTS | | | | | | | |
| Ad valorem taxes | \$ 508,899 | | | 244,110 | 753,009 | | |
| Road & bridge privilege taxes | 181,085 | | | | 181,085 | | |
| Licenses and permits | 168,544 | | | | 168,544 | | |
| Fines and forfeitures | 150,621 | | | 8,537 | 159,158 | | |
| Intergovernmental revenues: | | | | | | | |
| Federal revenues: | | | | | | | |
| Grants | 32,732 | | | 7,465 | 40,197 | | |
| State shared revenues: | | | | | | | |
| Sales taxes | 1,748,604 | | | 316,737 | 2,065,341 | | |
| In lieu tax | 19,448 | | | | 19,448 | | |
| General municipal aid | | | | 55,611 | 55,611 | | |
| Fire rebate | | | | 28,970 | 28,970 | | |
| Grand Gulf | 44,359 | | | | 44,359 | | |
| Other grants | 4,968 | | | | 4,968 | | |
| Charges for services: | | | | | | | |
| Garbage | 296,633 | | | | 296,633 | | |
| Rental income | | | | 31,460 | 31,460 | | |
| Other | 1,880 | | | 15,477 | 17,357 | | |
| Water and sewer utility | | | | | | 1,204,316 | 1,204,316 |
| Interest income | 11,192 | 61 | 2,534 | 5,010 | 18,797 | 10,567 | 10,567 |
| Miscellaneous revenue | 82,194 | | | 23,304 | 105,498 | | |
| Total Receipts | <u>3,251,159</u> | <u>61</u> | <u>2,534</u> | <u>736,681</u> | <u>3,990,435</u> | <u>1,214,883</u> | <u>1,214,883</u> |

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City of Carthage, Mississippi
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
For the Year Ended September 30, 2018

| | Governmental Activities | | | | | Business-type Activities | |
|--|-------------------------|-----------------------------------|--|-----------------|-------------|--------------------------|-----------|
| | Major Funds | | | | | Major Funds | |
| | General Fund | Capital Projects McMillan Park | Capital Projects Ball Park Construction | Non-Major Funds | Total | Water/Sewer Funds | Total |
| DISBURSEMENTS | | | | | | | |
| General government | 699,263 | | | | 699,263 | | |
| Public safety | 1,461,477 | | | 18,226 | 1,479,703 | | |
| Public works | 753,715 | | | 67,560 | 821,275 | | |
| Health and welfare | 21,051 | | | | 21,051 | | |
| Culture and recreation | 242,187 | 1,843 | | 181,550 | 425,580 | | |
| Water and sewer utility and cemetery: | | | | | | | |
| Personal services | | | | | | 470,839 | 470,839 |
| Contractual services | | | | | | 200,456 | 200,456 |
| Materials and supplies | | | | | | 77,119 | 77,119 |
| Utilities | | | | | | 83,788 | 83,788 |
| Other expenses | | | | | | 14,082 | 14,082 |
| Total Disbursements | 3,177,693 | 1,843 | 0 | 267,336 | 3,446,872 | 846,284 | 846,284 |
| Excess of Receipts Over (Under) Disbursements | 73,466 | (1,782) | 2,534 | 469,345 | 543,563 | 368,599 | 368,599 |
| OTHER CASH SOURCES (USES) | | | | | | | |
| Capital outlay | (8,230) | (717,077) | (582,325) | (427,277) | (1,734,909) | (83,373) | (83,373) |
| Principal paid on loan and lease purchase | | | | | | (142,505) | (142,505) |
| Interest paid on loan and lease purchase | | | | | | (25,099) | (25,099) |
| Principal paid on bonds | | | | (434,000) | (434,000) | | |
| Interest and fiscal fees paid on bonds | | | | (46,302) | (46,302) | | |
| Proceeds from debt | | | 600,000 | 84,124 | 684,124 | | |
| Transfers in (out) to other funds | (304,623) | (8,298) | 8,298 | 440,868 | 136,245 | (136,245) | (136,245) |
| Total Other Cash Sources and (Uses) | (312,853) | (725,375) | 25,973 | (382,587) | (1,394,842) | (387,222) | (387,222) |

