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**TOWN OF FARMINGTON, MISSISSIPPI
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED SEPTEMBER 30, 2019**



Certified Public Accountants

Town of Farmington, Mississippi
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September 30, 2019

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Certified Public Accountants

Member of:
American Institute of Certified Public Accountants
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Mississippi Society of Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the Board of Aldermen
Town of Farmington, Mississippi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Farmington, 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, the Schedule of the Town's Proportionate Share of the Net Pension Liability, and the Schedule of Town Contributions on pages 3 through 7 and 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Farmington, Mississippi's basic financial statements.

The Schedule of Surety Bonds for Municipal Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020, on our consideration of the Town of Farmington, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Farmington, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Farmington, Mississippi's internal control over financial reporting and compliance.



The Sparks CPA Firm, P.C.
Certified Public Accountants
Booneville, Mississippi
December 21, 2020

**Town of Farmington, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019**

This Discussion and Analysis of the Town of Farmington's financial performance provides an overall review of the Town's financial activities for the year ended September 30, 2019. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

Key financial highlights for 2019 were as follows:

Total net position decreased \$484,055 or 14.91%% from 2018.

Overall, the book value of capital assets decreased by \$112,128 from 2018.

The Town also recorded a net pension liability of \$426,432.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Town of Farmington as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole Town, presenting both an aggregate view of the Town's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the Town's most significant funds with all other non-major funds presented in total in one column.

Reporting the Town of Farmington as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the Town to provide services to our citizens, the view of the Town as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Town's net position and the changes in that position. This change in position is important because it tells the reader whether, for the Town as a whole, the financial position of the Town has improved or diminished. However, in evaluating the overall position of the Town, non-financial information such as changes in the Town's tax base and the condition of the Town's capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, all of the Town's activities are reported as Governmental Activities and Business Type Activities, which include all of the Town's services including police, fire, administration, sewer, and all other departments. The Town of Farmington has no component units.

**Town of Farmington, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019**

Reporting the Town of Farmington's Most Significant Funds

Fund Financial Statements

The analysis of the Town's major funds begins on page 10. Fund financial reports provide detailed information about the Town's major funds. Based on restrictions on the use of monies, the Town has established many funds, which account for the multitude of services provided to the Town's residents. However, these fund financial statements focus on the Town's most significant funds. In the case of the Town of Farmington, the Town's major funds are the General Fund and BP Grant Fund.

Governmental Funds

Most of the Town's basic services are reported in this fund type, which shows the money flowing in and out of those funds and then the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. These fund statements provide a detailed short-term view of the general government operations and the basic service it provides. This information also helps you determine whether there are more or fewer financial resources available to be used in the near future to finance the Town's programs. The differences between governmental activities and governmental funds are described in reconciliations adjacent to the fund financial statements.

Proprietary Funds

When the customers are charged for the provided services, these services are generally reported as proprietary funds. These funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows.

The Town of Farmington as a Whole

Recall that the Statement of Net Position looks at the Town as a whole. Table 1 provides a summary of the Town's net position for 2019 compared to 2018.

