

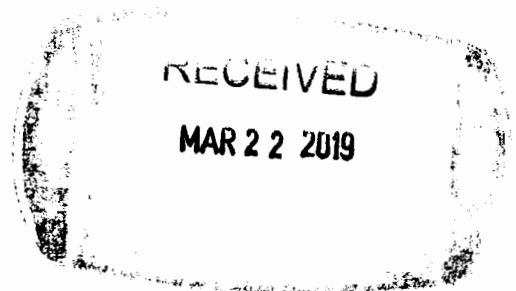


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City of Sardis, Mississippi

Audit Report

September 30, 2018



City of Sardis, Mississippi

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**INDEPENDENT AUDITORS' REPORT ON
THE COMBINED STATEMENT OF CASH RECEIPTS AND
DISBURSEMENTS AND SUPPLEMENTAL INFORMATION**

Honorable Mayor and Board of Aldermen
City of Sardis
Sardis, Mississippi

We have audited the accompanying Combined Statement of Cash Receipts and Disbursements of the City of Sardis, Mississippi for the year ended September 30, 2018, and the related notes to financial statement, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective results of operations—cash basis of the governmental funds, one proprietary fund, and fiduciary funds of the City of Sardis, Mississippi for the year ended September 30, 2018, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

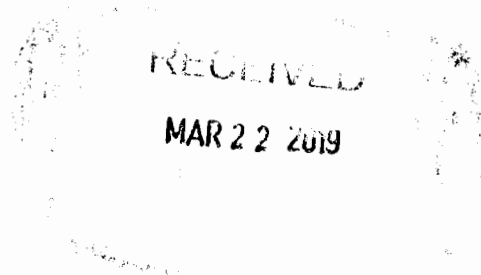
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the Combined Statement of Cash Receipts and Disbursements of the City of Sardis, Mississippi. The schedule of long-term debt, schedule of investments, and schedule of surety bonds for municipal officials are presented for purposes of additional analysis and are not a required part of the Combined Statement of Cash Receipts and Disbursements.

The schedules of long-term debt, investments and surety bonds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the Combined Statement of Cash Receipts and Disbursements. Such information has been subjected to the auditing procedures applied in the audit of the Combined Statement of Cash Receipts and Disbursements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Combined Statement of Cash Receipts and Disbursements or to the Combined Statement of Cash Receipts and Disbursements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedules of long-term debt, investments and surety bonds are fairly stated, in all material respects, in relation to the Combined Statement of Cash Receipts and Disbursements.

As discussed in Note 1, the Combined Statement of Cash Receipts and Disbursements presents only the governmental funds, one proprietary fund, and fiduciary funds of the City of Sardis, Mississippi, and does not purport to, and does not, present fairly the results of operations – cash basis of the City of Sardis, Mississippi, for the year ended September 30, 2018, in conformity with the cash basis of accounting described in Note 1.

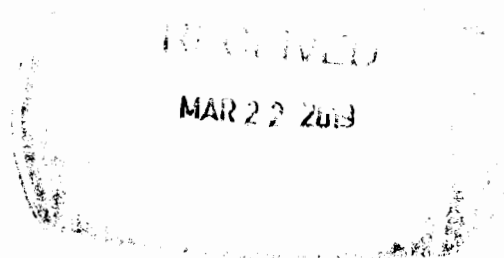


Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019, on our consideration of the City of Sardis, 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 Sardis, Mississippi's internal control over financial reporting and compliance.

