



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

FINANCIAL STATEMENTS
City of Nettleton, Mississippi
For the Year Ended
September 30, 2018

**CITY OF NETTLETON
TABLE OF CONTENTS
September 30, 2018**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS - OVERVIEW:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statements of Net Position.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities	19
General Fund Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis	20
Proprietary Funds:	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Fund Net Position	23
Statement of Cash Flows.....	24
Notes to Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of the City's Proportionate Share of the Net Pension Liability	43
Schedule of the City's Contributions.....	44
Notes to the Required Supplementary Information	45
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS:	
General Fund:	
Comparative Balance Sheet	46

**CITY OF NETTLETON
TABLE OF CONTENTS
September 30, 2018**

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS: - Continued

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	47
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.....	50

Non-Major Governmental Funds:

Combining Balance Sheet - Non-Major Governmental Funds	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds.....	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non-Major Governmental Funds.....	55

OTHER SUPPLEMENTARY INFORMATION:

Schedule of Surety Bonds for Municipal Officials.....	56
Schedule of Long-Term Debt	57

OTHER REPORTS:

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	58
Independent Auditors' Report on Compliance with State Laws and Regulations.....	60
Schedule of Findings and Responses.....	61

INDEPENDENT AUDITORS' REPORT

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners
Gary Franks, CPA
Bryon Wilemon, CPA
Jonathan Hagood, CPA
Rudolph Franks, CPA (emeritus)

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Nettleton, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nettleton, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nettleton, Mississippi, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the schedule of the City's proportionate share of the net pension liability on page 42, and the schedule of the City's contributions on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2019, on our consideration of the City of Nettleton, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Nettleton, Mississippi's internal control over financial reporting and compliance.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
February 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF NETTLETON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplemental Information for the Year Ended September 30, 2018

This section of the City of Nettleton's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2018. Please read it in conjunction with the City of Nettleton financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position decreased by \$72,692 as a result of this year's operations. Net position of our business-type activities increased by \$22,307, or .45%, net position of our governmental activities decreased by \$94,999, or 1.93%.
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$4,851,034. This compares to the previous year when assets exceeded liabilities by \$4,923,726.
- As of the close of the current fiscal year, the City of Nettleton governmental funds reported combined ending fund balances of \$578,762, a decrease of \$40,192 in comparison to the prior year. Approximately 88% of the combined fund balances, \$507,183, is considered unassigned and is available for spending at the City of Nettleton discretion.
- The City of Nettleton's total debt is \$1,154,847. New debt in the amount of \$83,427 was issued during the year and \$147,363 in debt was repaid during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Proprietary fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and include the Water & Sewer Fund, and Solid Waste Funds.

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

Figure A-1

Major Features of the City of Nettleton's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks and recreation	Activities the City operates similar to private businesses: Water & Sewer, and Solid Waste.
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balances	Statement of net position; statement of revenues, expenses, and changes in net position, statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT’S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Statements

The government-wide statements report information about the City of Nettleton as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets, liabilities, and deferred inflows / outflows of resources, with the difference reported as net position. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City of Nettleton’s net position and how they have changed. Net position—the difference between the City of Nettleton’s assets, liabilities, and deferred inflows / outflows—is one way to measure the City of Nettleton’s financial health.

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

Fund Financial Statements

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

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

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The City of Nettleton has two kinds of funds:

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

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial situation. The City of Nettleton's assets and deferred outflows exceeded liabilities by \$4,851,034 at the close of the most recent fiscal year. This is a \$72,692 decrease from last year's net position of \$4,923,726. Tables A-1 and A-2 provide a summary of the City's net position at September 30, 2018 and 2017.

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

A large portion, 99% and 99%, of the City's net position reflects its investment in capital assets such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding for the years ended September 30, 2018 and 2017. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1

City of Nettleton's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current & Other Assets	\$ 919,286	\$ 854,521	\$ 625,844	\$ 618,535	\$ 1,545,130	\$ 1,473,056
Capital Assets	2,387,815	2,444,552	3,566,673	3,636,098	5,954,488	6,080,650
Total Assets	3,307,101	3,299,073	4,192,517	4,254,633	7,499,618	7,553,706
Total Deferred Outflows	19,166	47,821	22,226	35,536	41,392	83,357
Current Liabilities	147,877	62,977	238,489	256,802	386,366	319,779
Noncurrent Liabilities	1,048,475	1,024,433	1,206,711	1,274,802	2,255,186	2,299,235
Total Liabilities	1,196,352	1,087,410	1,445,200	1,537,604	2,641,552	2,619,014
Total Deferred Inflows	37,078	71,648	11,346	22,675	48,424	94,323
Net Position:						
Net Investment in						
Capital Assets	2,256,487	2,318,467	2,543,154	2,543,400	4,799,641	4,861,867
Restricted	3,435	3,408	0	0	3,435	3,408
Unrestricted (Deficit)	(167,085)	(134,039)	215,043	192,490	47,958	58,451
Total Net Position	\$ 2,092,837	\$ 2,187,836	\$ 2,758,197	\$ 2,735,890	\$ 4,851,034	\$ 4,923,726

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The \$215,043 of the unrestricted net position in the business-type activities provides excess funds to meet the government's ongoing obligations to citizens and creditors.

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The unrestricted net position of our business-type activities is \$215,043 of the total unrestricted net position. These resources cannot be used to add to the net position surplus in governmental activities. The City of Nettleton generally can only use these net assets to finance the continuing operations of the business type activities.

Changes in net assets. Approximately 16.32% of the City of Nettleton's revenue comes from property taxes, with 41.49% of all revenue coming from some type of tax. (See Table A-2.) This compares to 15.03% and 37.95% for the fiscal year ended September 30, 2017. Another 47.68% comes from fees charged for services, and 8.11% is from operating and capital grants and contributions and the remainder is from investment earnings and miscellaneous.

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

Table A-2
Changes in The City of Nettleton's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 101,289	\$ 83,758	\$ 701,970	\$ 706,536	\$ 803,259	\$ 790,294
Operating Grants & Contributions	24,113	13,051	0	0	24,113	13,051
Capital Grants & Contributions	59,585	10,195	52,975	23,855	112,560	34,050
General Revenues:						
Property Taxes	274,896	269,944	0	0	274,896	269,944
Other Taxes	423,945	411,872	0	0	423,945	411,872
Grants and Contributions	993	993	0	0	993	993
Investment Income	27	44	90	0	117	44
Other	44,664	276,155	0	(2,618)	44,664	273,537
Total Revenues	929,512	1,066,012	755,035	727,773	1,684,547	1,793,785
Expenses						
General Government	385,756	365,499	0	0	385,756	365,499
Public Safety	464,713	517,649	0	0	464,713	517,649
Public Works	195,110	191,099	0	0	195,110	191,099
Culture & Recreation	35,364	37,791	0	0	35,364	37,791
Debt Service	3,568	3,120	0	0	3,568	3,120
Water & Sewer	0	0	563,067	544,105	563,067	544,105
Solid Waste Management	0	0	109,661	110,846	109,661	110,846
Total Expenses	1,084,511	1,115,158	672,728	654,951	1,757,239	1,770,109
Excess of Revenue Over Expenses	(154,999)	(49,146)	82,307	72,822	(72,692)	23,676
Transfers	60,000	60,000	(60,000)	(60,000)	0	0
Increase (Decrease) in Net Position	(94,999)	10,854	22,307	12,822	(72,692)	23,676
Net Position-Beginning	2,187,836	2,176,982	2,735,890	2,723,068	4,923,726	4,900,050
Net Position-Ending	\$ 2,092,837	\$ 2,187,836	\$ 2,758,197	\$ 2,735,890	\$ 4,851,034	\$ 4,923,726

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Governmental Activities

Governmental activities decreased the City's net position by \$94,999.

