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# Windham and Lacey, PLLC

## *Certified Public Accountants*

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January 28, 2020

To the Mayor and  
Board of Aldermen  
City of Carthage, Mississippi

This letter is intended to inform the Mayor and Board of Aldermen of the City of Carthage about significant matters related to the conduct of the annual audit of the City of Carthage so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Mayor and Board of Aldermen.

In addition to our report on your financial statements, we have provided the following report: Independent Auditor's Report on Compliance with State Laws and Regulations.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

### **The Auditor's Responsibility Under Generally Accepted Auditing Standards**

Our audit of the financial statements of the City of Carthage for the year ended September 30, 2019, was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting, or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective. Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our engagement letter.

### **Accounting Practices**

#### *Adoption of, or Change in, Accounting Policies*

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City of Carthage. The City of Carthage did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

#### *Significant or Unusual Transactions*

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Alternative Treatments Discussed with Management*

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

### **Management Judgments and Accounting Estimates**

Since the City of Carthage adopted the cash basis of reporting, there are no estimates included in the financial statements.

### **Audit Adjustments**

Because the City of Carthage adopted the cash basis of reporting, we have prepared a list of adjustments to eliminate all accrual accounts from the general ledger.

Other than the adjustments previously mentioned, there were no significant audit adjustments identified as a result of our audit procedures.

### **Uncorrected Misstatements**

There were no uncorrected misstatements for the City of Carthage for the year ended September 30, 2019.

### **Accounting Policies and Alternative Treatments**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City of Carthage. The City of Carthage did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period that should be brought to your attention for approval.

### **Other Information in Documents Containing Audited Financial Statements**

We are not aware of any other documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the City of Carthage.

### **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter.

### **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters in regard to matters related to audit adjustments, accounting principles, accounting policies and procedures, financial statement disclosures, and financial statement presentation.

### **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

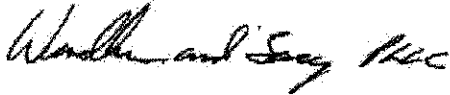
### **Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

### **Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the City of Carthage.

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

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC". The signature is written in a cursive, flowing style.

Windham and Lacey, PLLC

**WINDHAM & LACEY, PLLC**  
*Certified Public Accountants*

**CITY OF CARTHAGE, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**AND**  
**SPECIAL REPORTS**

**SEPTEMBER 30, 2019**

CITY OF CARTHAGE, MISSISSIPPI

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**CITY OF CARTHAGE, MISSISSIPPI**

**FINANCIAL SECTION**

# Windham and Lacey, PLLC

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### INDEPENDENT AUDITOR'S REPORT

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Carthage, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements on the basis of cash receipts and disbursements; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Carthage, Mississippi, as of September 30, 2019, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

## **Other Matters**

### ***Required Supplementary Information***

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

### ***Other Information***

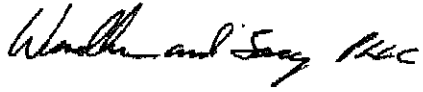
The Schedule of Changes in Long-term Debt, the Schedule of Capital Assets, the Schedule of Surety Bonds for Municipal Officials and Employees and the Statement of Cash Receipts and Disbursements - Water/Sewer Fund for the City of Carthage, Mississippi, have not been subjected to the auditing procedures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

### ***Other Reporting Requirements Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2020, on our consideration of the City of Carthage, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Carthage, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Carthage, Mississippi's internal control over financial reporting and compliance.

### Emphasis of Matter

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

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

Windham and Lacey, PLLC  
January 28, 2020

**CITY OF CARTHAGE, MISSISSIPPI**

**FINANCIAL STATEMENTS**

City of Carthage, Mississippi  
Statement of Activities and Net Assets - Cash Basis  
For the Year Ended September 30, 2019