Oxford Mississippi
January 15, 2019

Watkins Ward and Stafford, PLLC



CITY OF SARDIS, MISSISSIPPI
Combined Statement Of Cash Receipts And Disbursements
Governmental and Business Type Activities
For The Year Ended September 30, 2018

	Governmental Activities			Business-type Activities	Fiduciary Fund	
	Major Funds					
	General	Tourism Tax	Capital Projects	Water and Sewer	Trust	Total
Revenues						
Taxes						
General Property Taxes	\$ 295,958					295,958
Penalties and interest on delinquent taxes	1,601					1,601
Licenses and permits						
Privilege licenses	8,612					8,612
Franchise charges - utilities	69,230					69,230
Intergovernmental Revenues:						
JAG grant	4,985					4,985
Fire Wise Grant	2,455					2,455
State Shared Revenues:						
Sales tax	316,721					316,721
Tourism tax		118,264				118,264
Gasoline tax	5,958					5,958
Alcoholic beverage licenses	1,350					1,350
Homestead Reimbursements	34,340					34,340
Fire Protection	9,721					9,721
Grand gulf distribution	15,507					15,507
County shared revenues:						
Road and bridge tax funds	27,290					27,290
Road and bridge motor vehicle	6,432					6,432
Fire protection	8,731					8,731
Charges for services						
Sanitation	166,629					166,629
Water				840,535		840,535
Special police services	860					860
Fines and forfeitures	59,631					59,631
Interest income	5,140	166		656	56	6,018
Micellaneous receipts						
Miscellaneous receipts	29,045			14,817		43,862
Marina Impact Fees	22,560					22,560
Total Revenues	1,092,756	118,430	-	856,008	56	2,067,250

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

CITY OF SARDIS, MISSISSIPPI
Combined Statement Of Cash Receipts And Disbursements
Governmental and Business Type Activities
For The Year Ended September 30, 2018

	<u>General</u>	<u>Tourism Tax</u>	<u>Capital Projects</u>	<u>Water and Sewer</u>	<u>Trust</u>	<u>Total</u>
<u>Operating Disbursements:</u>						
General government	\$ 321,036	14,438				335,474
Public safety:						
Police	456,566					456,566
Fire	25,696					25,696
Public works	71,226					71,226
Culture and recreation						
Parks	400	59,200				59,600
Library	14,601					14,601
Sanitation	108,961					108,961
Enterprise:						
Water Utility				483,217		483,217
Redemption of Principal	40,149			64,167		104,316
Debt service interest	5,775			28,045		33,820
Construction				18,660		18,660
Total Disbursements	<u>1,044,410</u>	<u>73,638</u>	<u>-</u>	<u>594,089</u>	<u>-</u>	<u>1,712,137</u>
Excess (deficiency) of receipts over disbursements	<u>48,346</u>	<u>44,792</u>	<u>-</u>	<u>261,919</u>	<u>56</u>	<u>355,113</u>
Other Financing Sources (Uses)						
Sale of Capital Assets	10,419					10,419
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>58,765</u>	<u>44,792</u>	<u>-</u>	<u>261,919</u>	<u>56</u>	<u>365,532</u>
Cash Balance - Beginning of Year	<u>1,611,459</u>	<u>288,680</u>	<u>1,835</u>	<u>1,088,766</u>	<u>20,799</u>	<u>3,011,539</u>
Cash Balance - End of Year	<u>\$ 1,670,224</u>	<u>333,472</u>	<u>1,835</u>	<u>1,350,685</u>	<u>20,855</u>	<u>3,377,071</u>

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

CITY OF SARDIS, MISSISSIPPI
Notes to Financial Statement

Note 1 - Summary of Significant Accounting Policies

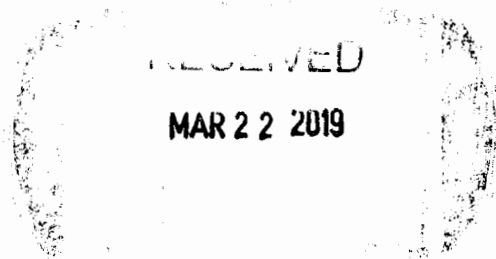
Reporting Entity

The citizens of Sardis, Mississippi have elected to operate under a Code Charter as permitted by Mississippi Statue 21-3-3, which prescribes a Mayor and Board of Alderman form of government.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic-but not only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, no additional component unit will be reported within the City of Sardis, Mississippi's reporting entity.

Fund Accounting

The accounts of the City of Sardis, Mississippi are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into five generic fund types and three broad fund categories as follows:



CITY OF SARDIS, MISSISSIPPI
Notes to Financial Statement

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental Funds

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

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted for specific expenditure purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for the acquisition of fixed assets or construction of major capital projects not being financed by Proprietary or Nonexpendable Trust Funds.