The cost of all governmental activities this year was \$1,084,511. However, the amount taxpayers paid for these activities through city taxes (property taxes) was only \$274,896.

The largest funding sources for the City's governmental activities, as a percent of total revenues, are property taxes (30%), other taxes (46%), and operating and capital grants and contributions (9%).

The largest expense category for the City's governmental activities is public safety (43%).

Business-type Activities

Business-type activities increased the City's net position by \$22,307.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$573,203 for water and sewer and \$128,767 for solid waste management.

Financial Analysis of the Government's Funds

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

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

General Fund—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$507,183, which comprised 88% of the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare the fund balance, restricted, assigned, and unassigned, to total fund expenditures. Total fund balance represents 53% of total fund expenditures. The fund balance of the City's general fund decreased by \$40,219 during the current fiscal year.

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$3,435, which will be used for future expenditures.

Capital Projects Fund—The capital projects fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for elsewhere. For 2018, the City did not have any capital project funds.

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Proprietary Funds—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$2,758,197. Changes in net assets, which totaled \$22,307, were as follows: the water and sewer fund increased by \$15,201 and the solid waste management fund increased by \$7,106.

Budgetary Highlights

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

Comparing the FY 2018 original budget General Fund amount of \$985,737 to the final budget amount of \$1,220,448 shows a net increase of \$234,711. Differences between the original budget and the final budget were mainly related to an increase in amounts being budgeted for supplies and capital expenditures related to general government and culture and recreation.

The City's tax millage for the 2018 fiscal year remained unchanged at 34.00 mills.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018 and 2017, amounted to \$5,954,488 and \$6,080,650, net of accumulated depreciation of \$5,560,713 and \$5,211,529. This investment in capital assets includes land, buildings, improvements other than buildings, and machinery & equipment.

Table A-3
City of Nettleton's Capital Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 122,030	\$ 122,030	\$ 29,360	\$ 29,360	\$ 151,390	\$ 151,390
Infrastructure	1,576,641	1,576,641	0	0	1,576,641	1,576,641
Plant, Buildings, Improvements	1,553,453	1,479,408	6,102,896	5,995,550	7,656,349	7,474,958
Machinery & Equipment	1,462,998	1,453,504	667,823	576,113	2,130,821	2,029,617
Construction in Progress	0	0	0	59,573	0	59,573
Accumulated Depreciation	(2,327,307)	(2,187,031)	(3,233,406)	(3,024,498)	(5,560,713)	(5,211,529)
Total	\$ 2,387,815	\$ 2,444,552	\$ 3,566,673	\$ 3,636,098	\$ 5,954,488	\$ 6,080,650

CITY OF NETTLETON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-term Debt—At year-end, the city had \$1,154,847 in bonds, notes, and capital leases outstanding. More detailed information about the City of Nettleton's long-term liabilities is presented in the notes to the financial statements.

Table A-4
City of Nettleton's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 35,750	\$ 42,350	\$ 289,250	\$ 342,650	\$ 325,000	\$ 385,000
TRPDD Library Loan	28,010	0	0	0	28,010	0
CAP Loans	67,568	83,735	144,819	112,727	212,387	196,462
USDA Sewer Loans	0	0	188,457	192,355	188,457	196,355
SRF Sewer Loan	0	0	390,337	409,133	390,337	409,133
Capital Lease Obligation	0	0	10,656	35,833	10,656	35,833
Total	\$ 131,328	\$ 126,085	\$ 1,023,519	\$ 1,092,698	\$ 1,154,847	\$ 1,218,783

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors and expected grant related capital projects when establishing the fiscal year 2019 budget. The total budgeted appropriations for the City operations are \$2,803,920.

CONTACTING THE CITY OF NETTLETON FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Nettleton finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Nettleton's Finance Department, P.O. Box 1301 Nettleton, MS 38858.

BASIC FINANCIAL STATEMENTS

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash on Deposit	\$ 630,310	\$ 550,208	\$ 1,180,518
Money Market, CDs	1,349		1,349
Due from Other Governments	17,295		17,295
Accounts Receivable, net of allowance		68,887	68,887
Court Fines Receivable, net of allowance	170,925		170,925
Property Taxes Receivable	66,152		66,152
Other Receivables	31,105		31,105
Due from Other Funds	2,150	6,749	8,899
Capital Assets (Note 3):			
Land and Construction in Progress	122,030	29,360	151,390
Other Capital Assets, net of depreciation	<u>2,265,785</u>	<u>3,537,313</u>	<u>5,803,098</u>
TOTAL ASSETS	<u>3,307,101</u>	<u>4,192,517</u>	<u>7,499,618</u>
<u>DEFERRED OUTFLOWS OF REVENUES:</u>			
Deferred Amount of Refunding		16,361	16,361
Deferred Amounts Related to Pensions	<u>19,166</u>	<u>5,865</u>	<u>25,031</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 19,166</u>	<u>\$ 22,226</u>	<u>\$ 41,392</u>

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 96,698	\$ 30,141	\$ 126,839
Due to Other Funds	6,749	2,150	8,899
Customer Deposits		85,591	85,591
Accrued Compensated Absences	16,830	14,712	31,542
Long-Term Liabilities:			
Capital Leases - Due Within One Year		10,656	10,656
Debt - Due Within One Year	27,600	95,239	122,839
Debt - Due in More Than One Year	103,728	917,624	1,021,352
Net Pension Liability	944,747	289,087	1,233,834
TOTAL LIABILITIES	1,196,352	1,445,200	2,641,552
<u>DEFERRED INFLOWS OF REVENUES:</u>			
Deferred Amounts Related to Pensions	37,078	11,346	48,424
TOTAL DEFERRED INFLOWS OF RESOURCES	37,078	11,346	48,424
<u>NET POSITION:</u>			
Net Investment in Capital Assets	2,256,487	2,543,154	4,799,641
Restricted for:			
Special Revenue Projects	3,435		3,435
Unrestricted (Deficit)	(167,085)	215,043	47,958
TOTAL NET POSITION	\$ 2,092,837	\$ 2,758,197	\$ 4,851,034