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City of Carthage, Mississippi
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental and Business-type Funds
For the Year Ended September 30, 2018

| | Governmental Activities | | | | | Business-type Activities | |
|---|-------------------------|-----------------------------------|---|--------------------|------------------|--------------------------|------------------|
| | Major Funds | | | | | Major Funds | |
| | General Fund | Capital Projects McMillan Park | Capital Projects Ball Park Construction | Non-Major Funds | Total | Water/Sewer Funds | Total |
| Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses | (239,387) | (727,157) | 28,507 | 86,758 | (851,279) | (18,623) | (18,623) |
| CASH BASIS FUND BALANCE - Beginning of Year | <u>1,072,225</u> | <u>727,157</u> | <u>539,803</u> | <u>681,624</u> | <u>3,020,809</u> | <u>1,226,047</u> | <u>1,226,047</u> |
| CASH BASIS FUND BALANCE - End of Year | <u>\$ 832,838</u> | <u>0</u> | <u>568,310</u> | <u>768,382</u> | <u>2,169,530</u> | <u>1,207,424</u> | <u>1,207,424</u> |
| CASH BASIS ASSETS - End of Year | | | | | | | |
| Cash and cash equivalents | \$ 832,838 | | 568,310 | 768,382 | 2,169,530 | 1,207,424 | 1,207,424 |
| Total Cash Basis Assets | <u>\$ 832,838</u> | <u>0</u> | <u>568,310</u> | <u>768,382</u> | <u>2,169,530</u> | <u>1,207,424</u> | <u>1,207,424</u> |
| CASH BASIS FUND BALANCES - End of Year | | | | | | | |
| Restricted: | | | | | | | |
| Public safety | \$ | | | 99,544 | 99,544 | | |
| Committed: | | | | | | | |
| Public works | | | | | | 1,207,424 | 1,207,424 |
| Culture and recreation | | | 568,310 | 63,618 | 631,928 | | |
| Capital projects | | | | 246,234 | 246,234 | | |
| Debt service | | | | 203,743 | 203,743 | | |
| Assigned: | | | | | | | |
| Street paving | | | | 155,243 | 155,243 | | |
| Unassigned | <u>832,838</u> | | | | <u>832,838</u> | | |
| Total Cash Basis Fund Balances | <u>\$ 832,838</u> | <u>0</u> | <u>568,310</u> | <u>768,382</u> | <u>2,169,530</u> | <u>1,207,424</u> | <u>1,207,424</u> |

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

CITY OF CARTHAGE, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The City of Carthage, Mississippi, (the City) is a special-charter municipality governed by an elected mayor and four aldermen.

The financial statements of the City have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The following component unit's balances and transactions are blended with the balances and transaction of the primary government:

The Carthage Preservation Commission members are appointed by the City and shall serve at the will and pleasure of the City and shall serve staggered terms. The Commission is comprised of not fewer than five (5) or more than nine (9) members who are residents of the City. Although it is created legally separate from the City under *Section 39-13-3, Mississippi Code of 1972, as amended*, the Commission is reported as if it were part of the primary government because its sole purpose is to develop the City's historical resources and to advise the City on the designation of historic districts, landmarks, and landmark sites and perform such other functions as may be provided by law.

B. Government-wide and Fund Financial Statements.

The government-wide financial statements (i.e., the Statement of Net Cash Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental receipts, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The City combines the Statement of Activities and Statement of Net Cash Position.

The Statement of Activities demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. *Direct disbursements* are those that are clearly identifiable with a specific function or segment. *Program receipts* include (1) receipts from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as *general receipts*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and disbursements are recorded when cash is spent.

CITY OF CARTHAGE, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2018

Governmental fund financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and disbursements are recorded when cash is spent.

The government reports the following major Governmental Funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

The government reports the following major Proprietary Funds:

The *Water and Sewer fund* accounts for the activities of the water and sewer system.

Amounts reported as *program receipts* include (1) receipts from customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general receipts* rather than as program receipts.

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

D. Assets and Net Assets or Equity.

1. Cash.

The government's cash and cash equivalents are considered to be cash on hand or invested in certificates of deposit.

2. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in two components:

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Committed net position - Consists of net position with constraints for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned net position - Includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Aldermen pursuant to authorization established by Section 21-17-5, Miss. Code Ann. (1972).

Unrestricted net position - All other net position not meeting the definition of "restricted" or

CITY OF CARTHAGE, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2018**

“committed.”

Fund Financial Statements:

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

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

Restricted - Includes fund balance amounts that are constrained for specific purposes which are internally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned - Includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Aldermen pursuant to authorization established by Section 21-17-5, Miss. Code Ann. (1972).

Unassigned - The residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

E. Property Tax Receipts.

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

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

Leake County collects the City's property taxes.

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CITY OF CARTHAGE, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2018**

(2) Deposits.