Proprietary Funds

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

Fiduciary Funds

Private-Purpose Trust Fund - The Trust Fund is used to account for assets held by the City of Sardis, Mississippi in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Nonexpendable Trust Funds are used to account for the principal portion of Trust Funds, the part which cannot be expended. They are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical.

Basis of Accounting

The financial statement is prepared on a cash basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received (cash receipts) rather than when earned and certain expenses are recognized when paid (cash disbursements) rather than when the obligation is incurred.

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CITY OF SARDIS, MISSISSIPPI
Notes to Financial Statement

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with the cash receipts and disbursements basis, as prescribed by the Office of the State Auditor requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

Note 2 - Cash and Investments

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the City's deposits with financial institutions was \$3,376,835 on September 30, 2018, and the total of all bank balances was \$3,385,343.

As provided in Section 91-13-8 Miss. Code Ann. (1972), the investments of the City are certificates of deposit with First Security Bank. (See page 15 for Schedule of Investments.)

Interest Rate Risk. The City does not have a formal investment policy that limits investments maturities as a mean of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Section 19-9-29 and 91-13-8, Miss Code Ann. (1972). The City does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

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CITY OF SARDIS, MISSISSIPPI
Notes to Financial Statement

Note 2 - Cash and Investments (Continued)

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial risk.

Note 3 - Installment Sale of Capital Assets

The City entered into an installment sale agreement to sell building during the year ended September 30, 2014. The purchasers paid approximately \$10,419 in principal and \$2,510 in interest on this loan during the current year. The principal was recorded in the general funds sale of capital assets. The balance remaining on the final receivable was \$36,014 at September 30, 2018.

Note 4 - Long-Term Debt

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

	<u>9/30/2017</u>	<u>Transactions During Year</u>		<u>9/30/2018</u>	<u>Amounts due</u>
	<u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u>	<u>within one year</u>
Governmental Activities:					
Loans	\$198,303	-	26,254	172,049	\$26,984
Capital Leases	48,889	-	13,895	34,994	14,234
Governmental activities long-term liabilities	<u>\$247,192</u>	<u>-</u>	<u>40,149</u>	<u>207,043</u>	<u>\$41,218</u>
Business-type activities:					
1992 Combined Water and Sewer System Bonds	\$586,921	-	58,124	528,797	\$61,098
Capital Leases	6,043	-	6,043	-	-
Business-type activities long-term liabilities	<u>\$592,964</u>	<u>-</u>	<u>64,167</u>	<u>528,797</u>	<u>\$61,098</u>

The City also issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The \$1,378,400 Combined Water and Sewer System revenue bonds dated 1992, due annually with interest at 5%, payable through 2026, had an outstanding balance at September 30, 2018 of \$528,797.

CITY OF SARDIS, MISSISSIPPI
Notes to Financial Statement

Note 4 - Long-Term Debt (Continued)

The annual principal and interest requirements to amortize the bond outstanding as of September 30, 2018 are as follows:

Year Ending September	Business-type Activities	
	Principal	Interest
2019	\$61,098	\$25,052
2020	64,223	21,927
2021	67,509	18,641
2022	70,963	15,187
2023-2026	265,004	23,340
	<u>\$528,797</u>	<u>\$104,147</u>

The City also uses loans to finance its projects. Loans outstanding as of September 30, 2018 are as follows:

Description	Interest Rate	Maturity Date	Issued	Amount Outstanding
Governmental				
MS Development Authority	3.00%	10/1/2023	\$292,835	\$89,942
MS Development Authority	2.00%	5/1/2026	104,293	82,107
Total			<u>\$397,128</u>	<u>\$172,049</u>

The annual principal and interest requirements to amortize all loans outstanding as of September 30, 2018 are as follows:

