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**CITY OF CLARKSDALE, MISSISSIPPI**

**AUDIT REPORT**

**SEPTEMBER 30, 2019**

**CITY OF CLARKSDALE, MISSISSIPPI**

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## **CITY OF CLARKSDALE, MISSISSIPPI**

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## **INDEPENDENT AUDITORS' REPORT**



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

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Harry W. Stevens, CPA  
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Michael W. McCully, CPA  
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Jerry L. Gammel, CPA  
Michael C. Knox, CPA  
Clifford P. Stewart, CPA  
Edward A. Maxwell, CPA

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Board of Commissioners  
City of Clarksdale  
Clarksdale, Mississippi

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Clarksdale, 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 as listed in the 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 auditors' 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 auditors consider 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clarksdale, Mississippi, as of September 30, 2019, 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, budgetary comparison information, schedule of City's proportionate share of net pension liability, and schedule of the City's contributions 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clarksdale, Mississippi's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 the schedule of expenditures of federal awards 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 January 14, 2021, on our consideration of the City of Clarksdale, 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 City of Clarksdale, Mississippi's internal control over financial reporting and compliance.

Starkville, Mississippi  
January 14, 2021

*Watkins Ward and Stafford, P.C.*

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF CLARKSDALE, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Clarksdale Public Utilities</b>
<b><u>ASSETS</u></b>		
Cash and other deposits	\$ 4,532,098	5,775,966
Receivables (net):		
Accounts		1,684,977
Refuse and mosquito receivable		161,845
Unbilled revenue		702,657
Franchise fees	27,004	
Intergovernmental:		
State of Mississippi	342,632	
Coahoma County	3,496	
Other	115,468	280,323
Prepaid expenses		121,652
Inventory		277,997
Restricted cash and investments		1,312,271
Non-current accounts receivable		73,722,828
Non-current investments - MDEA		3,042,023
Capital Assets:		
Construction in Progress		54,941
Land and construction in progress	1,700,373	627,475
Buildings, structures, and improvements	18,865,813	16,761,215
Machinery and equipment	753,735	210,712,694
Furniture and fixtures	181,244	
Vehicles	6,849,320	
Less: accumulated depreciation	(15,018,490)	(154,390,968)
Total Assets	<u>18,352,693</u>	<u>160,847,896</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred outflows related		
to pensions	1,069,422	1,681,128
Total Deferred Outflows of Resources	<u>1,069,422</u>	<u>1,681,128</u>
<b><u>LIABILITIES</u></b>		
Accounts payable	10,664	2,215,600
Accrued expenses		668,684
Interest payable		2,771,267
Customer deposits	7,296	1,254,119
Other payables	62,649	10,306
Cash Overdraft	-	62,632
Long-term liabilities:		
Current	429,853	261,176
Non-current	3,488,906	119,610,049
Unfunded pension liability	14,234,545	12,052,613
Total Liabilities	<u>18,233,913</u>	<u>138,906,446</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred inflows related		
to pensions	1,660,646	570,188
Total Deferred Inflows of Resources	<u>1,660,646</u>	<u>570,188</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	9,983,354	(46,105,868)
Restricted:		
Restricted for capital projects	1,248,706	
Restricted for plant maintenance		-
Restricted for Crossroads Project		73,329,431
Restricted for debt service		
Unrestricted (Deficit)	(11,704,504)	(4,171,173)
Total Net Position	<u>\$ (472,444)</u>	<u>23,052,390</u>

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental Activities	
<b>Primary government</b>						
Governmental Activities						
General government	\$ 2,852,549	23,616			(2,828,933)	
Public safety:						
Police	3,167,591				(3,167,591)	
Fire	2,563,634		106,014		(2,457,620)	
Other	1,507,794				(1,507,794)	
Highways and streets	1,762,773		156,526		(1,606,247)	
Health and sanitation	2,555,567	1,658,592	1,470		(895,505)	
Capital projects	2,374,997				(2,374,997)	
Internal service	228,435				(228,435)	
Interest on long-term debt	91,594				(91,594)	
Miscellaneous	477,613				(477,613)	
Total primary government	17,582,547	1,682,208	264,010	-	(15,636,329)	-
<b>Component Unit</b>						
Clarksdale Public Utilities	\$ 34,063,596	25,375,500	-	-	-	(8,688,096)
General revenues						
Taxes						
General property taxes					5,881,728	
General sales taxes					2,419,999	
Licenses and permits					365,655	
Intergovernmental						
Federal					265,663	
State of Mississippi					1,765,263	
Coahoma County					166,766	
Fines and forfeitures					156,264	
Interest income					108,442	120,412
Miscellaneous					653,096	8,313,800
Transfers					2,293,190	
Total general revenues and transfers					14,076,066	8,434,212
Change in net position					(1,560,263)	(253,884)
Net position, October 1, 2018					422,349	24,073,790
Prior period adjustment					665,470	-
Distributions to the City						(767,516)
Net position, September 30, 2019	\$	(472,444)	23,052,390			

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2019**

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Capital</u>	<u>Governmental</u>	<u>Governmental</u>
<u>ASSETS</u>		<u>Projects</u>	<u>Funds</u>	<u>Funds</u>
Cash and other deposits	\$ 3,276,225	744,481	511,392	4,532,098
Receivables				
Franchise fees	27,004			27,004
Intergovernmental				
Federal				-
State of Mississippi	342,632			342,632
Coahoma County			3,497	3,497
Due from other funds	59,696			59,696
Due from other departments	115,468			115,468
<b><u>Total Assets</u></b>	<b>\$ 3,821,025</b>	<b>744,481</b>	<b>514,889</b>	<b>5,080,395</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>Liabilities:</u></b>				
Accounts payable	\$		10,664	10,664
Due to outside agency	106,348			106,348
Customer deposits	9,098			9,098
Due to other funds	14,196			14,196
Total Liabilities	129,642	-	10,664	140,306
<b><u>Fund Balances:</u></b>				
Fund balances - restricted				
Restricted for capital projects		744,481		744,481
Restricted for debt service			504,225	504,225
Fund balances - assigned	1,604,679			1,604,679
Fund balances - unassigned	2,086,704			2,086,704
Total Fund Balances	3,691,383	744,481	504,225	4,940,089
<b><u>Total Liabilities and Fund Balances</u></b>	<b>\$ 3,821,025</b>	<b>744,481</b>	<b>514,889</b>	<b>5,080,395</b>

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2019**

Fund Balances - total governmental funds		\$	4,940,089
Amounts reported for governmental activities in Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:			
Governmental capital assets	28,350,485		
Less accumulated depreciation	<u>(15,018,490)</u>		13,331,995
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:			
Long-Term Liabilities	(18,153,304)		
Deferred Outflows of Resources	1,069,422		
Deferred Inflows of Resources	<u>(1,660,646)</u>		(18,744,528)
Net Position of Governmental Activities		\$	<u><u>(472,444)</u></u>