At year-end, the City's carrying amount of deposits was \$3,376,954 and the bank balance was \$3,538,688. The collateral for public entities' deposits in financial institutions are 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 City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk - Deposits and Investments: Custodial credit risk is defined as the risk that, in the event of a failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on the behalf of the City.

(2) Interfund Transfers.

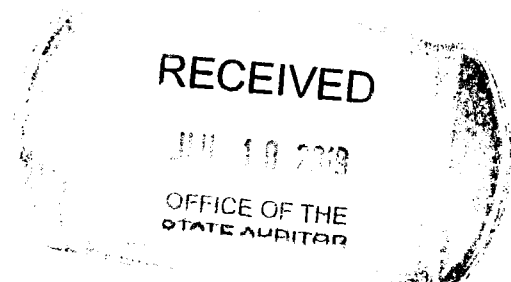
The following is a summary of interfund transfers as of September 30, 2018:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|--------------------------|----------------------|-------------------|
| Ball Park Construction | McMillan Park | \$ 8,298 |
| Other Governmental Funds | General Fund | 304,623 |
| Other Governmental Funds | Water/Sewer Fund | 136,245 |
| Total | | <u>\$ 449,166</u> |

(4) Defined Benefit Pension Plan.

Plan Description: The City of Carthage, 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. 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 to Public Employees' Retirement System, PERS Building, at 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 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 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 to PERS for the years ended September 30, 2018, 2017 and 2016 were \$289,936, \$300,953, \$278,608, respectively, which is equal to the required contributions for each year.



CITY OF CARTHAGE, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2018**

(5) Tax Abatements.

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

The Carthage Board of Aldermen and the Leake County Board of Supervisors negotiates property tax abatements on an individual basis. The City has tax abatement agreements with two entities as of September 30, 2018.

| <u>Category</u> | <u>Percentage of Taxes Abated During the Fiscal Year</u> | <u>Amount of Taxes Abated During the Fiscal Year</u> |
|--|--|--|
| Construction and renovation of retail facilities (ad valorem tax on real property only) | 100 | \$ 3,320 |

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

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

(5) Subsequent Events.

Events that occur after the Statement of Net Cash Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Cash Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through March 20, 2019, and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

CITY OF CARTHAGE, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION



City of Carthage, Mississippi
 Budgetary Comparison Schedule -
 Budget and Actual
 General Fund
 For the Year Ended September 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual (Budgetary Basis)</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---|---|
| RECEIPTS | | | | |
| Ad valorem taxes | \$ 536,400 | 508,899 | 508,899 | |
| Road and bridge tax | 230,000 | 181,085 | 181,085 | |
| License and permits | 177,985 | 169,409 | 169,409 | |
| Fines and forfeitures | 300,500 | 149,756 | 149,756 | |
| Intergovernmental revenues | 1,847,000 | 1,850,111 | 1,850,111 | |
| Charges for services: | 315,000 | 298,513 | 298,513 | |
| Interest income | 2,100 | 11,192 | 11,192 | |
| Miscellaneous revenue | 20,034 | 82,194 | 82,194 | |
| Total Receipts | <u>3,429,019</u> | <u>3,251,159</u> | <u>3,251,159</u> | <u>0</u> |
| EXPENDITURES | | | | |
| General government | 825,660 | 699,263 | 699,263 | |
| Public safety | 1,637,240 | 1,461,477 | 1,461,477 | |
| Public works | 767,469 | 761,945 | 761,945 | |
| Health and welfare | 27,000 | 21,051 | 21,051 | |
| Culture and recreation | 248,683 | 242,187 | 242,187 | |
| Total Expenditures | <u>3,506,052</u> | <u>3,185,923</u> | <u>3,185,923</u> | <u>0</u> |
| Excess of Receipts over (under) Expenditures | <u>(77,033)</u> | <u>65,236</u> | <u>65,236</u> | <u>0</u> |
| OTHER CASH SOURCES (USES) | | | | |
| Transfers in (out) to other funds | | <u>(304,623)</u> | <u>(304,623)</u> | |
| Total Other Cash Sources and Uses | <u>0</u> | <u>(304,623)</u> | <u>(304,623)</u> | <u>0</u> |
| Net Change in Cash Basis Fund Balance | <u>(77,033)</u> | <u>(239,387)</u> | <u>(239,387)</u> | <u>0</u> |
| Cash Basis Fund Balances - Beginning | <u>1,000,000</u> | <u>1,072,225</u> | <u>1,072,225</u> | <u>0</u> |
| Cash Basis Fund Balances - Ending | <u>\$ 922,967</u> | <u>832,838</u> | <u>832,838</u> | <u>0</u> |

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

CITY OF CARTHAGE, MISSISSIPPI

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2018**

A. Budgetary Information.

Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data, prepares an original budget for the General Fund for said fiscal year. The completed budget for the fiscal year includes every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original adopted budget, the final adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund.