Functions/Programs	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Position			
	Cash Disbursements	Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 1,009,597	1,515	126,476		(881,606)		(881,606)
Public safety	1,532,660	173,528	70,856		(1,288,276)		(1,288,276)
Public works	1,104,713	307,297	500,000		(297,416)		(297,416)
Health and welfare	40,442	27,210			(13,232)		(13,232)
Culture and recreation	1,098,100	112,261			(985,839)		(985,839)
Interest on long-term debt	57,670				(57,670)		(57,670)
Total Governmental Activities	4,843,182	621,811	697,332	0	(3,524,039)	0	(3,524,039)
Business-type Activities:							
Water/Sewer	1,198,416	1,265,083				66,667	66,667
Total Business-type Activities	1,198,416	1,265,083	0	0	0	66,667	66,667
Total Government	\$ 6,041,598	1,886,894	697,332	0	(3,524,039)	66,667	(3,457,372)
General Receipts							
Taxes:							
Property taxes					\$ 779,740		779,740
Road & bridge privilege taxes					196,403		196,403
Sales tax					2,091,998		2,091,998
Franchise taxes					141,754		141,754
Grants and contributions not restricted to specific programs					94,308		94,308
Unrestricted interest income					28,724	13,900	42,624
Miscellaneous					86,684		86,684
Transfers					100,000	(100,000)	
Total General Receipts					3,519,611	(86,100)	3,433,511
Change in Net Cash Position					(4,428)	(19,433)	(23,861)
Net Cash Position - Beginning					2,169,530	1,207,424	3,376,954
Net Cash Position - Ending					\$ 2,165,102	1,187,991	3,353,093

City of Carthage, Mississippi  
Statement of Activities and Net Assets - Cash Basis  
For the Year Ended September 30, 2019

(Continued)

ASSETS

Cash and cash equivalents  
Restricted cash

\$ 3,261,430  
91,663

Total Assets

\$ 3,353,093

NET CASH POSITION

Restricted:

Public safety

\$ 91,663

Committed:

Culture and recreation

120,448

Capital projects

130,773

Debt service

238,668

Assigned:

Street paving

155,078

Unrestricted

2,616,463

Total Net Cash Position

\$ 3,353,093

The Notes to the Financial Statements are an integral part of this statement.

**City of Carthage, Mississippi  
Statement of Cash Basis Assets and Fund Balances and  
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental and Business-type Funds  
For the Year Ended September 30, 2019**

	Governmental Activities				Business-type Activities	
	Major Funds		Capital Projects		Major Funds	
	General Fund	Ball Park Construction	Senate Bill 2002	Non-Major Funds	Total	Total
<b>RECEIPTS</b>						
Ad valorem taxes	\$ 523,573			256,167	779,740	
Road & bridge privilege taxes	196,403				196,403	
Licenses and permits	166,426				166,426	
Fines and forfeitures	163,213			10,315	173,528	
Intergovernmental revenues:						
Federal revenues:						
Grants	40,902				40,902	
State shared revenues:						
Sales taxes	1,756,558			335,440	2,091,998	
In lieu tax	43,239				43,239	
General municipal aid	7,255				7,255	
Fire rebate				29,954	29,954	
Grand Gulf	43,814				43,814	
Other grants	126,476		500,000		626,476	
Charges for services:						
Garbage	307,297				307,297	
Rental income				43,077	43,077	
Other	1,515			71,722	73,237	
Water and sewer utility						1,265,083
Interest income	13,709	2,629	6,123	6,263	28,724	13,900
Miscellaneous revenue	56,684	30,000			86,684	
Total Receipts	3,447,064	32,629	506,123	752,938	4,738,754	1,278,983

**(Continued)**

City of Carthage, Mississippi  
Statement of Cash Basis Assets and Fund Balances and  
Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental and Business-type Funds  
For the Year Ended September 30, 2019