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Capital</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Projects</u>	<u>Funds</u>	<u>Funds</u>
<b><u>Revenues</u></b>				
Taxes	\$ 5,559,608		322,120	5,881,728
Licenses and permits	365,655			365,655
Intergovernmental	3,629,236	1,240,422	12,044	4,881,702
Charges and services	1,682,208			1,682,208
Fines and forfeits	156,264			156,264
Interest income	76,060	19,417	12,965	108,442
Miscellaneous	607,785		45,311	653,096
Total Revenues	12,076,816	1,259,839	392,440	13,729,095
<b><u>Expenditures</u></b>				
Current:				
General government	2,396,494			2,396,494
Public safety	6,098,092			6,098,092
Highways and streets	1,403,951			1,403,951
Health and sanitation	2,029,929			2,029,929
Capital projects		2,374,997		2,374,997
Internal service	196,420			196,420
Miscellaneous	477,113		500	477,613
Debt service:				
Principal	189,853		240,000	429,853
Interest	20,029		71,565	91,594
Total Expenditures	12,811,881	2,374,997	312,065	15,498,943
Excess (Deficiency) of Revenues Over (Under) Expenditures	(735,065)	(1,115,158)	80,375	(1,769,848)
<b><u>Other Financing Sources (Uses)</u></b>				
Operating transfers in	187,304	162,311	312,065	661,680
Operating transfers out	(217,000)	(102,304)	(342,376)	(661,680)
Transfers from other departments	1,078,099			1,078,099
Proceed from bond sale		1,200,000		1,200,000
Proceed from sale of capital assets	15,091			15,091
Total Other Financing Sources (Uses)	1,063,494	1,260,007	(30,311)	2,293,190
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	328,429	144,849	50,064	523,342
<b><u>Fund Balances</u></b>				
October 1, 2018	3,362,954	599,632	454,161	4,416,747
September 30, 2019	\$ 3,691,383	744,481	504,225	4,940,089

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2019**

Net Change in Fund Balances - total governmental funds		\$ 523,342
Amounts reported for governmental activities in Statement of Activities are different because:		
Prior period adjustment		(665,470)
Expenditures that are not reported as expenditures in the funds:		
Change in unfunded pension liability	317,309	
Change in deferred inflows of resources	(120,943)	
Change in deferred outflows of resources	(24,833)	
Change in long-term compensated absences	<u>(21,917)</u>	149,616
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Current additions to fixed assets	-	
Less current year depreciation	<u>(999,971)</u>	(999,971)
Distribution to the City		(767,516)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		<u>199,736</u>
Change in Net Position of Governmental Activities		<u><u>\$ (1,560,263)</u></u>

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**SEPTEMBER 30, 2019**

	<b><u>Non-expendable Trust Funds</u></b>
<b><u>ASSETS</u></b>	
Cash and other deposits	\$ 120,439
Receivables	
Intergovernmental	
Coahoma County	<u>60,955</u>
<b><u>Total Assets</u></b>	<b>\$ <u>181,394</u></b>
<b><u>LIABILITIES</u></b>	
<b><u>Liabilities</u></b>	
Payroll Withholding	\$ 10,584
Amounts Held in Custody for Others	<u>170,810</u>
<b><u>Total Liabilities</u></b>	<b>\$ <u>181,394</u></b>

The accompanying notes to financials are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: Summary of Significant Accounting Policies**

The accompanying financial statements of the City of Clarksdale (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

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 GAAP. The following is a brief review of each potential component unit addressed in defining the government's reporting entity.

The following represent entities to which the City has a combined interest in conjunction with another government and therefore, are excluded from the reporting entity:

Carnegie Public Library – The City has a joint interest with Coahoma County, which is the oversight agency of the library. Annually, the City levies a 3-mill tax in support of the total library system. This levy is remitted to the library as received on a monthly basis.

Clarksdale-Coahoma County Airport is a joint venture of both the City of Clarksdale and Coahoma County. Each entity shares an equal interest in the funding of the airport.

Excluded from the reporting entity:

Clarksdale Municipal Separate School District. This potential component unit has a separate elected board and provides services to residents, generally within the boundaries of the City. This unit is excluded because the City does not have the ability to exercise influence or control over daily operations or approve budgets.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**A. Reporting Entity (Continued)**

Discretely presented component unit:

Clarksdale Public Utilities is a legally separate entity for which the City is financially accountable. The members of Clarksdale Public Utilities (CPU) governing board are appointed by the City. Clarksdale Public Utilities', which has a September 30 year-end, is presented as if it were a proprietary fund (discrete presentation) on a separate column in the City's government-wide financial statements in order to emphasize that it is legally separate from the city. Complete financial statements for CPU may be obtained from the entity's administrative offices.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for the different functions of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (Continued)**

*Fund Financial Statements:* The accounts of the City are organized on the basis of funds, 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 balances, revenues, and expenditures or expenses. City 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 generic fund types and broad fund categories as follows:

**GOVERNMENTAL FUNDS**

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

**Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted for specific purposes.

**Capital Projects Funds** – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Debt Service Funds** – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The primary revenue source is local property taxes levied specifically for debt service.

**FIDUCIARY FUNDS**

**Employee Benefit Fund and Agency Fund** – The Employee Benefit Fund and Agency Fund are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and/or other funds. The Employee Benefit Fund is accounted for in essentially the same manner as governmental funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**C. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are five thousand dollars and over. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Lives</u></b>
Buildings	40
Machinery and equipment	3-5
Furniture and fixtures	7
Vehicles	5
Improvements	20

Depreciation of buildings, equipment and vehicles in the proprietary fund is computed using the straight-line method. Depreciation rates from 5% to 33% are used for various asset classifications.

**D. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**E. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual or accrual basis of accounting, as appropriate, is used in measuring financial position and operating results:

Governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

Fiduciary fund revenues and expenses or expenditures (as appropriate) are recognized on the basis consistent with the fund's accounting measurement objective. Expendable Trust Funds are accounted for on the modified accrual basis. Agency Fund assets and liabilities are accounted for on the modified accrual basis.

**F. Budgets**

Budgets are adopted on a basis consistent with state statutes which require the cash basis of accounting for revenues and the modified accrual basis of accounting for expenditures. Annual appropriated budgets are adopted for all funds. Project-length financial plans are adopted for all capital projects funds. The budget of the City has been amended in accordance with procedures adopted by the State of Mississippi.

The Miss. Code Ann. (1972) prescribes cash basis reporting of revenue for budgets and budgeting of expenditures to be disbursed within thirty days after year end (with an exception for construction in progress).

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**G. Account Classifications**

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

**H. Encumbrances**

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

**I. Cash, Other Deposits and Investments**

Cash and other deposits

The City's cash and other deposits are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City deposits excess funds in the financial institutions selected by the city commissioners.

Investments

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing time certificates of deposit or interest-bearing accounts with any financial institution approved for the deposit of state funds; or in any type of investment permitted by Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972).

For accounting purposes, certificates of deposit and interest-bearing accounts are classified as cash and other deposits.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**J. Interfund Receivables and Payables**

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds."

**K. Inventories**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventory maintained in the enterprise funds are valued at lower of cost or market for diesel and fuel oil utilizing the first-in/first-out method. All other materials and supplies are valued at average cost.

**L. Compensated Absences**

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**M. Net Position**

GASB 63 requires the classification of net position into three components – net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- a. Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- b. Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- c. Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**N. Fund Balance**

GASB 54 requires the classification of fund balance into five components – nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as follows:

- a. Nonspendable fund balance- amounts that cannot be spent due to form such as inventories, prepaid amounts, etc...

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: Summary of Significant Accounting Policies (Continued)**

The City does not have any nonspendable fund balances.

- b. Restricted fund balance- amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

The City has the following restricted fund balances: restricted for debt service and restricted for capital projects.