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

						Net (Expense) Revenue and Changes in Net Position		
PROGRAM REVENUES						PRIMARY GOVERNMENT		
FUNCTIONS/ PROGRAMS	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT								
Governmental Activities:								
General Government	\$ 385,756	\$ 31,936	\$ 330	\$	\$ 32,266	\$ (353,490)	\$	\$ (353,490)
Public Safety	464,713	69,353	11,372	7,000	87,725	(376,988)		(376,988)
Public Works	195,110				0	(195,110)		(195,110)
Culture and Recreation	35,364		12,411	52,585	64,996	29,632		29,632
Debt Service	3,568				0	(3,568)		(3,568)
TOTAL GOVERNMENTAL ACTIVITIES	1,084,511	101,289	24,113	59,585	184,987	(899,524)	0	(899,524)
Business-Type Activities:								
Water and Sewer	563,067	573,203		52,975	626,178		63,111	63,111
Solid Waste Management	109,661	128,767			128,767		19,106	19,106
TOTAL BUSINESS-TYPE ACTIVITIES	672,728	701,970	0	52,975	754,945	0	82,217	82,217
TOTAL PRIMARY GOVERNMENT	\$ 1,757,239	\$ 803,259	\$ 24,113	\$ 112,560	\$ 939,932	\$ (899,524)	\$ 82,217	\$ (817,307)
GENERAL REVENUES:								
Taxes:								
Property Taxes, Levied for General Purposes						\$ 274,896	\$	\$ 274,896
Sales Taxes						370,904		370,904
County Pro Rata Taxes						20,668		20,668
Licenses and Permits						63,889		63,889
In Lieu Taxes						26,521		26,521
Gasoline Taxes & Other Taxes						5,852		5,852
Homestead Reimbursement						15,491		15,491
Grants and Contributions not Restricted to Specific Programs						993		993
Investment Earnings						27	90	117
Miscellaneous						17,584		17,584
Gain (Loss) on Sale of Capital Assets						(52,300)		(52,300)
Transfers						60,000	(60,000)	0
TOTAL GENERAL REVENUES AND TRANSFERS						804,525	(59,910)	744,615
CHANGE IN NET POSITION						(94,999)	22,307	(72,692)
NET POSITION--BEGINNING						2,187,836	2,735,890	4,923,726
NET POSITION--ENDING						\$ 2,092,837	\$ 2,758,197	\$ 4,851,034

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	<u>Major Fund</u>		
	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ 626,875	\$ 3,435	\$ 630,310
Money Market, CD's	1,349		1,349
Due from Other Governments	17,295		17,295
Due from Other Funds	2,150		2,150
Other Receivables	31,105		31,105
TOTAL ASSETS	\$ 678,774	\$ 3,435	\$ 682,209
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 96,698	\$	\$ 96,698
Due to Other Funds	6,749		6,749
TOTAL LIABILITIES	103,447	0	103,447
<u>FUND BALANCES:</u>			
Restricted for			
Fire Department	40,855		40,855
Culture and Recreation	3,600		3,600
Committed to			
Culture and Recreation	23,689		23,689
Assigned to			
Special Revenue Funds		3,435	3,435
Unassigned	507,183		507,183
TOTAL FUND BALANCES	575,327	3,435	578,762
TOTAL LIABILITIES AND FUND BALANCES	\$ 678,774	\$ 3,435	\$ 682,209

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2018

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 578,762
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	2,387,815
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(131,328)
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(16,830)
The net pension liability is not due and payable in the current period, and, therefore, is not reported in the Governmental Funds Balance Sheet	(944,747)
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.	66,152
Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the Governmental Funds Balance Sheet:	
Deferred outflows of resources related to defined benefit pension plan	19,166
Deferred inflows of resources related to defined benefit pension plan	(37,078)
Accrual of court fine revenues to qualify as financial resources.	170,925
	<hr/>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>2,092,837</u></u>

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	Major Fund		Non-Major	Total
	General		Governmental	Governmental
	Fund		Funds	Funds
REVENUES:				
General Property Taxes	\$ 272,920	\$		\$ 272,920
Sales and Use Taxes	370,904			370,904
Licenses and Permits	63,889			63,889
In Lieu of Taxes	26,521			26,521
Intergovernmental Revenues	54,376			54,376
Rentals	31,936			31,936
Fines and Forfeitures	40,763			40,763
Interest			27	27
Grant Income	50,215		7,000	57,215
Donations	15,111			15,111
Miscellaneous Revenues	17,584			17,584
TOTAL REVENUES	944,219		7,027	951,246
EXPENDITURES:				
Current:				
General Government	433,416			433,416
Public Safety	402,950		9,640	412,590
Public Works	129,454			129,454
Culture and Recreation	77,653			77,653
Debt Service	41,325			41,325
TOTAL EXPENDITURES	1,084,798		9,640	1,094,438
EXCESS OF REVENUES				
OVER (UNDER) EXPENDITURES	(140,579)		(2,613)	(143,192)
OTHER FINANCING SOURCES (USES):				
Proceeds from Issuance of Debt	43,000			43,000
Transfers from Other Funds	57,360		2,640	60,000
TOTAL OTHER FINANCING				
SOURCES (USES)	100,360		2,640	103,000
NET CHANGE IN FUND BALANCES	(40,219)		27	(40,192)
FUND BALANCES - Beginning	615,546		3,408	618,954
FUND BALANCES - Ending	\$ 575,327	\$	3,435	\$ 578,762

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(40,192)
--	----	----------

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		165,303
--	--	---------

Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(169,740)
---	--	-----------

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the remaining basis of the capital assets sold.		(52,300)
--	--	----------

Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds.		1,976
---	--	-------

Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds related to court fines.		28,590
---	--	--------

Pension expense is reported in the Statement of Activities but does not provide or require the use of current financial resources. Therefore, pension expense is not reported as expenditures in the governmental funds.		(17,557)
--	--	----------

Bond and related debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position		
Repayment of bond principal and other related debt is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position		
This amount represents bond proceeds or other related debt and premiums.		(43,000)
This amount represents long-term debt repayments and issuance costs.		37,757

Decrease in accrual of compensated absences.		(5,836)
--	--	---------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(94,999)
---	----	----------

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Year Ended September 30, 2018

	Budget			Variance with
	Original	Final	Actual	Final Budget (Over) Under
REVENUES:				
General Property Taxes	\$ 241,400	\$ 281,556	\$ 281,385	\$ (171)
Sales and Use Taxes	349,806	367,969	367,970	1
Licenses and Permits	54,500	62,468	62,471	3
In Lieu of Taxes	21,500	26,519	26,521	2
Intergovernmental Revenues	54,440	54,330	54,376	46
Rentals	33,912	33,912	31,936	(1,976)
Fines and Forfeitures	50,000	40,762	40,763	1
Grant Income	3,990	52,680	50,215	(2,465)
Donations	21,700	20,200	15,111	(5,089)
Miscellaneous Revenues	3,000	2,351	17,584	15,233
TOTAL REVENUES	834,248	942,747	948,332	5,585
EXPENDITURES:				
Current:				
General Government	370,426	453,019	433,416	19,603
Public Safety	417,096	424,581	402,950	21,631
Public Works	128,515	130,410	129,454	956
Culture and Recreation	28,100	170,838	77,653	93,185
Debt Service	41,600	41,600	41,325	275
TOTAL EXPENDITURES	985,737	1,220,448	1,084,798	135,650
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(151,489)	(277,701)	(136,466)	141,235
OTHER FINANCING SOURCES (USES):				
Proceeds from Issuance of Debt	43,000	43,000	43,000	0
Transfers (to) from Other Funds	60,000	57,360	57,360	0
TOTAL OTHER FINANCING SOURCES (USES)	103,000	100,360	100,360	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ (48,489)	\$ (177,341)	\$ (36,106)	\$ 141,235