	Governmental Activities				Business-type Activities	
	Major Funds				Major Funds	
	General Fund	Capital Projects Ball Park Construction	Senate Bill 2002	Non-Major Funds	Total	Water/Sewer Funds
<b>DISBURSEMENTS</b>						
General government	723,330				723,330	
Public safety	1,449,491			18,451	1,467,942	
Public works	766,764			138,024	904,788	
Health and welfare	40,442				40,442	
Culture and recreation	286,440	40,698	24,592	207,093	558,823	
Water and sewer utility and cemetery:						
Personal services						583,558
Contractual services						277,420
Materials and supplies						44,572
Utilities						80,566
Other expenses						14,942
Total Disbursements	3,266,467	40,698	24,592	363,568	3,695,325	1,001,058
Excess of Receipts Over (Under) Disbursements	180,597	(8,069)	481,531	389,370	1,043,429	277,925
<b>OTHER CASH SOURCES (USES)</b>						
Capital outlay	(54,867)	(538,737)		(36,542)	(630,146)	(29,755)
Principal paid on loan and lease purchase				(28,041)	(28,041)	(145,914)
Interest paid on loan and lease purchase				(1,994)	(1,994)	(21,689)
Principal paid on bonds				(432,000)	(432,000)	
Interest and fiscal fees paid on bonds				(55,676)	(55,676)	
Transfers in (out) to other funds	(11,627)			111,627	100,000	(100,000)
Total Other Cash Sources and (Uses)	(66,494)	(538,737)	0	(442,626)	(1,047,857)	(297,358)

(Continued)

**City of Carthage, Mississippi**  
**Statement of Cash Basis Assets and Fund Balances and**  
**Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances**  
**Governmental and Business-type Funds**  
**For the Year Ended September 30, 2019**

	Governmental Activities				Business-type Activities	
	Major Funds			Major Funds		
	General Fund	Capital Projects Ball Park Construction	Senate Bill 2002	Non-Major Funds	Total	
Excess (Deficiency) of Receipts and Other Cash Sources Over Disbursements and Other Cash Uses	114,103	(546,806)	481,531	(53,256)	(4,428)	
CASH BASIS FUND BALANCE - Beginning of Year	832,838	568,310	0	768,382	2,169,530	
CASH BASIS FUND BALANCE - End of Year	\$ 946,941	21,504	481,531	715,126	2,165,102	
CASH BASIS ASSETS - End of Year						
Cash and cash equivalents	\$ 946,941	21,504	481,531	623,463	2,073,439	
Restricted cash				91,663	91,663	
Total Cash Basis Assets	\$ 946,941	21,504	481,531	715,126	2,165,102	
CASH BASIS FUND BALANCES - End of Year						
Restricted:						
Public safety	\$			91,663	91,663	
Committed:						
Public works						
Culture and recreation		21,504		98,944	120,448	
Capital projects				130,773	130,773	
Debt service				238,668	238,668	
Assigned:						
Street paving				155,078	155,078	
Unassigned	946,941		481,531		1,428,472	
Total Cash Basis Fund Balances	\$ 946,941	21,504	481,531	715,126	2,165,102	
				1,187,991	1,187,991	
				1,187,991	1,187,991	

The Notes to the Financial Statements are an integral part of this statement.

## CITY OF CARTHAGE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

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

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

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

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

##### B. Government-wide and Fund Financial Statements.

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

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

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

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

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

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

## CITY OF CARTHAGE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

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

The government reports the following major Governmental Funds:

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

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

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

The government reports the following major Proprietary Funds:

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

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

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

#### D. Assets and Net Assets or Equity.

##### 1. Cash.

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

##### 2. Equity Classifications.

Government-wide Financial Statements:

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

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

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

## **CITY OF CARTHAGE, MISSISSIPPI**

### **Notes to Financial Statements For the Year Ended September 30, 2019**

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

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

#### **Fund Financial Statements:**

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

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

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

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

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

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

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

#### **E. Property Tax Receipts.**

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

## CITY OF CARTHAGE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

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

Leake County collects the City's property taxes.

(2) Deposits.

At year-end, the City's carrying amount of deposits was \$3,353,093 and the bank balance was \$3,551,932. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

(3) Interfund Transfers.

The following is a summary of interfund transfers as of September 30, 2019:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water/Sewer Fund	\$ 100,000
Library Fund	General Fund	39,627
Capital Improvements	General Fund	72,000
Special Sales Tax	Capital Improvements	23,291
Total Transfers In/Out		\$ <u>234,918</u>

(4) Defined Benefit Pension Plan.