- c. Committed fund balance- amounts constrained for a specific purpose by an entity using its highest level of decision-making authority. It would require the same group to remove or change the constraints placed on the resources.

The City does not have any committed fund balances.

- d. Assigned fund balance - for all funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed.

The City has the following assigned fund balances: assigned for fire department, assigned for garbage, assigned for landfill, and assigned for special revenues.

- e. Unassigned fund balance- for the general fund, any remaining amounts not classified as nonspendable, restricted or committed.

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

**O. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**P. Grant Revenues**

Revenues from Federal, State and other grants, the purpose for which is to fund specific City expenditures, are recognized at the time the specific grant is received or when the City has expended funds for which it is entitled to reimbursement for under any such grants.

**Q. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

**Note 2: Property Tax**

The Mayor and Board of Commissioners, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes attach an enforceable lien on the property as of January 1<sup>st</sup> and personal property taxes become a lien on March 1<sup>st</sup>. Taxes on both real and personal property, however, are due on or before February 1<sup>st</sup> of the next succeeding year. The city taxes are collected and remitted to the city by the Coahoma County Tax Collector.

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

Delinquent taxes are not recorded as assets.

**Note 3: Legal Compliance – Budgets**

As provided for in the City Charter, prior to August 1<sup>st</sup>, the City Council submits a proposed operating budget for the fiscal year commencing the following October 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. Prior to September 15<sup>th</sup>, the budget is legally enacted through adoption by the City Council. Amendments to the budget during the year are made by the council in accordance with applicable state statutes including publication requirements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 4: Cash, Other Deposits and Investments**

The carrying amount of deposits with financial institutions was \$4,652,537 and the bank balance was \$5,596,482 as of September 30, 2019. 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 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 Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the 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 Treasurer manages that 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 behalf of the City.

**Note 5: Inventory**

Inventory at the City of Clarksdale consists primarily of supplies and parts for repairs and maintenance of city owned property. Inventory at September 30, 2019, consisted of the following:

Clarksdale Public Utilities – Discretely presented component unit:

Materials and supplies	\$ <u>277,997</u>
Total	\$ <u>277,997</u>

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 6: Capital Assets**

Capital asset activity for the Primary Government for the year ended September 30, 2019, was as follows:

	<b>Balance 10/1/2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 9/30/2019</b>
Governmental Activities				
Non-depreciable:				
Land	1,700,373			1,700,373
Depreciable:				
Buildings	15,860,036			15,860,036
Machinery and equipment	753,735			753,735
Furniture and fixtures	181,244			181,244
Vehicles	6,863,345		14,025	6,849,320
Improvements	3,005,777			3,005,777
Total	<u>28,331,755</u>	<u>-</u>	<u>14,025</u>	<u>28,350,485</u>
Less accumulated depreciation				
Buildings	6,344,016	396,501		6,740,517
Machinery and equipment	593,434	40,614		634,048
Furniture and fixtures	89,121	6,884		96,005
Vehicles	6,173,113	428,273	14,025	6,587,361
Improvements	832,860	127,699		960,559
Total	<u>13,030,049</u>	<u>999,971</u>	<u>14,025</u>	<u>15,018,490</u>
Governmental Activities Capital Assets, net	<u>15,301,706</u>	<u>(999,971)</u>	<u>-</u>	<u>13,331,995</u>

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

	Buildings	Machinery & Equipment	Furniture & Fixtures	Vehicles	Improvements	Total
General government						
Court Clerk		-				-
City Clerk	99,126					99,126
City Hall		979			22,163	23,142
City Auditorium					20,571	20,571
Blues Museum					70,453	70,453
Total General Government	<u>99,126</u>	<u>979</u>	<u>-</u>	<u>-</u>	<u>113,187</u>	<u>213,292</u>
Public safety						
Police Department	99,125			88,130		187,255
Dispatch Department			5,668			5,668
Fire Department		36,192	1,216	94,069	2,272	133,749
Inspections Department						-
Animal control						-
Homeland Security						-
Total Public Safety	<u>99,125</u>	<u>36,192</u>	<u>6,884</u>	<u>182,199</u>	<u>2,272</u>	<u>326,672</u>
Highways and streets						
Public Works Administration	99,125				7,213	106,338
Public Works Street		1,861		61,880		63,741
Public Works Marking				1,071		1,071
Total Highways and Streets	<u>99,125</u>	<u>1,861</u>	<u>-</u>	<u>62,951</u>	<u>7,213</u>	<u>171,150</u>
Health and sanitation						
Trash / Debris Collection Street Cleaning	99,125			34,779		133,904
Trash / Debris Collection Trash Collection				73,729		73,729
Trash / Debris Disposal Site				70,508	2,292	72,800
Litter Control				4,107		4,107
Total Health and Sanitation	<u>99,125</u>	<u>-</u>	<u>-</u>	<u>183,123</u>	<u>2,292</u>	<u>284,540</u>
Internal Service						
Shop Department		1,582			2,735	4,317
Total Depreciation Expense	<u>396,501</u>	<u>40,614</u>	<u>6,884</u>	<u>428,273</u>	<u>127,699</u>	<u>999,971</u>

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 6: Capital Assets (Continued)**

**Discretely presented component Unit**

Activity for Clarksdale Public Utilities for the year ended September 30, 2019, was as follows:

	<u>Balance</u> <u>10/01/18</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u> <u>9/30/19</u>
Land & land rights	\$ 627,475			627,475
Construction in Progress		54,941		54,941
Structures & Improvements	16,592,590	168,625		16,761,215
Equipment	<u>210,188,616</u>	<u>524,078</u>	<u>      </u>	<u>210,712,694</u>
Totals	227,408,681	747,644		228,156,325
Less: Accumulated				
Depreciation	<u>148,439,564</u>	<u>6,016,768</u>	<u>(91,066)</u>	<u>154,390,968</u>
Net Fixed Assets	<u>\$ 79,969,117</u>	<u>(5,269,124)</u>	<u>(91,066)</u>	<u>73,765,357</u>

Depreciation in the discretely presented component unit for the fiscal year September 30, 2019 was \$6,016,768.

**Note 7: Long-term Debt**

The following is a summary of the changes in long-term debt of the City for the year ended September 30, 2019:

	<u>Balance</u> <u>Outstanding</u> <u>10/1/2018</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Adjustments</u>	<u>Balance</u> <u>Outstanding</u> <u>9/30/19</u>
<b><u>Primary Government Activities:</u></b>					
General Obligation Bonds	\$ 2,250,000	1,200,000	240,000		3,210,000
Capital Improvements	179,122		61,144		117,978
Compensated Absences	360,663	21,917	-		382,580
Capital Lease Obligations	<u>310,096</u>		<u>101,895</u>		<u>208,201</u>
Total Governmental Activities	<u>\$ 3,099,881</u>	<u>1,221,917</u>	<u>403,039</u>	<u>-</u>	<u>3,918,759</u>
<b><u>Discretely Presented Component Unit:</u></b>					
Notes Payable	\$ 3,442,950		256,635		3,186,315
Water and Sewer - Revenue Bonds	<u>116,684,910</u>				<u>116,684,910</u>
Total Discretely Presented Component Unit	<u>\$ 120,127,860</u>	<u>-</u>	<u>256,635</u>	<u>-</u>	<u>119,871,225</u>

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 7: Long-term Debt (Continued)**