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTAL
<u>ASSETS:</u>			
<u>Current:</u>			
Cash	\$ 28,437	\$ 521,771	\$ 550,208
Accounts Receivable, Net of Provision for Bad Debts of \$27,499	25,387	43,500	68,887
Due from Other Funds		6,749	6,749
Total Current Assets	53,824	572,020	625,844
<u>Noncurrent Assets:</u>			
<u>Fixed Assets:</u>			
Land		29,360	29,360
Water and Sewer System		6,020,974	6,020,974
Buildings and Improvements		81,922	81,922
Machinery and Equipment	87,230	580,593	667,823
Accumulated Depreciation	(53,757)	(3,179,649)	(3,233,406)
Total Noncurrent Assets	33,473	3,533,200	3,566,673
Total Assets	87,297	4,105,220	4,192,517
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Amounts on Refunding		16,361	16,361
Deferred Amounts Related to Pensions		5,865	5,865
Total Deferred Outflows of Resources	0	22,226	22,226

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTAL
<u>LIABILITIES:</u>			
<u>Current Liabilities:</u>			
Current Maturities of Long-term Debt	\$	\$ 95,239	\$ 95,239
Current Portion of Capital Leases		10,656	10,656
Accounts Payable and Accrued Expenses	9,238	20,903	30,141
Accrued Compensated Absences		14,712	14,712
Due to Other Funds		2,150	2,150
Customer Deposits		85,591	85,591
Total Current Liabilities	9,238	229,251	238,489
<u>Noncurrent Liabilities:</u>			
Net Pension Liability		289,087	289,087
Long-Term Debt, Less Current Maturities		917,624	917,624
Total Noncurrent Liabilities	0	1,206,711	1,206,711
Total Liabilities	9,238	1,435,962	1,445,200
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions		11,346	11,346
Total Deferred Inflows of Resources	0	11,346	11,346
<u>NET POSITION</u>			
Net Investment in Capital Assets	33,473	2,509,681	2,543,154
Unrestricted	44,586	170,457	215,043
Total Net Position	\$ 78,059	\$ 2,680,138	\$ 2,758,197

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTAL
<u>OPERATING REVENUE:</u>			
Charges For Services	\$ 128,767	\$ 573,203	\$ 701,970
Total Operating Revenue	128,767	573,203	701,970
<u>OPERATING EXPENSES:</u>			
Operations	99,761	240,766	340,527
Maintenance		101,051	101,051
Depreciation and Amortization	9,900	203,048	212,948
Total Operating Expenses	109,661	544,865	654,526
Net Operating Income (Loss)	19,106	28,338	47,444
<u>NON-OPERATING INCOME (EXPENSES):</u>			
Interest Income		90	90
Grant Income		52,975	52,975
Interest Expense		(18,202)	(18,202)
Net Non-Operating Income (Loss)	0	34,863	34,863
Income (Loss) Before Operating Transfers	19,106	63,201	82,307
Operating Transfers In (Out)	(12,000)	(48,000)	(60,000)
Change in Net Position	7,106	15,201	22,307
TOTAL NET POSITION - BEGINNING	70,953	2,664,937	2,735,890
TOTAL NET POSITION - ENDING	\$ 78,059	\$ 2,680,138	\$ 2,758,197

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
For the Year Ended September 30, 2018

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTALS
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 128,194	\$ 577,269	\$ 705,463
Payments to Suppliers	(121,059)	(153,514)	(274,573)
Payments to Employees		(99,547)	(99,547)
Other Receipts (Payments)		(92,327)	(92,327)
Net Cash Provided (Used) by Operating Activities	7,135	231,881	239,016
Cash Flows from Noncapital Financing Activities:			
Transfers In (Out)	(12,000)	(48,000)	(60,000)
Net Cash Provided (Used) by Noncapital Financing Activities	(12,000)	(48,000)	(60,000)
Cash Flows from Capital and Related Financing Activities:			
Purchases of Capital Assets		(139,483)	(139,483)
Principal Paid on Capital Debt		(84,429)	(84,429)
Proceeds from Issuance of Debt		40,427	40,427
Payments on Capital Lease Obligations		(25,177)	(25,177)
Capital Grant Proceeds		52,975	52,975
Interest Paid on Capital Debt		(18,202)	(18,202)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(173,889)	(173,889)
Cash Flows From Investing Activities:			
Interest and Dividends		90	90
Net Cash Provided (Used) by Investing Activities	0	90	90
Net Increase (Decrease) In Cash and Cash Equivalents	(4,865)	10,082	5,217
Cash and Cash Equivalents--Beginning	33,302	511,689	544,991
Cash and Cash Equivalents--Ending	\$ 28,437	\$ 521,771	\$ 550,208

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
For the Year Ended September 30, 2018

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTALS
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 19,106	\$ 28,338	\$ 47,444
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization Expense	9,900	203,048	212,948
Net Pension Expense		(4,539)	(4,539)
Change in Assets and Liabilities:			
Accounts Receivable	(573)	(1,522)	(2,095)
Accounts Payable and Accrued Expenses	(21,298)	1,822	(19,476)
Accrued Compensated Absences		2,212	2,212
Customer Deposits		2,522	2,522
Net Cash Provided (Used) by Operating Activities	\$ <u>7,135</u>	\$ <u>231,881</u>	\$ <u>239,016</u>

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Nettleton, Mississippi operates under the Home-Rule authority granted by the 1985 Mississippi Legislature. A mayor-board of aldermen form of government is used and the City provides the following services: public safety (police and fire), street maintenance, sanitation, water and sewer services and general administrative services.

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information on all nonfiduciary activities of the primary government and its component units. The statements distinguish between those activities of the City that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements

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

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The City reports the following governmental funds:

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

Additionally the City reports the following governmental fund types:

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes. All of the special revenue funds are non-major funds for 2017.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing or acquiring permanent or semi-permanent capital improvements. Capital improvements intended for Enterprise Fund use are not included in the Capital Projects Funds.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The City reports the following proprietary funds:

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

The Solid Waste Management Fund – This fund is used to account for the City's garbage collection system. The fund is responsible for garbage collection to the residents of the City of Nettleton.

The City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use the most restrictive fund first in the following order: restricted, assigned, then unassigned as needed.

Fund Balances / Net Position

On the government-wide and proprietary fund statement of net assets, the City reports net position in the following three categories:

Net Investment in Capital Assets – consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition or construction of those assets.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances / Net Position (continued)

Restricted Net Position – consists of assets, less any related liabilities, restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of net assets that are not classified as invested in capital assets, net of related debt or restricted net assets.

GASB Statement No. 54. *Fund Balance Reporting and Governmental Fund Type Definitions* – this statement enhances the usefulness of fund balance information by providing clearer fund balance classifications and clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with this GASB statement. See the below notes for further descriptions of the City's fund balance classifications and policies.