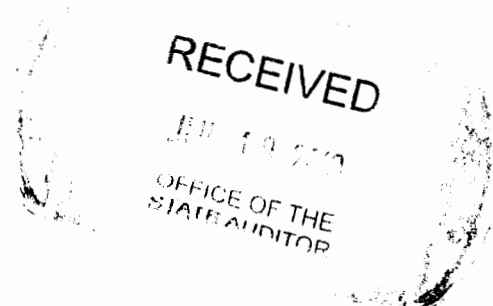


CITY OF CARTHAGE, MISSISSIPPI

OTHER REQUIRED SUPPLEMENTARY INFORMATION

City of Carthage, Mississippi
Schedule of Changes in Long-term Debt - UNAUDITED
For the Year Ended September 30, 2018

| Description | Outstanding Balance Sept. 30, 2017 | Issued | Redeemed | Outstanding Balance Sept. 30, 2018 |
|---|--|----------------|----------------|--|
| <u>Bonds:</u> | | | | |
| Governmental Activities: | | | | |
| General obligation bonds, Series 2011 Street improvements | \$ 762,000 | | 146,000 | 616,000 |
| State Tax and GO bonds, Series 2017 | 1,400,000 | | 288,000 | 1,112,000 |
| General obligation bonds, Series 2018 | | 600,000 | | 600,000 |
| Total Bonds | <u>2,162,000</u> | <u>600,000</u> | <u>434,000</u> | <u>2,328,000</u> |
| <u>Other Long-term Debt:</u> | | | | |
| Governmental Activities: | | | | |
| Lease purchase - Rescue Van | | 84,124 | | 84,124 |
| Total Governmental Activities | <u>0</u> | <u>84,124</u> | <u>0</u> | <u>84,124</u> |
| Business-type Activities: | | | | |
| Drinking water systems improvement revolving loan fund (DWSIRLF) | 165,046 | | 36,200 | 128,846 |
| State of Mississippi capital improvement (CAP) | 119,073 | | 10,658 | 108,415 |
| State of Mississippi capital improvement (CAP) | 165,649 | | 15,427 | 150,222 |
| Water pollution control revolving loan fund (WPCRLF) | 435,780 | | 52,511 | 383,269 |
| Water pollution control revolving loan fund (WPCRLF) | 406,674 | | 27,709 | 378,965 |
| Total Business-type Activities | <u>1,292,222</u> | <u>0</u> | <u>142,505</u> | <u>1,149,717</u> |
| Total Other Long-term Debt | <u>1,292,222</u> | <u>84,124</u> | <u>142,505</u> | <u>1,233,841</u> |
| Total Long-term Debt | <u>\$ 3,454,222</u> | <u>684,124</u> | <u>576,505</u> | <u>3,561,841</u> |



City of Carthage, Mississippi
Schedule of Capital Assets - UNAUDITED
For the Fiscal Year Ended September 30, 2018

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Land | \$ 744,907 | | | 744,907 |
| Construction in progress | 819,830 | 1,435,689 | | 2,255,519 |
| Buildings | 3,937,525 | | | 3,937,525 |
| Improvements other than buildings | 7,294,447 | 90,207 | | 7,384,654 |
| Streets | 1,894,944 | | | 1,894,944 |
| Machinery and equipment | 3,772,979 | 209,013 | | 3,981,992 |
| Governmental Activities Capital Assets | <u>\$ 18,464,632</u> | <u>1,734,909</u> | <u>0</u> | <u>20,199,541</u> |
| Business-type Activities: | | | | |
| Land | \$ 140,672 | | | 140,672 |
| Water and sewer system | 7,797,883 | 83,373 | | 7,881,256 |
| Business-type Activities Capital Assets | <u>\$ 7,938,555</u> | <u>83,373</u> | <u>0</u> | <u>8,021,928</u> |