**Primary Government Activities:**

General Obligation Bonds – The City issues general obligation bonds to provide funds for the acquisition or construction of major capital facilities or improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 10-year serial bonds, except for refunding issues, with equal amounts of principal maturing each year. Additionally, the City issues general obligation industrial bonds to provide funds for the construction and improvement of City owned industrial buildings. Annual installments of principal and interest are serviced from the rental revenues provided by the industries occupying the buildings. General obligation bonds currently outstanding are as follows:

<b><u>Purpose</u></b>	<b><u>Average Interest Rates</u></b>	<b><u>Amount</u></b>
General Government	2.0 to 4.0 %	\$2,010,000
General Government	2.0 to 4.0 %	<u>1,200,000</u>
		<u><u>\$3,210,000</u></u>

The annual requirements to amortize all General Obligation Debt Outstanding at September 30, 2019, are as follows:

<b><u>Fiscal Year Ending September 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2020	380,000	105,842	485,842
2021	395,000	81,820	476,820
2022	415,000	70,665	485,665
2023	430,000	58,515	488,515
2024	455,000	46,281	501,281
Thereafter	<u>1,135,000</u>	<u>51,630</u>	<u>1,186,630</u>
Total	<u><u>\$ 3,210,000</u></u>	<u><u>414,753</u></u>	<u><u>3,624,753</u></u>

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

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 7: Long-term Debt (Continued)**

Capital Improvement Notes Payable – The State of Mississippi has made available to the City loans for the purposes of renovations and aerial fire truck purchase. The following is the annual requirements to amortize these notes at September 30, 2019:

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	21,797	1,714	23,511
2021	21,797	1,213	23,010
2022	21,797	1,109	22,906
2023	21,797	932	22,729
2024	21,797	755	22,552
Thereafter	8,993	578	9,571
Total	<u>\$ 117,978</u>	<u>6,301</u>	<u>124,279</u>

Capital Lease Obligations – The City enters into capital leases to finance equipment and vehicles. The capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is the annual requirements to amortize these obligations at September 30, 2019:

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	28,056	1,347	29,403
2021	28,934	1,415	30,349
2022	30,381	1,486	31,867
2023	31,900	1,560	33,460
2024	33,495	1,638	35,133
Thereafter	55,435	2,735	58,170
Total	<u>\$ 208,201</u>	<u>10,181</u>	<u>218,382</u>

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 7: Long-term Debt (Continued)**

**Discretely Presented Component Unit – Clarksdale Public Utilities:**

*Crossroads Project Revenue Bonds* – \$124,000,000, 2002 Series initially dated July 11, 2002, issued for the purpose of financing the cost of acquisition and construction of a 320 MW nominally rated natural gas fueled generation station and a transmission line extending approximately 23 miles to connect with transmission facilities of Entergy Mississippi, Inc.

The 2002 Series Bonds bear interest from the respective dates of issuance payable semiannually on June 1 and December 1 of each year commencing on June 1, 2003 at the rate of 7.125 percent per annum and shall mature on June 1, 2031. During the year ended September 30, 2004 the Commission made a payment of \$7,315,090. These funds were obtained from unused construction monies and money received from the sale of a transmission station. The sole bondholder is Kansas City Power & Light.

*\$436,922 Mississippi Department of Environmental Quality State Revolving Fund Loan Commitment* due in monthly installments of \$2,793 from October 24, 1994 through March 24, 2016; rate of interest is 4.5%.

*\$1,132,514 Mississippi Department of Environmental Quality State Revolving Fund Loan Commitment* due in monthly installments of \$7,221 from February 7, 1997 through October 7, 2016; rate of interest is 4.5%.

*\$2,104,720 Mississippi Department of Environmental Quality State Revolving Fund Loan Commitment* due in monthly installments of \$10,547 from July 10, 2006 through February 10, 2026; rate of interest is 4.5%.

*\$3,116,502 Mississippi Department of Environmental Quality State Revolving Fund Loan Commitment* due in monthly installments of \$15,673 from September 1, 2014 through March 1, 2034; rate of interest is 1.75%.

*Covenant Bank Tax-Exempt Note* - \$1,350,000, proceeds from this note were used to finance improvements to the electric utility system. The note bears an interest rate of 2.95% with interest payments due semi-annually beginning on June 15, 2012 and the principal amount due on December 15, 2014.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 7: Long-term Debt (Continued)**

The Debt Service requirements for the bonded debt for the next (5) five years and for the five (5) succeeding years until maturity are as follows:

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ -	8,313,800	8,313,800
2021	-	8,313,800	8,313,800
2022	-	8,313,800	8,313,800
2023	-	8,313,800	8,313,800
2024	-	8,313,800	8,313,800
2025-2029	-	41,569,000	41,569,000
2030	-	8,313,800	8,313,800
2031	116,684,910	8,313,800	124,998,710
Total	<u>\$ 116,684,910</u>	<u>99,765,600</u>	<u>216,450,510</u>

The Debt Service requirements for the notes payable for the next five (5) years and for the five (5) succeeding years, until maturity are as follows:

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 261,176	53,470	314,646
2021	260,962	48,863	309,825
2022	265,784	44,174	309,958
2023	270,473	39,403	309,876
2024	275,244	34,547	309,791
2025-2029	1,059,548	111,006	1,170,554
2030-2033	719,758	32,559	752,317
3034	73,370	455	73,825
Total	<u>\$ 3,186,315</u>	<u>364,477</u>	<u>3,550,792</u>

**Note 8: Obligations Under Capital Lease**

The City has entered into lease contracts as lessee for financing the acquisition of various machinery and equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 9: Contingencies**

Federal Grants - The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provision for any liability that may result has been recognized in the City's financial statements.

Litigation - The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the City with respect to the various proceedings. However, the City's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

**Note 10: Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description.* The City 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. 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.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 10: Defined Benefit Pension Plan (Continued)**

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 percent 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 percent 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 that 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.

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. 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. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* 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 employer's rate as of September 30, 2019 was 17.40% of annual covered payroll. The employer's rate was 15.75% through June 30, 2019 and 17.40% thereafter. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2019, 2018 and 2017 were \$858,661, \$879,946, and \$877,274, respectively, which equaled the required contributions for each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2019, the City reported a liability of \$14,234,545 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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 the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion was 0.080915 percent.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 10: Defined Benefit Pension Plan (Continued)**

For the year ended September 30, 2019, the City recognized pension expense of \$1,513,486. At September 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 9,102	(16,449)
Net difference between projected and actual earnings on pension plan investments	554,411	(754,195)
Changes of assumptions	139,715	-
Change in proportion percentage	112,538	(890,002)
City contributions subsequent to the measurement date	-	-
	<u>253,656</u>	<u>-</u>
	<u><u>\$ 1,069,422</u></u>	<u><u>(1,660,646)</u></u>

\$253,656 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2020	\$ 211,220
2021	211,220
2022	211,220
2023	211,220
Thereafter	<u>-</u>
	<u><u>\$ 844,880</u></u>

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 10: Defined Benefit Pension Plan (Continued)**

*Actuarial assumptions.* The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.0 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112 percent of male rates from ages 18 to 75 scaled down to 105 percent for ages 80 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27	%	4.90	%
International Equity	22		4.75	
Global Equity	12		5.00	
Fixed Income	20		1.50	
Real Estate	10		4.00	
Private Equity	8		6.25	
Cash	1		0.25	
Total	100	%		

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 10: Defined Benefit Pension Plan (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. 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 current employer contribution rate (15.75%). 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's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City'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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 18,711,803	\$ 14,234,545	\$ 10,538,971

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**Note 11: Solid Waste Disposal**

The "State of Mississippi Solid Waste Full Cost Accounting Manual for Mississippi Local Governments" issued by the Office of the State Auditor prescribes procedures for meeting the requirements of Section 17-17-347, Miss. Code Ann. (1972) concerning reporting of costs of solid waste management. Included in these requirements are provisions for landfill closure and post-closure costs.