On the fund financial statements, the governmental funds balance sheet reports assets in excess of liabilities as fund balances. The fund balances are segregated into the following classifications indicating the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent:

Restricted – the fund balance is reported as restricted when constraints placed on the resources are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – the fund balance is reported as committed for amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the board of aldermen. Committed amounts cannot be uncommitted except by removing the constraints through the same formal action.

Assigned – the fund balance is reported as assigned for resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the board of aldermen or an official to which the board has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – the unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that is not otherwise reported as restricted or assigned to specific purposes. This classification is also used to report any negative fund balance in other governmental funds.

Budgets and Budgetary Accounting

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

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

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

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

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

Cash and Investments

The collateral for the City's 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 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.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows and Inflows of Resources

The City reports decreases or increases in net assets that relate to future periods as deferred outflows or inflows of resources in a separate section of its government-wide and proprietary funds statements of net position. Deferred outflows of resources reported in this year's financial statements included a deferred amount arising from the refunding of enterprise general obligation bonds in a previous year. This deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of amortization expense. The remaining deferred outflows and inflows are related to pensions. See Note 8 for further details.

Revenue Recognition - Property Taxes

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

Compensated Absences

The City's policy allows employees to accumulate unused sick leave up to 60 days. The City also allows employees to accumulate comp time. Upon termination, accumulated comp time will be paid to the employee up to 160 hours.

General Obligation Refunding Bonds

The enterprise funds provide 89% of the annual debt service requirement on the 2012 general obligation refunding bonds (not secured by system revenues) issued to finance system improvements. The general fund provides the remaining 11% debt service requirement. Since the enterprise funds and the general fund share in providing the annual debt service requirements on these general obligation refunding bonds, the bonds are recorded as obligations of both the governmental activities and the enterprise funds by their aforementioned percentages.

Encumbrances

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

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the provision for uncollectible court fines and the net pension liability as mentioned in Note 4 and Note 8, respectively. It is as least reasonably possible that the significant estimate used will change within the next year.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Business Information

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

Pensions

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

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2 - PROPERTY TAXES

Property taxes, except motor vehicles, attach as an enforceable lien on property as of January 1st. All property taxes, including motor vehicle taxes, are collected by the Lee and Monroe County Tax Collectors and remitted to the City. The County Tax Collectors also collect taxes for the Separate School District. Taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year end.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 3 - FIXED ASSETS

The City adopted a capitalization threshold of \$1,000 for general fixed assets and a threshold of \$5,000 for infrastructure assets effective for the current fiscal year.

The following is a summary of capital asset activity as of September 30, 2018:

	<u>Balance Oct. 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Sept. 30, 2018</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 122,030	\$ 0	\$ 0	\$ 122,030
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	122,030	0	0	122,030
 Other Capital Assets:				
Infrastructure	1,576,641	0	0	1,576,641
Machinery and Equipment	1,453,504	16,258	(6,764)	1,462,998
Plant, Buildings and Improvements	<u>1,479,408</u>	<u>149,045</u>	<u>(75,000)</u>	<u>1,553,453</u>
 Total Other Capital Assets at Historical Cost	4,509,553	165,303	(81,764)	4,593,092
 Less Accumulated Depreciation for:				
Infrastructure	(617,086)	(63,742)	0	(680,828)
Machinery and Equipment	(1,190,652)	(55,327)	6,589	(1,239,390)
Plant, Buildings and Improvements	<u>(379,293)</u>	<u>(50,671)</u>	<u>22,875</u>	<u>(407,089)</u>
 Total Accumulated Depreciation	<u>(2,187,031)</u>	<u>(169,740)</u>	<u>29,464</u>	<u>(2,327,307)</u>
 Other Capital Assets, Net	<u>2,322,522</u>	<u>(4,437)</u>	<u>(52,300)</u>	<u>2,265,785</u>
 Governmental Activities				
Capital Assets, net	\$ <u>2,444,552</u>	\$ <u>(4,437)</u>	\$ <u>(52,300)</u>	\$ <u>2,387,815</u>

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 3 - FIXED ASSETS (continued)

A summary of business-type capital asset activity at September 30, 2018 follows:

	<u>Balance</u> <u>Oct. 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Sept. 30, 2018</u>
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 29,360	\$ 0	\$ 0	\$ 29,360
Construction in Progress	59,573	0	(59,573)	0
Total Capital Assets, not being Depreciated:	88,933	0	(59,573)	29,360
Other Capital Assets:				
Plant, Buildings and Improvements	5,995,550	107,346	0	6,102,896
Machinery and Equipment	576,113	91,710	0	667,823
Total Other Capital Assets at Historical Cost	6,517,663	199,056	0	6,770,719
Less Accumulated Depreciation for:				
Plant, Buildings and Improvements	(2,598,379)	(165,010)	0	(2,763,389)
Machinery and Equipment	(426,119)	(43,898)	0	(470,017)
Total Accumulated Depreciation	(3,024,498)	(208,908)	0	(3,233,406)
Other Capital Assets, Net	3,547,165	(9,852)	0	3,537,313
Total Business-Type				
Capital Assets, net	\$ <u>3,636,098</u>	\$ <u>(9,852)</u>	\$ <u>(59,573)</u>	\$ <u>3,566,673</u>

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

Plant, building, and Improvements	5 – 40 Years
Machinery and Equipment	5 – 15 Years
Furniture and Fixtures	5 – 20 Years
Vehicles	5 – 10 Years

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 3 - FIXED ASSETS (continued)

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

Governmental Activities:	
General Government	\$ 41,955
Public Safety	53,637
Public Works	63,852
Culture and Recreation	<u>10,296</u>
Total Depreciation Expense – Governmental Activities	\$ <u><u>169,740</u></u>
Business-type Activities:	
Water and Sewer	\$ 199,008
Solid Waste	<u>9,900</u>
Total Depreciation Expense – Business-type Activities	\$ <u><u>208,908</u></u>

NOTE 4 - RECEIVABLES AND COURT FINES RECEIVABLE

Receivables at September 30, 2018, consisted primarily of taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

An allowance for doubtful accounts has been recorded at September 30, 2018 in the amount of \$27,499 for the business-type activities accounts receivable. An allowance has also been recorded in the Governmental Activities for uncollectible court fines receivable in the amount of \$320,019.