**Town of Farmington, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019**

THE TOWN AS A WHOLE

**(Table 1)
Net Position
Government Wide**

	Governmental Activities		Business-Type Activities		Totals		Increase (Decrease)	Percentage Change
	2019	2018	2019	2018	2019	2018		
Current and other assets	\$ 1,270,622	\$ 626,119	\$ (137,901)	\$ (77,397)	\$ 1,132,721	\$ 548,722	\$ 583,999	106.43%
Capital assets	749,476	717,873	5,087,965	5,231,696	5,837,441	5,949,569	(112,128)	-1.88%
Total Assets	2,020,098	1,343,992	4,950,064	5,154,299	6,970,162	6,498,291	471,871	7.26%
Deferred Outflows of Resources	29,093	48,810	6,223	9,766	35,316	58,576	(23,260)	-39.71%
Long-term debt	616,947	601,047	2,300,971	2,379,778	2,917,918	2,980,825	(62,907)	-2.11%
Other Liabilities	32,164	21,116	105,824	99,479	137,988	120,595	17,393	14.42%
Total Liabilities	649,111	622,163	2,406,795	2,479,257	3,055,906	3,101,420	(45,514)	-1.47%
Deferred Inflows of Resources	215,770	203,499	3,065	5,266	218,835	208,765	10,070	4.82%
Net Position								
Net Investment in Capital Assets	490,448	467,511	2,855,507	2,919,219	3,345,955	3,386,730	(40,775)	-1.20%
Restricted	493,746	18,348	-	-	493,746	18,348	475,398	2591.01%
Unrestricted	200,116	81,281	(309,080)	(239,677)	(108,964)	(158,396)	49,432	-31.21%
Total Net Position	\$ 1,184,310	\$ 567,140	\$ 2,546,427	\$ 2,679,542	\$ 3,730,737	\$ 3,246,682	\$ 484,055	14.91%

The Town's total assets increased \$447,128 during 2019 with business-type activities showing a decrease of \$204,235 and governmental activities showing an increase of \$651,363. The major changes were \$559,256 increase in current assets and a \$112,128 decrease in capital assets.

The Town's total liabilities decreased \$45,514, mainly due to the retirement of long-term debt.

The Town's net position increased \$484,055 due mainly to receiving BP Grant funds for capital improvements.

**Town of Farmington, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019**

Table 2 shows the Changes in Net Position for the September 30, 2019 year end. A comparative analysis of government-wide data is as follows:

**(Table 2)
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Totals		Increase (Decrease)	Percentage Change
	2019	2018	2019	2018	2019	2018		
Program Revenues:								
Charges for services	\$ 41,738	\$ 61,791	\$ 384,798	\$ 370,528	\$ 426,536	\$ 432,319	\$ (5,783)	-1.34%
Capital Grants	500,000	-	-	-	500,000	-	500,000	100.00%
Operating Grants	120,000	89,048	-	53,417	120,000	142,465	(22,465)	-15.77%
General revenues:								
Property taxes	230,034	207,395	-	360	230,034	207,755	22,279	10.72%
Other taxes and other	177,056	274,306	3,500	-	180,556	274,306	(93,750)	-34.18%
Total revenues	<u>1,068,828</u>	<u>632,540</u>	<u>388,298</u>	<u>424,305</u>	<u>1,457,126</u>	<u>1,056,845</u>	<u>400,281</u>	37.88%
Program Expenses:								
General government	191,623	207,025	-	-	191,623	207,025	(15,402)	-7.44%
Public safety	174,065	152,172	-	-	174,065	152,172	21,893	14.39%
Public works	29,957	109,573	-	-	29,957	109,573	(79,616)	-72.66%
Culture and recreation	13,852	48,477	-	-	13,852	48,477	(34,625)	-71.43%
Pension Expense	37,015	47,963	-	-	37,015	47,963	(10,948)	-22.83%
Interest on long-term debt	5,146	5,437	-	-	5,146	5,437	(291)	-5.35%
Sewer system	-	-	521,413	531,902	521,413	531,902	(10,489)	-1.97%
Total program expenses	<u>451,658</u>	<u>570,647</u>	<u>521,413</u>	<u>531,902</u>	<u>973,071</u>	<u>1,102,549</u>	<u>(129,478)</u>	-11.74%
Increase (decrease) in net position	\$ <u>617,170</u>	\$ <u>61,893</u>	\$ <u>(133,115)</u>	\$ <u>(107,597)</u>	\$ <u>484,055</u>	\$ <u>(45,704)</u>	\$ <u>529,759</u>	1159.11%

The increase in Net Position identified in Table 2 was due to increase in capital grants received in 2019.