The manual and law referred to above further require accounting for and disclosure of the costs for solid waste collection, handling, and disposal. These costs are recorded in the City's general fund in the Streets and Sanitation Department and have not been reported separately.

The City adopted the Solid Waste Management Plan for Coahoma County on October 25, 1995.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 12: Related Party Transactions**

Clarksdale Public Utilities is the agent for the Mississippi Delta Energy Agency (MDEA) in acquiring and constructing a transmission line to carry the generated power to the transmission facilities of Entergy Mississippi, Inc. - the Project Transmission. Clarksdale Public Utilities is a member of the Mississippi Delta Energy Agency, a joint action agency under the provisions of Miss. Code Ann. Sections 77-5-701 et seq. (1972), as amended. Clarksdale Public Utilities has an equity investment in the Project Transmission which is a fiduciary concern of the Utility and accounts for its investment in MDEA under the purchase method.

**Note 13: Risk Management**

The City of Clarksdale 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 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, 2019, therefore no liability has been accrued at this time.

**Note 14: Subsequent Events**

Events that occur after the Statement of Net 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 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.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 14: Subsequent Events (Continued)**

Since the advent of the COVID-19 pandemic in March 2020, the City has maintained relative operating normalcy. To date, national COVID-19 related regulation has not adversely impacted operations. Per discussion with management, comparative to last year, cash receipts have decreased slightly since the beginning of the outbreak. Additionally, the City has had no ongoing projects that have been impacted by the pandemic. As of the date of the audit report, management declines to speculate on when a return to pre-COVID-19 operations will occur, but does not anticipate a material impact on normal operations for the City.

Management of the City of Clarksdale, Mississippi evaluated the activity of the City through January 14, 2021, the date the financial statements were available to be issued, and determined that other than the COVID-19 pandemic, there were no subsequent events that should be noted in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CLARKSDALE, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Total Actual</u>	<u>Variance</u>
<b>Revenues</b>					
Taxes	\$ 5,624,735	(65,127)	5,559,608	5,559,608	-
Licenses and permits	351,500	14,155	365,655	365,655	-
Intergovernmental	3,339,665	289,571	3,629,236	3,629,236	-
Charges and services	1,945,922	(263,714)	1,682,208	1,682,208	-
Fines and forfeits	150,000	6,264	156,264	156,264	-
Interest income	37,979	38,081	76,060	76,060	-
Miscellaneous	683,348	(75,563)	607,785	607,785	-
Total Revenues	<u>12,133,149</u>	<u>(56,333)</u>	<u>12,076,816</u>	<u>12,076,816</u>	<u>-</u>
<b>Expenditures</b>					
General government	2,592,159	(195,665)	2,396,494	2,396,494	-
Public safety:				-	
Police	3,338,901	(171,310)	3,167,591	3,167,591	-
Fire	2,671,055	(107,421)	2,563,634	2,563,634	-
Other	370,462	(3,595)	366,867	366,867	-
Highways and streets	1,365,692	38,259	1,403,951	1,403,951	-
Health and sanitation	2,072,415	(42,486)	2,029,929	2,029,929	-
Capital projects		-		-	-
Internal service	197,163	(743)	196,420	196,420	-
Debt service	307,725	(97,843)	209,882	209,882	-
Miscellaneous	640,113	(163,000)	477,113	477,113	-
Total Expenditures	<u>13,555,685</u>	<u>(743,804)</u>	<u>12,811,881</u>	<u>12,811,881</u>	<u>-</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(1,422,536)</u>	<u>687,471</u>	<u>(735,065)</u>	<u>(735,065)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>					
Other uses	(27,800)	(189,200)	(217,000)	(217,000)	-
Other sources	1,475,626	(195,132)	1,280,494	1,280,494	-
Total Other Financing Sources (Uses)	<u>1,447,826</u>	<u>(384,332)</u>	<u>1,063,494</u>	<u>1,063,494</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)					
Expenditures and Other Financing Uses	<u>\$ 25,290</u>	<u>303,139</u>	<u>328,429</u>	<u>328,429</u>	<u>-</u>
<b>Fund Balances</b>					
October 1, 2018				<u>3,362,954</u>	
September 30, 2019				<u>\$ 3,691,383</u>	

The accompanying notes to financials are an integral part of these financial statements.

**City of Clarksdale**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**(Excluding Clarksdale Public Utilities)**  
**Last 10 Fiscal Years\***

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	\$ 14,234,545	\$ 14,551,854	\$ 14,440,410	\$ 14,909,203	\$12,492,715
City's proportionate share of the net pension liability	0.080915%	0.087488%	0.086868%	0.060893%	0.080817%
City's covered-employee payroll	5,361,405	\$ 5,670,154	\$ 5,569,996	\$ 5,286,277	\$ 5,029,937
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	265.50%	256.64%	259.25%	282.04%	248.37%
Plan fiduciary net position as a percentage of the total pension liability	61.78%	60.86%	59.89%	58.69%	61.70%

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

\* The amounts for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

The notes to required supplementary information are an integral part of this schedule.

**City of Clarksdale**  
**Schedule of the City's Contributions**  
**(Excluding Clarksdale Public Utilities)**  
**Last 10 Fiscal Years**

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 858,661	\$ 879,946	\$ 877,274	\$ 840,077	\$ 795,215
Contribution in relation to the contractually required contribution	858,661	879,946	877,274	840,077	795,215
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,361,405	\$ 5,670,154	\$ 5,569,996	\$ 5,286,277	\$5,029,937
Contributions as a percentage of covered-employee payroll	16.02%	15.75%	15.75%	15.75%	15.75%

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

The notes to required supplementary information are an integral part of this schedule.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**Budgetary Comparison Schedule**

**(1) BASIS OF PRESENTATION**

The Budgetary Comparison Schedule presents the final legally adopted budget, the actual data on the GAAP basis, and variances between the final budget and the actual data.

**(2) BUDGET AMENDMENTS AND REVISIONS**

The budget is adopted by the City Council. Amendments can be made on the approval of the council. A budgetary comparison is presented and is consistent with accounting principles generally accepted in the United States of America.