NOTE 5 - LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended September 30, 2018:

	General Obligation Bonds Payable	Notes & Bonds Payable	Total
Bonds and Other Long-Term Debt at 10/1/17	\$ 385,000	\$ 797,950	\$ 1,182,950
Add: Bonds and Other Long-Term Debt Acquired	0	83,427	83,427
Less: Bonds and Other Long-Term Debt Retired	<u>60,000</u>	<u>62,186</u>	<u>122,186</u>
Bonds and Other Long-Term Debt at 9/30/18	\$ <u><u>325,000</u></u>	\$ <u><u>819,191</u></u>	\$ <u><u>1,144,191</u></u>

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 5 - LONG-TERM DEBT (continued)

Bonds and other long-term debt at September 30, 2018 are comprised of the following issues:

General Obligation Bonds:

\$675,000 Refunding Bonds due in annual installments of \$55,000 to \$70,000 through December 1, 2022; interest is variable (currently 1.25 percent) \$ 325,000

Notes Payable:

\$216,600 Note due over a 35 year term through May 2046; interest at 3.25 percent \$ 188,457

\$161,640 Note due over a 10 year term through August 2022; interest at 2.00 percent \$ 67,568

\$140,044 Note due over a 20 year term through February 2024; interest at 3.00 percent \$ 45,296

\$429,128 MDEQ note due over a 20 year term through April 2036; interest at 1.75 percent \$ 390,337

\$100,000 MDA note due over a 15 year term through August 2033; interest at 2.00 percent \$ 99,523

\$43,000 TRPDD note due over a 10 year term through February 2028; interest at 3.00 percent \$ 28,010

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

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 5 - LONG-TERM DEBT (continued)

The Annual requirements to amortize all finalized debt outstanding as of September 30, 2018 including interest payments of \$218,896 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 27,600	\$ 3,248	\$ 95,239	\$ 23,103	\$ 122,839	\$ 26,351
2020	27,499	2,662	91,631	21,162	119,130	23,824
2021	28,516	2,040	96,944	19,044	125,460	21,084
2022	28,439	1,399	102,278	16,800	130,717	18,199
2023	11,434	895	98,733	14,182	110,167	15,077
2024 - 2028	7,840	1,454	147,423	48,368	155,263	49,822
2029 - 2033	0	0	183,499	35,161	183,449	35,161
2034 - 2038	0	0	126,364	18,364	126,364	18,364
2039 - 2043	0	0	43,178	9,081	43,178	9,081
2044 - 2047	<u>0</u>	<u>0</u>	<u>27,624</u>	<u>1,933</u>	<u>27,624</u>	<u>1,933</u>
	<u>\$ 131,328</u>	<u>\$ 11,698</u>	<u>\$ 1,012,863</u>	<u>\$ 207,198</u>	<u>\$ 1,144,191</u>	<u>\$ 218,896</u>

NOTE 6 - CAPITAL LEASES

The Town entered into a \$98,537 capital lease agreement for a CAT backhoe loader in 2015. The economic substance of the lease is that the Town is financing the acquisition through the lease and accordingly, the equipment is recorded in the Town's assets and liabilities. The CAT backhoe loader lease is payable in monthly installments of \$2,142 through January 26, 2019. The lease is secured with the CAT backhoe loader.

Future minimum lease payments under the capital lease are as follows:

2019	\$ <u>10,656</u>
Minimum Lease Payments	10,656
Less: Interest	<u>61</u>
Present Value of Minimum Lease Payments	\$ <u><u>10,595</u></u>

The asset held under the capital lease is included in property and equipment as follows:

Equipment	\$ 98,537
Less: Accumulated Depreciation	<u>72,261</u>
	\$ <u><u>26,276</u></u>

NOTE 7 - LITIGATION

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

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description - Employees of the City of Nettleton are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing agent multiple-employer pension plan. The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided - For the cost-sharing plan participating members who are vested and retire at or after age 60 or those retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Employee membership data related to the Plan, as of June 30, 2018 was as follows:

Inactive Members or Beneficiaries Currently Receiving Benefits	104,973
Inactive Members Assumed Eligible for a Benefit at Retirement Date	16,578
Inactive Members Assumed Not to Receive Service Retirement Benefits	52,763
Active Members	150,687
Total	<u>325,001</u>

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

Contributions - The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and the City of Nettleton is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the City to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

For the year ended September 30, 2018, the City of Nettleton's total payroll for all employees was \$476,527. Total covered payroll was \$475,733. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At September 30, 2018, the City of Nettleton reported a liability of \$1,233,834 for its proportionate share of the net pension liability.

The net pension liability was measured as of June 30, 2018, and the total pension liability percentage used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Nettleton's proportion of the net pension was based on a projection of the City of Nettleton's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City of Nettleton's proportion was 0.007418 percent.

For the year ended September 30, 2018, the City of Nettleton recognized pension expense of \$13,018. At September 30, 2018, the City of Nettleton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 5,410	\$ 5,201
Net Difference Between Expected and Actual Investment Earnings	0	24,528
City Pension Contributions Subsequent to the Measurement Date	18,893	0
Changes of Assumptions	728	681
Changes in Proportion and Differences Actual Earnings on Pension Plan Assets	0	18,014
Total	\$ <u>25,031</u>	\$ <u>48,424</u>

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

The \$18,893 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Amount
2019	\$ (6,832)
2020	(5,858)
2021	(24,049)
2022	(5,547)
Total	\$ <u>(42,286)</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 -18.50%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Discount Rate	City of Nettleton's Proportionate Share of Net Pension Liability
1% Decrease	6.75%	\$ 1,624,605
Current Discount Rate	7.75%	1,233,834
1% Increase	8.75%	909,051

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

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 9 - FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues or expenditures included on the "General Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$4,113 less than cash revenues.

NOTE 10 - SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through February 18, 2019, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NETTLETON, MISSISSIPPI
Schedule of the City's Proportionate
Share of the Net Pension Liability
For the four years ended September 30, 2018*

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>	
A. City of Nettleton's proportion of net pension liability (%)	0.007418	%	0.007296	%	0.007600	%	0.007900	%
B. City of Nettleton's proportionate share of net pension liability	\$ 1,233,834		\$ 1,212,842		\$ 1,361,837		\$ 1,218,557	
C. City of Nettleton's covered employee payroll	\$ 475,733		\$ 467,162		\$ 487,368		\$ 486,778	
D. City of Nettleton's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	259.35	%	259.62	%	279.43	%	250.00	%
E. Plan fiduciary net position as a percentage of total pension liability	62.54	%	61.49	%	57.47	%	61.70	%

Schedule is intended to show information for 10 years. Additional years will be available as they become available.

* The amounts presented have a measurement date of June 30.

CITY OF NETTLETON, MISSISSIPPI
Schedule of the City's Contributions
For the five years ended September 30, 2018

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
A. Statutorily required contributions	\$ 74,928	\$	73,578	\$	76,760	\$	76,804	\$	74,824
B. Contributions in relation to statutorily required contributions	\$ 74,928	\$	73,578	\$	76,760	\$	76,804	\$	74,824
C. Contribution deficiency (excess)	\$ -	\$	-	\$	-	\$	-	\$	-
D. City of Nettleton's covered employee payroll	\$ 475,733	\$	467,162	\$	487,368	\$	486,778	\$	475,073
E. Contributions as a percentage of covered employee payroll	15.75		15.75	%	15.75	%	15.75	%	15.75

CITY OF NETTLETON, MISSISSIPPI
Notes to the Required Supplementary Information
For the Year Ended September 30, 2018

Changes of Assumptions

- 2017 The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

- 2016 The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

- 2015 The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes of Benefit Provisions

- 2016 Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE BALANCE SHEET - GENERAL FUND
September 30, 2018 and 2017