Year Ending September	Governmental Activities	
	Principal	Interest
2019	\$26,984	\$4,020
2020	27,737	3,627
2021	28,511	2,495
2022	29,306	1,698
2023-2026	59,511	2,201
	<u>\$172,049</u>	<u>\$14,041</u>

CITY OF SARDIS, MISSISSIPPI
Notes to Financial Statement

Note 4 - Long-Term Debt (Continued)

Future minimum lease payments and the net present value of the minimum lease payments as of September 30, 2018 are as follows:

Year Ending September	Governmental Type Activities Amount Principal	Interest
2019	\$14,234	\$687
2020	14,580	340
2021	6,180	45
Total	<u>\$34,994</u>	<u>\$1,072</u>

Note 5 - Report Classifications

Receipts and disbursements were classified according to requirements for small towns in the State of Mississippi as prescribed by the Office of the State Auditor.

Note 6 - Defined Benefit Pension Plan

Plan Description

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

Funding Policy

PERS members are required to contribute 9% of their annual covered salary and the City of Sardis, Mississippi is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Sardis, Mississippi's contributions to PERS for the years ending September 30, 2018, 2017 and 2016 were \$86,772, \$87,156 and \$92,909 respectively, equal to the required contributions for each year.

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CITY OF SARDIS, MISSISSIPPI
Notes to Financial Statement

Note 6 - Defined Benefit Pension Plan (Continued)

Pension Liability

At September 30, 2018, the City had a liability of \$1,395,174 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 used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of its long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City's proportion was 0.008388 percent.

Note 7 - Risk Management

The City of Sardis, Mississippi is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Sardis, Mississippi carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Under GASB Statement No. 10, *Accounting and Financial Reporting for Risks Financing and Related Insurance Issues*, a liability for claims must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. As of the date of this audit report, there were no known claims above the amount of coverage purchased for risks of loss related to torts, theft of, damage to, and the destruction of assets, errors and omissions, injuries to employees and natural disasters at September 30, 2018, therefore no liability has been accrued at this time.

Note 8 - Property Tax

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

The Mayor and Board of Aldermen, each year at a meeting in September, levy property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year.

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CITY OF SARDIS, MISSISSIPPI
Notes to Financial Statement

Note 8 - Property Tax (Continued)

Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year.

Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. The City taxes are collected and remitted to the City by the Panola County Tax Collector.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

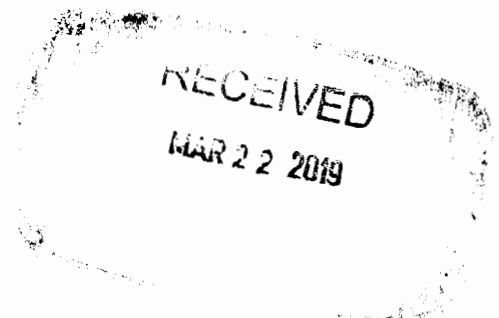
The distribution of taxes to funds was made in accordance with prescribed tax levies, and uncollected taxes were properly handled.

Delinquent taxes are not recorded as assets.

Note 9 - Subsequent Events

Events that occur after the Combined Statement of Cash Receipts and Disbursements date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Combined Statement of Cash Receipts and Disbursements date are recognized in the accompanying financial statement. Subsequent events which provide evidence about conditions that existed after the Combined Statement of Cash Receipts and Disbursements date require disclosure in the accompanying notes. The City has evaluated subsequent events through January 15, 2019, the date the financial statements were available to be issued, and determined that there were no subsequent events that should be noted in the financial statements.

SUPPLEMENTAL INFORMATION

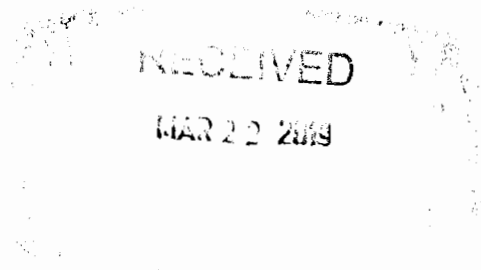


CITY OF SARDIS, MISSISSIPPI
Schedule of Long - Term Debt
For the Year Ended September 30, 2018