City of Carthage, Mississippi
Schedule of Surety Bonds for Municipal Officials and Employees - UNAUDITED
September 30, 2018

| <u>Name</u> | <u>Position</u> | <u>Surety Company</u> | <u>Coverage</u> |
|---------------------|--------------------------------|---------------------------|-----------------|
| Britt Barnes | Alderman | SouthGroup | \$ 50,000 |
| David Cockroft | Alderman | SouthGroup | 50,000 |
| David Herrington | Alderman | SouthGroup | 50,000 |
| Terry Jones | Alderman | SouthGroup | 50,000 |
| Jimmy Wallace | Mayor | SouthGroup | 75,000 |
| Beverly Prestage | City clerk | SouthGroup | 75,000 |
| Timothy Palmer | Chief of Police | SouthGroup | 50,000 |
| Rita Wilkerson | Municipal court clerk | SouthGroup | 50,000 |
| Cynthia Middlebrook | Deputy court clerk | SouthGroup | 50,000 |
| Various | Police officer, each | SouthGroup | 50,000 |
| Various | Dispatcher, each | SouthGroup | 50,000 |
| Trudi Gray | Court/Water clerk | SouthGroup | 50,000 |
| Peggy Cook | Water clerk | SouthGroup | 50,000 |
| Annette Malone | Water clerk | SouthGroup | 50,000 |
| Penny Spears | Payroll/Accounts payable clerk | SouthGroup | 50,000 |
| Jason Burt | Parks Director | SouthGroup | 50,000 |



CITY OF CARTHAGE, MISSISSIPPI

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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Mississippi Society of CPAs

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

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

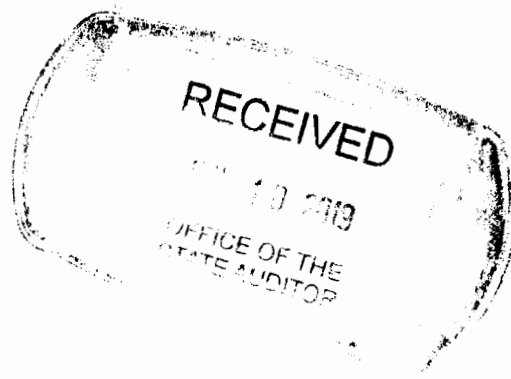
We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Carthage, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon March 20, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

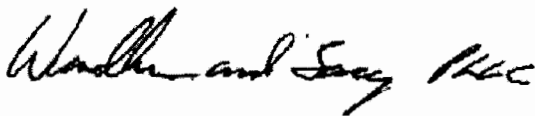


Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
March 20, 2019

Windham and Lacey, PLLC

Certified Public Accountants

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

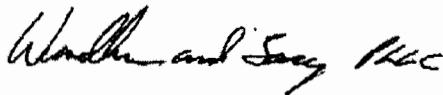
Honorable Mayor and
Members of the Board of Aldermen
City of Carthage, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the major funds and the aggregate remaining fund information of the City of Carthage, Mississippi, as of and for the year ended September 30, 2018, and have issued our report thereon dated March 20, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

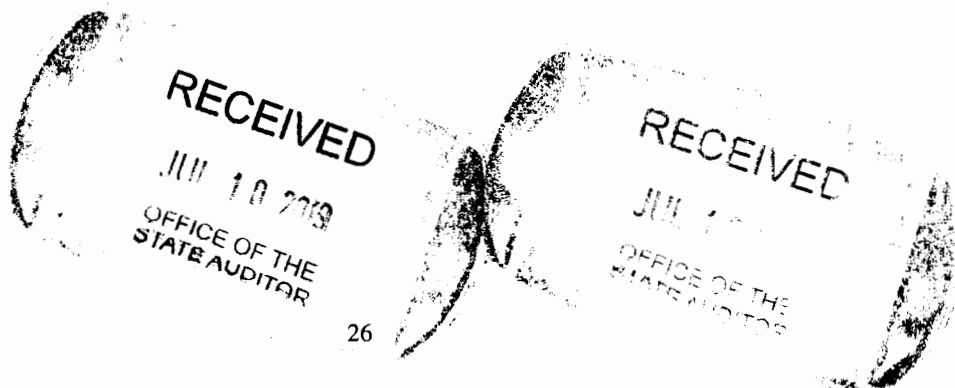
As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

Due to the reduced scope, these compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. The results of our compliance tests and our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information disclosed no material instance of noncompliance with state laws and regulations.

The purpose of this report is solely to describe the scope of our testing of compliance with certain state laws and regulations and the result of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC
March 20, 2019



CITY OF CARTHAGE, MISSISSIPPI

SCHEDULE OF FINDINGS

CITY OF CARTHAGE, MISSISSIPPI

**Schedule of Findings
For the Year Ended September 30, 2018**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