	2018	2017
<u>ASSETS:</u>		
Cash	\$ 626,875	\$ 588,428
Money Market, CD's	1,349	1,338
Due from Other Governments	17,295	24,515
Due from Other Funds	2,150	2,150
Other Receivables	<u>31,105</u>	<u>28,171</u>
Total Assets	\$ <u>678,774</u>	\$ <u>644,602</u>
<u>LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 96,698	\$ 22,304
Due to Other Funds	<u>6,749</u>	<u>6,752</u>
Total Liabilities	<u>103,447</u>	<u>29,056</u>
<u>FUND BALANCES:</u>		
Restricted for		
Fire Department	40,855	41,250
Culture and Recreation	3,600	900
Committed to		
Culture and Recreation	23,689	19,286
Unassigned	<u>507,183</u>	<u>554,110</u>
Total Fund Balances	<u>575,327</u>	<u>615,546</u>
Total Liabilities and Fund Balances	\$ <u>678,774</u>	\$ <u>644,602</u>

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GENERAL FUND
For the Years Ended September 30, 2018 and 2017

	TOTALS	TOTALS
	2018	2017
<u>REVENUES:</u>		
Ad Valorem Taxes:		
Real & Personal	\$ 272,920	\$ 269,986
Licenses and Permits	63,889	62,008
State of Mississippi:		
Sales Tax	370,904	356,935
Municipal Aid	993	993
Gasoline Tax	5,852	5,852
Homestead Reimbursement	15,491	14,689
In Lieu - TVA	16,079	17,699
Fire Protection Allocation	11,372	11,154
Grant Income	50,215	1,897
Monroe County:		
Pro Rata Tax	20,668	20,470
In Lieu - Other:		
Housing Authority	10,442	10,916
Fines and Forfeitures	40,763	47,485
Rentals	31,936	27,512
Donations	15,111	3,721
Interest	114	0
Miscellaneous Revenues	17,470	20,352
Total Revenues	944,219	871,669
<u>EXPENDITURES:</u>		
General Government:		
Personal Services	181,269	175,389
Supplies	41,040	17,185
Other Services and Charges	114,647	111,429
Capital Outlay	96,460	4,000
Total General Government	433,416	308,003

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GENERAL FUND
For the Years Ended September 30, 2018 and 2017

	TOTALS	TOTALS
	2018	2017
Public Safety:		
Police Department:		
Personnel Services	\$ 299,716	\$ 297,088
Supplies	26,695	28,847
Other Services and Charges	23,940	24,625
Capital Outlay	1,663	30,746
Total	352,014	381,306
Fire Department:		
Personnel Services	500	474
Supplies	16,793	25,159
Other Services and Charges	28,688	27,290
Capital Outlay	4,955	596
Total	50,936	53,519
Total Public Safety	402,950	434,825
Public Works:		
Street Department:		
Personnel Services	48,301	41,442
Supplies	23,224	22,805
Other Services and Charges	57,779	55,848
Capital Outlay	0	2,040
Total	129,304	122,135
Animal Control:		
Other Services and Charges	150	1,853
Total	150	1,853
Total Public Works	129,454	123,988

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GENERAL FUND
For the Years Ended September 30, 2018 and 2017

	TOTALS	TOTALS
	2018	2017
Culture and Recreation:		
Personnel Services	\$ 3,000	\$ 3,000
Supplies	11,894	16,300
Other Services and Charges	10,174	8,330
Capital Outlay	<u>52,585</u>	<u>0</u>
Total Culture & Recreation	<u>77,653</u>	<u>27,630</u>
Debt Service:		
Principal Retired	37,757	22,579
Interest Expense	<u>3,568</u>	<u>3,121</u>
Total Debt Service	<u>41,325</u>	<u>25,700</u>
Total Expenditures	<u>1,084,798</u>	<u>920,146</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>(140,579)</u>	<u>(48,477)</u>
Other Financing Sources (Uses):		
Proceeds from Issuance of Debt	43,000	0
Sale of Land and Equipment	0	181,000
Transfers (to) from Other Funds	<u>57,360</u>	<u>60,000</u>
Total Other Financing Sources (Uses)	<u>100,360</u>	<u>241,000</u>
Excess (Deficiency) of Revenues and Other Financing		
Sources Over (Under) Expenditures and Other		
Financing Uses	(40,219)	192,523
Fund Balance:		
October 1,	<u>615,546</u>	<u>423,023</u>
September 30,	\$ <u><u>575,327</u></u>	\$ <u><u>615,546</u></u>

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2018

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>RECEIPTS:</u>			
Ad Valorem Taxes:			
Real & Personal	\$ 281,556	\$ 281,385	\$ (171)
Licenses and Permits	62,468	62,471	3
State of Mississippi:			
Sales Tax	367,969	367,970	1
Municipal Aid	993	993	0
Gasoline Tax	5,807	5,852	45
Homestead Reimbursement	15,490	15,491	1
In Lieu - TVA	16,077	16,079	2
Fire Protection Allocation	11,372	11,372	0
Grant Income	52,680	50,215	(2,465)
Monroe County:			
Pro Rate Tax	20,668	20,668	0
In Lieu - Other:			
Housing Authority	10,442	10,442	0
Fines and Forfeitures	40,762	40,763	1
Rentals	33,912	31,936	(1,976)
Donations	20,200	15,111	(5,089)
Miscellaneous Revenues	2,351	17,470	15,119
Total Receipts	942,747	948,332	5,585
<u>EXPENDITURES:</u>			
General Government:			
Personnel Services	181,453	181,269	184
Supplies	41,748	41,040	708
Other Services and Charges	114,676	114,647	29
Capital Outlay	115,142	96,460	18,682
Total	453,019	433,416	19,603

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2018

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Public Safety:			
Police Department:			
Personnel Services	\$ 300,989	\$ 299,716	\$ 1,273
Supplies	28,032	26,695	1,337
Other Services and Charges	23,956	23,940	16
Capital Outlay	1,700	1,663	37
Total	354,677	352,014	2,663
Fire Department:			
Personnel Services	501	500	1
Supplies	17,269	16,793	476
Other Services and Charges	47,134	28,688	18,446
Capital Outlay	5,000	4,955	45
Total	69,904	50,936	18,968
Total Public Safety	424,581	402,950	21,631
Public Works:			
Street Department:			
Personnel Services	48,303	48,301	2
Supplies	24,175	23,224	951
Other Services and Charges	57,782	57,779	3
Total	130,260	129,304	956
Animal Control:			
Other Services and Charges	150	150	0
Total	150	150	0
Total Public Works	130,410	129,454	956

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2018

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Culture and Recreation:			
Personnel Services	\$ 3,000	\$ 3,000	\$ 0
Supplies	11,930	11,894	36
Other Services and Charges	54,801	10,174	44,627
Capital Outlay	101,107	52,585	48,522
Total Culture & Recreation	170,838	77,653	93,185
Debt Service:			
Principal Retired	38,000	37,757	243
Interest Expense	3,600	3,568	32
Total Debt Service	41,600	41,325	275
Total Expenditures	1,220,448	1,084,798	135,650
Excess (Deficiency) of Revenue Over (Under) Expenditures	(277,701)	(136,466)	141,235
Other Financing Sources (Uses):			
Proceeds from Issuance of Debt	43,000	43,000	0
Transfers (to) from Other Funds	57,360	57,360	0
Total Other Financing Sources (Uses)	100,360	100,360	0
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(177,341)	(36,106)	141,235
Fund Balance:			
October 1,	615,546	615,546	0
(Non-GAAP Budgetary Basis)			
September 30,	\$ 438,205	579,440	\$ 141,235
Adjustments to GAAP Basis:			
Accrued Revenue		(4,113)	
Fund Balance (GAAP) September 30,		\$ 575,327	