	<u>9/30/2017</u> <u>Balance</u>	<u>Transactions During Year</u>		<u>9/30/2018</u> <u>Balance</u>	<u>Amounts due</u> <u>within one year</u>
		<u>Issued</u>	<u>Redeemed</u>		
Governmental Activities:					
MS Development Authority	\$106,268		16,326	89,942	\$16,855
MS Development Authority	92,035		9,928	82,107	10,129
Governmental activities long-term liabilities	<u>\$198,303</u>	<u>-</u>	<u>26,254</u>	<u>172,049</u>	<u>\$26,984</u>
Business-type activities:					
1992 Combined Water and Sewer System Bonds	\$586,921	-	58,124	528,797	\$61,098
Business-type activities long-term liabilities	<u>\$586,921</u>	<u>-</u>	<u>58,124</u>	<u>528,797</u>	<u>\$61,098</u>

CITY OF SARDIS, MISSISSIPPI
Schedule of Investments – All Funds
For the Year Ended September 30, 2018

Ownership	Type of Investments	Interest Rate	Maturity Date	Other Information	Investment Fair Value
Rose Hill Cemetery Fund	Certificates of Deposit	0.75%	11/16/2019	First Security Bank	\$500
Rose Hill Cemetery Fund	Certificates of Deposit	0.75%	10/12/2019	First Security Bank	1,638
Rose Hill Cemetery Fund	Certificates of Deposit	0.45%	1/31/2019	First Security Bank	3,000
Rose Hill Cemetery Fund	Certificates of Deposit	0.45%	2/20/2019	First Security Bank	2,500
Rose Hill Cemetery Fund	Certificates of Deposit	0.45%	1/19/2019	First Security Bank	2,500
Total					<u>\$10,138</u>



CITY OF SARDIS, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2018

Name	Position	Surety	Bond Amount
Lula Palmer	Mayor	Travelers	\$ 50,000
Jeanne Davis	City Clerk	Travelers	\$ 50,000
City of Sardis	Rural Development	Travelers	\$ 174,000
Tommy Rayburn	Alderman	Travelers	\$ 50,000
Michael Price	Alderman	Travelers	\$ 50,000
Clarence Jones Jr.	Alderman	Travelers	\$ 50,000
Bonnie Smith	Alderman	Travelers	\$ 50,000
Joseph Still	Alderman	Travelers	\$ 50,000
Shanan R. Bledsoe	Court Clerk	Travelers	\$ 50,000
Donna Kay Goforth	Deputy City Clerk	Travelers	\$ 50,000
Kimberly Bruce	Deputy City Clerk	Travelers	\$ 50,000
Angela Hayward	Deputy City Clerk	Travelers	\$ 50,000
Policeman (each)	Public Safety	RLI Surety	\$ 50,000



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggars, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Alderman
City of Sardis
Sardis, Mississippi

We have audited the Combined Statement of Cash Receipts and Disbursements and supplemental information of the City of Sardis, Mississippi, as of and for the year ended September 30, 2018, and have issued our report dated January 4, 2019. We have 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*.

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 Combined Statement of Cash Receipts and Disbursements and supplemental information indicate that, with respect to the items tested, the City of Sardis, Mississippi complied with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Sardis, Mississippi had not complied with those provisions.

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

Oxford, Mississippi
January 15, 2019

Watkins Ward and Stafford, PLLC

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

The Honorable Mayor and Board of Alderman
City of Sardis
Sardis, 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 Combined Statement of Cash Receipts and Disbursements of the City of Sardis, Mississippi for the year ended September 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated January 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sardis, 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Sardis, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sardis, 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 statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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.

Oxford, Mississippi
January 15, 2019

Watkins Ward and Stafford, PLLC

**CITY OF SARDIS, MISSISSIPPI
Status of Prior Year Findings
For the Year Ended September 30, 2018**

No material adjustments were proposed for the year ended September 30, 2018.

CITY OF SARDIS, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2018

Finding:

There were no findings in the current year that would have a significant material effect on the financial statements.