**Town of Farmington, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019**

Major expense activities, under the accrual basis of accounting, include: General Government expenses accounting for 19.69% of total program expenses; public safety expenses accounting for 17.88% public works expenses accounting for 3.08% and sewer system accounting for 53.58%. The Town is committed to providing the basic services that our residents expect.

The Town's Funds

Information about the Town's major governmental funds begins on page 10. These funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$1,079,259 and expenditures of \$499,215.

The General Fund is the principal operating fund of the Town. The fund balance in the General Fund increased by \$142,446 for the fiscal year.

General Fund Budgeting Highlights

The Town's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

All recommendations for a budget change come from the Town Clerk to the Board of Aldermen for Review. The Town does not allow budget changes that modify line items within departments without Board approval.

With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments. For the General Fund, original budgeted revenues and final budgeted revenues were \$518,801, actual revenue collections were \$566,432. The major factor contributing to the increase of actual revenues over budgeted amounts was increased revenues for the category of property taxes and fines and forfeitures.

Capital assets and debt administration

Capital Assets.

As of September 30, 2019, the Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities was \$749,476 and \$5,087,965, respectively. The governmental activities increased \$31,603 and business-type activities decreased \$143,731. The increase was due to the purchase of vehicles in governmental activities and the decrease was due to depreciation to the sewer system.

Additional information of the Town's capital assets can be found in Note 6 on pages 26-27 of this report.

Debt Administration.

At September 30, 2019, the Town had \$259,028 of long-term debt outstanding and \$2,232,458 of revenue bonds and notes payable outstanding with \$99,027 due within one year. The Town also has a net pension liability of \$426,432

Additional information of the Town's long-term debt can be found in Note 7 on pages 27-29 of this report.

Contacting the Town's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Debora Jackson, Town Clerk, at 662-665-9647.

Town of Farmington, Mississippi
Statement of Net Position
September 30, 2019

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<u>ASSETS</u>			
Cash and investments	\$ 750,579	\$ 500	\$ 751,079
Property tax receivable	201,225	-	201,225
Fines receivable, net of uncollectible, \$39,494	52,005	-	52,005
Accounts receivable, net of uncollectible, \$34,995	-	77,588	77,588
Other receivables	10,409	-	10,409
Internal balances	222,980	(222,980)	-
Intergovernmental receivables	9,262	-	9,262
Prepaid expenses	24,162	6,991	31,153
Restricted cash	-	-	-
Capital assets, net			
Capital assets not being depreciated	234,721	38,071	272,792
Capital assets being depreciated, net of depreciation	514,755	5,049,894	5,564,649
Total Assets	<u>2,020,098</u>	<u>4,950,064</u>	<u>6,970,162</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Amounts - Pensions	<u>29,093</u>	<u>6,223</u>	<u>35,316</u>
<u>LIABILITIES</u>			
Accounts payable	17,111	13,436	30,547
Accrued expenses	12,264	871	13,135
Customer deposits	-	57,959	57,959
Accrued interest payable	2,789	33,558	36,347
Long-term liabilities:			-
Due within one year	15,403	83,624	99,027
Due in more than one year	243,625	2,148,834	2,392,459
Net Pension Liability	357,919	68,513	426,432
Total Liabilities	<u>649,111</u>	<u>2,406,795</u>	<u>3,055,906</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Property taxes	201,225	-	201,225
Deferred Amounts - Pensions	14,545	3,065	17,610
Total Deferred Inflows of Resources	<u>215,770</u>	<u>3,065</u>	<u>218,835</u>
<u>NET POSITION</u>			
Net Investment in capital assets	490,448	2,855,507	3,345,955
Restricted Net Position			
Capital Projects	473,960	-	473,960
Debt Service	19,786	-	19,786
Unrestricted	<u>200,116</u>	<u>(309,080)</u>	<u>(108,964)</u>
Total Net Position	\$ <u>1,184,310</u>	\$ <u>2,546,427</u>	\$ <u>3,730,737</u>