**Pension Schedules**

**(1) CHANGES OF ASSUMPTIONS**

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection Scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%. The wage inflation assumption was reduced from 3.25% to 3.00%. 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 7% to 9%.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**NOTE 2- METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The actuarially determined contribution rates in the schedule of employer contributions are calculated as June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3.00%
Salary increase	3.25% to 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment

## **INDIVIDUAL FUND FINANCIAL STATEMENTS**

**CITY OF CLARKSDALE, MISSISSIPPI**  
**COMBINING BALANCE SHEET - GENERAL FUND**  
**SEPTEMBER 30, 2019**  
**(With Comparative Totals for September 30, 2018)**

					<b>Totals</b> <b>(Memorandum Only)</b>	
	<b>General</b>	<b>Fire</b>	<b>Garbage</b>	<b>Landfill</b>	<b>September 30,</b>	
	<b>Fund</b>	<b>Department</b>	<b>Fund</b>	<b>Fund</b>	<b>2019</b>	<b>2018</b>
		<b>Fund</b>	<b>Fund</b>	<b>Fund</b>		
<b>ASSETS</b>						
Cash and other deposits	\$ 1,779,737	72,063	1,202,251	222,174	3,276,225	2,966,254
Receivables						
Franchise fees	27,004				27,004	22,512
Intergovernmental						
State of Mississippi	342,632				342,632	328,904
Due from other funds	59,696				59,696	59,696
Due from other departments	4,500		110,968		115,468	112,922
<b>Total Assets</b>	<b>\$ 2,213,569</b>	<b>- 72,063</b>	<b>- 1,313,219</b>	<b>222,174</b>	<b>3,821,025</b>	<b>3,490,288</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Due to outside agency	\$ 105,819		529		106,348	105,842
Customer deposits	6,850		2,248		9,098	7,296
Due to other funds	14,196				14,196	14,196
Total Liabilities	<u>126,865</u>	<u>-</u>	<u>- 2,777</u>	<u>-</u>	<u>129,642</u>	<u>127,334</u>
<b>Fund Balances:</b>						
Fund Balances - Assigned		72,063	1,310,442	222,174	1,604,679	1,573,990
Fund Balances - Unassigned	2,086,704				2,086,704	1,788,964
Total Fund Balances	<u>2,086,704</u>	<u>- 72,063</u>	<u>- 1,310,442</u>	<u>222,174</u>	<u>3,691,383</u>	<u>3,362,954</u>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,213,569</b>	<b>- 72,063</b>	<b>- 1,313,219</b>	<b>222,174</b>	<b>3,821,025</b>	<b>3,490,288</b>

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**(With Comparative Totals for September 30, 2018)**

	General	Fire	Garbage	Landfill	Totals (Memorandum Only)	
	Fund	Department	Fund	Fund	September 30,	
		Fund			2019	2018
<b>Revenues</b>						
Taxes						
General property taxes	\$ 5,340,129				5,340,129	5,404,902
Penalties and interest	109,922				109,922	84,113
In lieu taxes	109,557				109,557	107,870
Licenses and permits						
Privilege license	41,000				41,000	41,564
Permits	61,508				61,508	63,380
Franchise fees	263,147				263,147	270,646
Intergovernmental						
Federal grants	265,663				265,663	975
State of Mississippi						
General sales tax	2,419,999				2,419,999	2,443,670
Liquor licenses	15,075				15,075	15,750
Municipal aid - gas tax	15,596				15,596	15,596
State Privilege License	27,349				27,349	25,016
Fire protection grants		106,014			106,014	102,532
Grand Gulf	15,369				15,369	15,619
Municipal Aid	8,957				8,957	8,957
Homestead	194,670				194,670	196,041
Other	235,782				235,782	158,208
Coahoma County						
Road maintenance	156,526				156,526	158,354
Mosquito eradication	166,766				166,766	165,333
Miscellaneous	1,470				1,470	26,000
Charges for services						
Garbage fees	51,470		1,607,122		1,658,592	1,685,689
Other	23,616				23,616	26,674
Fines and forfeits	156,264				156,264	150,189
Interest income	50,077	713	22,247	3,023	76,060	48,705

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**(With Comparative Totals for September 30, 2018)**

	General Fund	Fire Department Fund	Garbage Fund	Landfill Fund	Totals (Memorandum Only) September 30,	
					2019	2018
<b>Revenues (Continued)</b>						
Miscellaneous						
Delta blues museum	30,193				30,193	30,193
Other	194,857		382,735		577,592	195,743
Total Revenues	9,954,962	106,727	2,012,104	3,023	12,076,816	11,441,717
<b>Expenditures</b>						
General Government:						
Legislative						
Personal services	\$ 124,368				124,368	120,950
Supplies	170				170	54
Other services and charges	44,779				44,779	38,547
Capital Outlay	-				-	-
Total Legislative	169,317	-	-	-	169,317	159,551
Judicial						
Personal services	210,207				210,207	211,506
Supplies	684				684	679
Other services and charges	32,538				32,538	29,245
Capital Outlay	755				755	401
Total Judicial	244,184	-	-	-	244,184	241,830
Executive						
Personal services	295,633				295,633	268,176
Supplies	3,670				3,670	2,158
Other services and charges	92,802				92,802	28,085
Capital Outlay	1,714				1,714	2,394
Total Executive	393,819	-	-	-	393,819	300,812
Election						
Personal services	1,198				1,198	-
Supplies	83				83	-
Other services and charges	13,755				13,755	-
Total Election	15,036	-	-	-	15,036	-

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**(With Comparative Totals for September 30, 2018)**

Expenditures (Continued)	General Fund	Fire Department Fund	Garbage Fund	Landfill Fund	Totals (Memorandum Only)	
					September 30,	
					2019	2018
City Clerk and Tax Collector						
Personal services	\$ 250,501				250,501	282,247
Supplies	10,369				10,369	8,398
Other services and charges	138,368				138,368	153,192
Capital Outlay	715				715	878
Total City Clerk and Tax Collector	399,953	-	-	-	399,953	444,715
City Hall						
Personal services	82,020				82,020	81,821
Supplies	116,798				116,798	132,203
Other services and charges	-				-	-
Capital Outlay	934				934	2,960
Total City Hall	199,752	-	-	-	199,752	216,984
Other Community Promotion						
Other services and charges	29,539				29,539	26,693
Total Other Community Promotion	29,539	-	-	-	29,539	26,693
City Auditorium						
Personal services	41,812				41,812	41,182
Supplies	1,504				1,504	1,839
Other services and charges	55,615				55,615	45,897
Capital Outlay	-				-	595
Total City Auditorium	98,931	-	-	-	98,931	89,513
Other Miscellaneous						
Other services and charges	621,294				621,294	403,225
Total Other Miscellaneous	621,294	-	-	-	621,294	403,225
Legal						
Personal services	155,914				155,914	195,873
Supplies	117				117	283
Other services and charges	67,438				67,438	36,362
Capital Outlay	1,200				1,200	295
Total Legal	224,669	-	-	-	224,669	232,813

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**(With Comparative Totals for September 30, 2018)**