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

## CITY OF CARTHAGE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

Funding Policy: PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS' members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ended September 30, 2019, 2018 and 2017 were \$311,703, \$289,936 and \$300,953, respectively, which is equal to the required contributions for each year.

(5) Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement No. 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Carthage Board of Aldermen and the Leake County Board of Supervisors negotiates property tax abatements on an individual basis. The City has tax abatement agreements with two entities as of September 30, 2019.

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

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

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

(6) Subsequent Events.

Events that occur after the Statement of Net Cash Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Cash Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through January 28, 2020, and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

**CITY OF CARTHAGE, MISSISSIPPI**

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Carthage, Mississippi**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**General Fund - UNAUDITED**  
**For the Year Ended September 30, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 561,962	530,828	530,828	
Road and bridge privilege	180,000	196,403	196,403	
Licenses and permits	173,185	166,936	166,936	
Fines and forfeitures	200,500	162,703	162,703	
Intergovernmental revenues	1,868,189	2,010,989	2,010,989	
Charges for services	300,271	308,812	308,812	
Interest earned	2,030	13,709	13,709	
Miscellaneous revenues	34,369	56,684	56,684	
Total Revenues	<u>3,320,506</u>	<u>3,447,064</u>	<u>3,447,064</u>	<u>0</u>
<b>EXPENDITURES</b>				
General government	794,808	726,597	726,597	
Public safety	1,735,434	1,477,991	1,477,991	
Public works	797,883	789,864	789,864	
Health and welfare	30,000	40,442	40,442	
Culture and recreation	291,713	286,440	286,440	
Total Expenditures	<u>3,649,838</u>	<u>3,321,334</u>	<u>3,321,334</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(329,332)</u>	<u>125,730</u>	<u>125,730</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in/out		(11,627)	(11,627)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(11,627)</u>	<u>(11,627)</u>	<u>0</u>
Net Change in Fund Balance	(329,332)	114,103	114,103	0
Fund Balances - Beginning	<u>922,967</u>	<u>832,838</u>	<u>832,838</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 593,635</u>	<u>946,941</u>	<u>946,941</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

**CITY OF CARTHAGE, MISSISSIPPI**

**Notes to the Required Supplementary Information  
For the Year Ended September 30, 2019  
UNAUDITED**

**A. Budgetary Information.**

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

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

**B. Basis of Presentation.**

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

**CITY OF CARTHAGE, MISSISSIPPI**

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

City of Carthage, Mississippi  
Schedule of Changes in Long-term Debt - UNAUDITED  
For the Year Ended September 30, 2019

Description	Outstanding Balance Sept. 30, 2018	Issued	Redeemed	Outstanding Balance Sept. 30, 2019
<u>Bonds:</u>				
Governmental Activities:				
General obligation bonds, Series 2011 street improvements	\$ 616,000		149,000	467,000
State tax and G.O. bonds, Series 2017	1,112,000		271,000	841,000
General obligation bonds, Series 2018	600,000		12,000	588,000
Total Bonds	<u>2,328,000</u>	<u>0</u>	<u>432,000</u>	<u>1,896,000</u>
<u>Other Long-term Debt:</u>				
Governmental Activities:				
Lease purchase - rescue van	84,124		28,041	56,083
Total Governmental Activities	<u>84,124</u>	<u>0</u>	<u>28,041</u>	<u>56,083</u>
Business-type Activities:				
Drinking water systems improvement revolving loan fund (DWSIRLF)	128,808		37,301	91,507
State of Mississippi capital improvement (CAP)	108,884		10,870	98,014
State of Mississippi capital improvement (CAP)	150,222		15,975	134,247
Water pollution control revolving loan fund (WPCRLF)	383,269		53,571	329,698
Water pollution control revolving loan fund (WPCRLF)	378,965		28,198	350,767
Total Business-type Activities	<u>1,150,148</u>	<u>0</u>	<u>145,915</u>	<u>1,004,233</u>
Total Other Long-term Debt	<u>1,234,272</u>	<u>0</u>	<u>173,956</u>	<u>1,060,316</u>
Total Long-term Debt	<u>\$ 3,562,272</u>	<u>0</u>	<u>605,956</u>	<u>2,956,316</u>