**CITY OF NETTLETON, MISSISSIPPI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2018**

	Non-Major Special Revenue	Total Non-Major Governmental Funds
<u>ASSETS:</u>		
Cash	\$ 3,435	\$ 3,435
Other Receivable	<u>0</u>	<u>0</u>
TOTAL ASSETS	\$ <u>3,435</u>	\$ <u>3,435</u>
<u>LIABILITIES AND FUND BALANCES:</u>		
<u>Liabilities:</u>		
Accounts Payable	\$ <u>0</u>	\$ <u>0</u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>
<u>FUND BALANCES:</u>		
Assigned to Special Revenue Funds	<u>3,435</u>	<u>3,435</u>
TOTAL FUND BALANCES	<u>3,435</u>	<u>3,435</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>3,435</u>	\$ <u>3,435</u>

CITY OF NETTLETON, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	Non-Major Special Revenue	Total Non-Major Governmental Funds
REVENUES:		
Grant Income	\$ 7,000	\$ 7,000
Interest	<u>27</u>	<u>27</u>
TOTAL REVENUES	<u>7,027</u>	<u>7,027</u>
EXPENDITURES:		
Public Safety:		
Capital Outlay	<u>9,640</u>	<u>9,640</u>
TOTAL EXPENDITURES	<u>9,640</u>	<u>9,640</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,613)</u>	<u>(2,613)</u>
OTHER FINANCING SOURCES (USES)		
Transfer from (to) Other Funds	<u>2,640</u>	<u>2,640</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,640</u>	<u>2,640</u>
NET CHANGE IN FUND BALANCES	27	27
FUND BALANCES - Beginning	<u>3,408</u>	<u>3,408</u>
FUND BALANCES - Ending	\$ <u><u>3,435</u></u>	\$ <u><u>3,435</u></u>

CITY OF NETTLETON, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	F.Y.E. 9/30/18		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Grant Income	\$ 9,640	\$ 7,000	\$ (2,640)
Interest	0	27	(27)
TOTAL REVENUES	9,640	7,027	(2,667)
EXPENDITURES:			
Public Safety:			
Capital Outlay	9,640	9,640	0
TOTAL EXPENDITURES	9,640	9,640	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	(2,613)	(2,667)
OTHER FINANCING SOURCES (USES):			
Transfers From Other Funds	0	2,640	2,640
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	0	27	(27)
FUND BALANCE (NON-GAAP BUDGETARY BASIS) - Beginning of Year	3,408	3,408	0
FUND BALANCE (NON-GAAP BUDGETARY BASIS) - End of Year	\$ 3,408	3,435	\$ (27)
Adjustments to Generally Accepted Accounting Principles: Revenue Accruals		0	
FUND BALANCE (GAAP BASIS) - End of Year		\$ 3,435	

OTHER SUPPLEMENTARY INFORMATION

CITY OF NETTLETON, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2018

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Memory Riley	Mayor	Clyde C. Scott Insurance Agency	\$50,000
Dana Burcham	City Clerk	Clyde C. Scott Insurance Agency	\$50,000
Gary Monaghan	Chief of Police	Clyde C. Scott Insurance Agency	\$50,000
Iry Lee Gladney	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Michael Fulco	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Stephen Lee	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Thomas Adams	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Jeffrey Finch	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Sherry Garrett	Court Clerk	Clyde C. Scott Insurance Agency	\$50,000
Lillie Randolph	Part-time Clerk	Clyde C. Scott Insurance Agency	\$50,000
Amy Beasley	Part-time Clerk	Clyde C. Scott Insurance Agency	\$50,000
Janice Graham	Part-time Clerk	Clyde C. Scott Insurance Agency	\$50,000

CITY OF NETTLETON, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the Year Ended September 30, 2018

<u>DEFINITION AND PURPOSE</u>	<u>BALANCE OUTSTANDING 10/01/17</u>	<u>TRANSACTIONS DURING THE FISCAL YEAR BORROWED</u>	<u>TRANSACTIONS DURING THE FISCAL YEAR REDEEMED</u>	<u>BALANCE OUTSTANDING 09/30/18</u>
Notes Payable:				
CAP Loan	\$ 53,154	\$ 0	\$ (7,858)	\$ 45,296
CAP Fire Truck Loan	83,735	0	(16,167)	67,568
SRF Sewer Loan	409,133	0	(18,796)	390,337
USDA Loan	192,355	0	(3,898)	188,457
CDBG - MDA Loan	59,573	40,427	(477)	99,523
TRPDD - Library	0	43,000	(14,990)	28,010
	<u>0</u>	<u>43,000</u>	<u>(14,990)</u>	<u>28,010</u>
TOTAL	\$ <u>797,950</u>	\$ <u>83,427</u>	\$ <u>(62,186)</u>	\$ <u>819,191</u>
Bonds Payable:				
Series 2012, Refunding Bonds	\$ <u>385,000</u>	\$ <u>0</u>	\$ <u>(60,000)</u>	\$ <u>325,000</u>
TOTAL	\$ <u>385,000</u>	\$ <u>0</u>	\$ <u>(60,000)</u>	\$ <u>325,000</u>
Capital Lease Obligations:				
Capital Lease Obligation Caterpillar Backhoe	\$ <u>35,833</u>	\$ <u>0</u>	\$ <u>(25,177)</u>	\$ <u>10,656</u>
TOTAL	\$ <u>35,833</u>	\$ <u>0</u>	\$ <u>(25,177)</u>	\$ <u>10,656</u>

OTHER REPORTS

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners

Gary Franks, CPA

Bryon Wilemon, CPA

Jonathan Hagood, CPA

Rudolph Franks, CPA (emeritus)

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

Honorable Mayor and Board of Aldermen
City of Nettleton, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Nettleton, Mississippi as of and for the year ended September 30, 2018 and the related notes to the financial statements, which collectively comprise the City of Nettleton, Mississippi's basic financial statements and have issued our report thereon dated February 18, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as finding 1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Nettleton, 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*.

City of Nettleton, Mississippi's Response to Findings

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

Purpose of this Report

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

Franks, Franks, Wilmon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
February 18, 2019

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners

Gary Franks, CPA

Bryon Wilemon, CPA

Jonathan Hagood, CPA

Rudolph Franks, CPA (emeritus)

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

Mayor and Board of Alderman
City of Nettleton, Mississippi

We have audited the financial statements of the City of Nettleton, Mississippi, as of and for the year ended September 30, 2018, and have issued our report thereon dated February 18, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

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

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
February 18, 2019

CITY OF NETTLETON, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2018

FINANCIAL STATEMENT FINDINGS:

FINDING NO. 1 – Segregation of Duties (significant deficiency)

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

Cause of Condition: The City's internal control did not provide for adequate segregation of duties in relation to the collection, processing and administering of various revenue sources and the overall accounting system of the City. The City's size and number of personnel limit the opportunities for adequate segregation of duties.

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

Response: The City will analyze the accounting system and establish procedures that optimize all possibilities for segregation of duties.