<b>Expenditures (Continued)</b>	<b>General Fund</b>	<b>Fire Department Fund</b>	<b>Garbage Fund</b>	<b>Landfill Fund</b>	<b>Totals (Memorandum Only) September 30,</b>	
					<b>2019</b>	<b>2018</b>
Total General Government	\$ 2,396,494	-	-	-	2,396,494	2,116,136
Public Safety						
Public safety - police						
Personal services	2,550,573				2,550,573	2,664,913
Supplies	10,056				10,056	11,485
Other services and charges	477,305				477,305	434,686
Capital outlay	129,657				129,657	38,060
Total Public Safety - Police	3,167,591	-	-	-	3,167,591	3,149,144
Public Safety - Fire						
Personal services	2,319,887				2,319,887	2,442,619
Supplies	30,145				30,145	20,468
Other services and charges	210,227	2,352			212,579	234,379
Capital outlay	1,023				1,023	9,074
Total Public Safety - Fire	2,561,282	2,352	-	-	2,563,634	2,706,540
Public Safety - Public Inspection						
Personal services	120,818				120,818	120,462
Supplies	2,892				2,892	6,675
Other services and charges	14,348				14,348	15,119
Capital outlay	580				580	1,129
Total Public Safety - Public Inspection	138,638	-	-	-	138,638	143,386
Public Safety - 911 Dispatch						
Personal services	217,750				217,750	194,802
Supplies	162				162	210
Other services and charges	9,112				9,112	7,207
Capital outlay	1,205				1,205	-
Total Public Safety - 911 Dispatch	228,229	-	-	-	228,229	202,219
Total Public Safety	6,095,740	2,352	-	-	6,098,092	6,201,289
Highways and Streets						
Public Works Administration						
Personal services	175,381				175,381	180,101
Supplies	3,862				3,862	6,224
Other services and charges	11,142				11,142	14,513
Capital outlay	376				376	2,128
Total Public Works Administration	190,761	-	-	-	190,761	202,965

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**(With Comparative Totals for September 30, 2018)**

Expenditures (Continued)	General Fund	Fire Department Fund	Garbage Fund	Landfill Fund	Totals (Memorandum Only)	
					September 30,	
					2019	2018
City Streets						
Personal services	\$ 434,683				434,683	354,701
Supplies	44,641				44,641	45,765
Other services and charges	226,193				226,193	288,822
Capital outlay	32,275				32,275	3,323
Total City Streets	<u>737,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>737,792</u>	<u>692,611</u>
Street Lights						
Other services and charges	398,428				398,428	399,014
Total Street Lights	<u>398,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>398,428</u>	<u>399,014</u>
Street Markings and Signs						
Personal services	59,163				59,163	58,103
Supplies	7,826				7,826	3,624
Other services and charges	9,981				9,981	8,568
Capital Outlay	-				-	-
Total Street Markings and Signs	<u>76,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,970</u>	<u>70,295</u>
Total Highways and Streets	<u>1,403,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,403,951</u>	<u>1,364,885</u>
Health and Sanitation						
Health and Welfare - Animals						
Personal services	43,348				43,348	37,318
Supplies	2,739				2,739	2,642
Other services and charges	4,861				4,861	3,418
Capital outlay	491				491	-
Total Health and Welfare - Animals	<u>51,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,439</u>	<u>43,378</u>
Extermination of Mosquitos						
Other services and charges	150,472				150,472	178,884
Total Extermination of Mosquitos	<u>150,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,472</u>	<u>178,884</u>
Street Cleaning						
Personal services			85,998		85,998	83,733
Supplies			14,666		14,666	679
Other services and charges			46,821		46,821	10,738
Capital outlay			375,500		375,500	-
Total Street Cleaning	<u>-</u>	<u>-</u>	<u>522,985</u>	<u>-</u>	<u>522,985</u>	<u>95,150</u>

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**(With Comparative Totals for September 30, 2018)**

Expenditures (Continued)	General Fund	Fire Department Fund	Garbage Fund	Landfill Fund	Totals (Memorandum Only)	
					September 30,	
					2019	2018
Waste Collection						
Personal services	\$		143,154		143,154	126,327
Supplies			24,805		24,805	23,934
Other services and charges			946,183		946,183	1,022,699
Capital outlay			-		-	-
Total Waste Collection	-	-	1,114,142	-	1,114,142	1,172,960
Waste Disposal						
Personal services			117,019		117,019	108,856
Supplies			32,074		32,074	28,407
Other services and charges			41,798		41,798	94,349
Capital outlay			-		-	4,830
Total Waste Disposal	-	-	190,891	-	190,891	236,441
Total Health and Sanitation	201,911	-	1,828,018	-	2,029,929	1,726,813
Internal Service						
Internal service - vehicles						
Personal services	156,358				156,358	157,875
Supplies	10,253				10,253	9,619
Other services and charges	29,809				29,809	28,155
Capital outlay	-				-	638
Total Internal Service	196,420	-	-	-	196,420	196,287

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**(With Comparative Totals for September 30, 2018)**

	General Fund	Fire Department Fund	Garbage Fund	Landfill Fund	Totals (Memorandum Only) September 30,	
					2019	2018
<b>Expenditures (Continued)</b>						
Debt Service						
Principal	\$ 21,797	66,597	101,459		189,853	261,560
Interest	8,395	11,187	447		20,029	25,893
Total Debt Service	30,192	77,784	101,906	-	209,882	287,453
Miscellaneous						
Appropriations to other entities	360,113				360,113	419,205
Capital outlays	300				300	1,747
Other services and charges	85,594		31,106		116,700	153,809
Total Miscellaneous	446,007	-	31,106	-	477,113	574,761
Total Expenditures	10,770,715	80,136	1,961,030	-	12,811,881	12,467,623
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(815,753)	26,591	51,074	3,023	(735,065)	(1,025,905)
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	55,000		5,000		60,000	110,000
Transfers from other departments	1,205,403				1,205,403	1,091,951
Inception of capital leases					-	-
Proceeds from sale of capital assets	15,091				15,091	20,500
Operating transfers out	(162,000)		(55,000)		(217,000)	(188,256)
Total Other Financing Sources (Uses)	1,113,494	-	(50,000)	-	1,063,494	1,034,195
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	297,741	26,591	1,074	3,023	328,429	8,290
<b>Fund Balances</b>						
October 1	1,788,963	45,472	1,309,368	219,151	3,362,954	3,354,664
September 30	\$ 2,086,704	72,063	1,310,442	222,174	3,691,383	3,362,954

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2019**  
**(With Comparative Totals for September 30, 2018)**

	<b><u>Crime Prevention Fund</u></b>	<b><u>General Building Fund</u></b>	<b><u>Totals (Memorandum Only) September 30, 2019</u></b>	<b><u>2018</u></b>
<b><u>ASSETS</u></b>				
Cash and other deposits	\$ -	264,695	264,695	243,201
Due from other funds	-	-	-	-
Total Assets	\$ -	264,695	264,695	243,201
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>Liabilities</u></b>				
Due to other funds	\$ -	-	-	-
<b><u>Fund Balances</u></b>				
Fund Balances - Assigned	-	264,695	264,695	243,201
Total Fund Balances	-	264,695	264,695	243,201
<b><u>Total Liabilities and Fund Balances</u></b>	<b><u>\$ -</u></b>	<b><u>264,695</u></b>	<b><u>264,695</u></b>	<b><u>243,201</u></b>

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES- SPECIAL REVENUE FUNDS**  
**(With Comparative Totals for September 30, 2019)**  
**(With Comparative Totals for September 30, 2018)**

		Crime Prevention Fund	General Building Fund	Totals (Memorandum Only) September 30,	
				2019	2018
<b>Revenues</b>					
Interest income	\$		6,494	6,494	3,195
Other income			45,311	45,311	65,000
Total Revenues		-	51,805	51,805	68,195
<b>Expenditures</b>					
Public Safety					
Public Safety - Police					
Supplies				-	-
Other services and charges				-	-
Capital outlay					
Total Public Safety - Police		-	-	-	-
Total Expenditures		-	-	-	-
Excess (Deficiency) of Revenues					
Over (Under) Expenditures		-	51,805	51,805	68,195
<b>Other Financing Sources (Uses)</b>					
Operating transfers in				-	-
Transfers from other departments			(30,311)	(30,311)	(60,000)
Transfers to outside agencies				-	-
Operating transfers out				-	-
Total Other Financing Sources (Uses)		-	(30,311)	(30,311)	(60,000)
Excess (Deficiency) of Revenues and					
Other Financing Sources Over (Under)					
Expenditures and Other Financing Uses		-	21,494	21,494	8,195
<b>Fund Balances</b>					
October 1			243,201	243,201	235,006
September 30	\$	-	264,695	264,695	243,201