City of Carthage, Mississippi  
Schedule of Capital Assets - UNAUDITED  
For the Year Ended September 30, 2019

	<u>Beginning Balance</u>	<u>Reclassification</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:					
Land	\$ 744,907				744,907
Construction in progress	2,255,519	(2,150,662)	66,572		171,429
Buildings	3,937,524				3,937,524
Improvements other than buildings	7,384,654	2,150,662	340,779		9,876,095
Streets	1,894,944				1,894,944
Machinery and equipment	3,981,991		222,795		4,204,786
Governmental Activities Capital Assets	\$ 20,199,539	0	630,146	0	20,829,685
Business-type Activities:					
Land	\$ 140,672				140,672
Water and sewer system	7,881,256		29,755		7,911,011
Business-type Activities Capital Assets	\$ 8,021,928	0	29,755	0	8,051,683

**City of Carthage, Mississippi**  
**Schedule of Surety Bonds for Municipal Officials - UNAUDITED**  
**For the Year Ended September 30, 2019**

<u>Name</u>	<u>Position</u>	<u>Surety Agency</u>	<u>Bond Amount</u>
Laura Henderson	Alderwoman	SouthGroup Insurance	\$ 50,000
David Cockroft	Alderman	SouthGroup Insurance	50,000
David Herrington	Alderman	SouthGroup Insurance	50,000
Miracle Matlock	Alderwoman	SouthGroup Insurance	50,000
Penny Spears	City Clerk	SouthGroup Insurance	75,000
Vic Hamilton	Chief of Police	SouthGroup Insurance	50,000
Mary Ann Vivans	Mayor	SouthGroup Insurance	75,000
Chase Quimby	DUI Officer	SouthGroup Insurance	50,000
Cynthia Middlebrook	Court Clerk	SouthGroup Insurance	50,000
Various	Police Officer, each	SouthGroup Insurance	50,000
Various	Dispatcher, each	SouthGroup Insurance	50,000
Various	Deputy Clerk, each	SouthGroup Insurance	50,000
Annette Malone	Water Clerk	SouthGroup Insurance	50,000
Penny Spears	Payroll/Accounts Payable Clerk	SouthGroup Insurance	50,000
Jason Burt	Parks Director	SouthGroup Insurance	50,000
Steven Bell	Investigator	SouthGroup Insurance	50,000
Taylor Parker	Investigator	SouthGroup Insurance	50,000
Kim Ganann	Payroll/Accounts Payable Clerk	SouthGroup Insurance	50,000

**CITY OF CARTHAGE, MISSISSIPPI**

**SPECIAL REPORTS**

# Windham and Lacey, PLLC

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Mississippi Society of CPAs

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Carthage, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 28, 2020.

#### **Internal Control Over Financial Reporting**

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

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

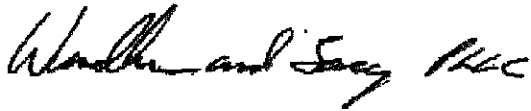
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## Compliance and Other Matters

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

## Purpose of this Report

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



Windham and Lacey, PLLC  
January 28, 2020

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

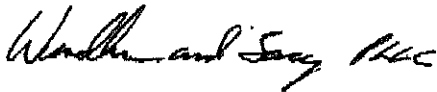
Honorable Mayor and  
Members of the Board of Aldermen  
City of Carthage, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the major funds and the aggregate remaining fund information of the City of Carthage, Mississippi, as of and for the year ended September 30, 2019, and have issued our report thereon dated January 28, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

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

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



Windham and Lacey, PLLC  
January 28, 2020

**CITY OF CARTHAGE, MISSISSIPPI**

**SCHEDULE OF FINDINGS**

CITY OF CARTHAGE, MISSISSIPPI

Schedule of Findings  
For the Year Ended September 30, 2019

**Section 1: Summary of Auditor's Results**

*Financial Statements:*

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

**Section 2: Financial Statement Findings**

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