The accompanying notes to financial statements are an integral part of these financial statements.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**SEPTEMBER 30, 2019**  
**(With Comparative Totals for September 30, 2018)**

	Non-Expendable Trust Funds				Totals (Memorandum Only)	
	Unemployment Fund	Tax Collector's Fund	Insurance Fund	Disability and Relief Fund	September 30, 2019	2018
<b><u>ASSETS</u></b>						
Cash and other deposits	\$ 77,397		43,042		120,439	113,563
Receivables						
Intergovernmental						
Coahoma County		50,371	-	10,584	60,955	56,684
<b>Total Assets</b>	<b>\$ 77,397</b>	<b>50,371</b>	<b>43,042</b>	<b>10,584</b>	<b>181,394</b>	<b>170,247</b>
<b><u>LIABILITIES</u></b>						
<b><u>Liabilities</u></b>						
Payroll Withholding	\$			10,584	10,584	10,675
Amounts Held in Custody for Others	77,397	50,371	43,042		170,810	159,572
<b>Total Liabilities</b>	<b>\$ 77,397</b>	<b>50,371</b>	<b>43,042</b>	<b>10,584</b>	<b>181,394</b>	<b>170,247</b>

The accompanying notes to financial statements are an integral part of these financial statements.

## **OTHER SUPPLEMENTAL INFORMATION**

**CITY OF CLARKSDALE, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<b><u>Individual</u></b>	<b><u>Amounts or Limits</u></b>	<b><u>Terms in Years</u></b>	<b><u>Expires</u></b>	<b><u>Company</u></b>	<b><u>Policy Number</u></b>	<b><u>Office/Position</u></b>
Edward Seals	17,500	4	7/1/2021	Western Surety Company	70736144	Commissioner
Willie Turner Jr.	25,000	4	7/2/2021	Travelers Casualty and Surety	106744983	Commissioner
Timothy Plunk	17,500	4	7/1/2021	Western Surety Company	70736151	Commissioner
Richard K. Murphey, Jr.	25,000	4	7/1/2021	RLI Insurance Company	LSM0511483	Commissioner
Henry W. Espy III	90,000	4	7/1/2021	Western Surety Company	71916742	Mayor
Cathy Ann Clark	77,000	1	7/2/2020	Western Surety Company	69183659	City Clerk
Sandra J. Williams	50,000	Indefinite	Indefinite	Travelers Casualty and Surety	106803363	Police Chief

**City of Clarksdale, Mississippi**  
**Schedule of Federal Awards**  
**For the Year Ended September 30, 2019**

<b><u>Federal Agency/ Pass-through Entity/ Program Title</u></b>	<b><u>Catalog of Federal Domestic Assistance Number</u></b>	<b><u>Federal Expenditures</u></b>
<b><u>U.S. Department of Defense:</u></b>		
Passed-through U.S. Army Corps of Engineers:		
Mississippi Environmental Infrastructure (Section 592) - ARRA	12.124	570,481
Total U.S. Department of Defense		570,481
<b><u>U.S. Department of Justice:</u></b>		
Direct Programs:		
Public Safety PartnerShip and Community Policing Grants	16.710	76,466
Bulletproof Vest Partnership Program	16.607	650
Total U.S. Department of Justice		77,116
<b><u>U. S. Department of Homeland Security:</u></b>		
Passed-through Mississippi Emergency Management Agency		
Assistance to Firefighters Grant Program	97.044	4,932
Total U.S. Department of Homeland Security		4,932
<b><u>Environmental Protection Agency:</u></b>		
Direct Programs:		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	188,547
Total Environmental Protection Agency		188,547
<b><u>U.S Department of Housing and Urban Development:</u></b>		
Passed-through State of Mississippi		
National Disaster Resilience Competition	14.272	478,400
Total U.S Department of Housing and Urban Development		478,400
<b><u>Total Expenditures of Federal Awards</u></b>		<b>\$ 1,319,476</b>

The accompanying notes to Schedule of Expenditures of Federal Awards is an integral part of this schedule.

**CITY OF CLARKSDALE, MISSISSIPPI**  
**NOTES TO SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Clarksdale under programs of the federal government for the year ended September 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Clarksdale, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Clarksdale.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following cost principles contained the Title 2 *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

**Note 3: Indirect Cost**

The City of Clarksdale has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

## **COMPLIANCE SECTION**

**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***



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

James L. Stafford, CPA	Stephen D. Flake, CPA
Harry W. Stevens, CPA	John N. Russell, CPA
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**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***

The Honorable Mayor and Board of Commissioners  
The City of Clarksdale, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clarksdale, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Clarksdale, Mississippi's basic financial statements, and have issued our report thereon dated January 14, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Clarksdale, 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 Clarksdale, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Clarksdale, 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. 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 Clarksdale, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Starkville, Mississippi  
January 14, 2021

*Watkins Ward and Stafford, P.C.*

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



**WATKINS, WARD and STAFFORD**  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH STATE LAWS AND REGULATIONS**

The Honorable Mayor and Board of Commissioners  
The City of Clarksdale, Mississippi

We have audited the financial statements of the City of Clarksdale, Mississippi, as of and for the year ended September 30, 2019, and have issued our report thereon dated January 14, 2021. 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.

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 our tests indicate that, with respect to the items tested, the City of Clarksdale 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 Clarksdale had not complied with those provisions.

This report is intended solely for the information and use of management, City Council, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Starkville, Mississippi  
January 14, 2021

*Watkins Ward and Stafford, PLLC*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**



**WATKINS, WARD and STAFFORD**  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and Board of Aldermen  
City of Clarksdale, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited the City of Clarksdale, Mississippi's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Clarksdale, Mississippi's major federal program for the year ended September 30, 2019. The City of Clarksdale, Mississippi's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the City of Clarksdale, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Clarksdale, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the City of Clarksdale, Mississippi's compliance.

## ***Opinion on Major Federal Program***

In our opinion, the City of Clarksdale, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

## **Report on Internal Control Over Compliance**

Management of the City of Clarksdale, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Clarksdale, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Clarksdale, Mississippi's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Starkville, Mississippi  
January 14, 2021

*Watkins Ward and Stafford, P.C.*

## **SCHEDULE OF FINDINGS**

**CITY OF CLARKSDALE, MISSISSIPPI**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

Type of auditors' report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

**Federal Awards:**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that (is/are) not considered to be a material weakness(es)	None reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed as required by Section 200.516(a) of the Uniform Guidance Subpart F?	No
Federal programs identified as major programs:	
Dept. of Defense Section 592 (ARRA) 12.124	
The dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as a low-risk auditee pursuant to the Uniform Guidance?	No

**CITY OF CLARKSDALE, MISSISSIPPI**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**Section 2: Findings Relating to the Financial Statements**

None

**Section 3: Federal Award Findings and Questioned Cost**

None