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

Town of Farmington, Mississippi
Statement of Activities
For The Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 191,623	-	-	-	(191,623)	-	(191,623)
Public safety	174,065	41,738	-	-	(132,327)	-	(132,327)
Public works	29,957	-	500,000	-	470,043	-	470,043
Culture and recreations	13,852	-	-	120,000	106,148	-	106,148
Interest on long-term liabilities	5,146	-	-	-	(5,146)	-	(5,146)
Pension Expense	37,015	-	-	-	(37,015)	-	(37,015)
Total Governmental Activities	<u>451,658</u>	<u>41,738</u>	<u>500,000</u>	<u>120,000</u>	<u>210,080</u>	<u>-</u>	<u>210,080</u>
Business-type activity							
Sewer system	521,413	384,798	-	-	-	(136,615)	(136,615)
Total Primary Government	<u>\$ 973,071</u>	<u>426,536</u>	<u>500,000</u>	<u>120,000</u>	<u>210,080</u>	<u>(136,615)</u>	<u>73,465</u>
General Revenues:							
Taxes:							
Property Taxes					230,034	-	230,034
Franchise Taxes					48,626	-	48,626
Intergovernmental Revenue					121,712	-	121,712
Unrestricted investment income					1,241	-	1,241
Miscellaneous					5,477	3,500	8,977
Total General Revenues					<u>407,090</u>	<u>3,500</u>	<u>410,590</u>
Change in Net Position					<u>617,170</u>	<u>(133,115)</u>	<u>484,055</u>
Net Position - Beginning					<u>567,140</u>	<u>2,679,542</u>	<u>3,246,682</u>
Net Position - Ending					<u>\$ 1,184,310</u>	<u>\$ 2,546,427</u>	<u>\$ 3,730,737</u>

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

Town of Farmington, Mississippi
Balance Sheet -
Governmental Funds
September 30, 2019

	General Fund	BP Grant Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 253,583	\$ 473,960	\$ 23,036	\$ 750,579
Taxes receivable	186,374	-	14,851	201,225
Fines receivable, net of uncollectible, \$39,494	52,005	-	-	52,005
Other receivable	10,409	-	-	10,409
Intergovernmental receivable	9,010	-	252	9,262
Due from other funds	226,482	-	-	226,482
Total assets	<u>\$ 737,863</u>	<u>\$ 473,960</u>	<u>\$ 38,139</u>	<u>\$ 1,249,962</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 17,111	\$ -	\$ -	\$ 17,111
Accrued expenses	12,264	-	-	12,264
Due to other funds	-	-	3,502	3,502
Total Liabilities	<u>29,375</u>	<u>-</u>	<u>3,502</u>	<u>32,877</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	186,374	-	14,851	201,225
Unavailable revenue - fines	52,005	-	-	52,005
Total Deferred Inflows of Resources	<u>238,379</u>	<u>-</u>	<u>14,851</u>	<u>253,230</u>
Fund balances:				
Restricted for:				
Capital Projects	-	473,960	-	473,960
Debt Service	-	-	19,786	19,786
Unassigned	470,109	-	-	470,109
Total Fund Balances	<u>470,109</u>	<u>473,960</u>	<u>19,786</u>	<u>963,855</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 737,863</u>	<u>\$ 473,960</u>	<u>\$ 38,139</u>	<u>\$ 1,249,962</u>

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

Town of Farmington, Mississippi
Reconciliation of the Governmental Funds Balance Sheet to the Statement of
Net Position
September 30, 2019

Total fund balance, governmental funds	\$	963,855
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets of \$1,129,262, net of accumulated depreciation of \$379,816, are not financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		749,476
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Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in this fund financial statement, but we reported in the governmental activities of the Statement of Net Position: Fines Receivable		52,005
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Deferred outflows and inflows related to pensions are applicable to future periods and therefore, are not reported in Governmental Funds Balance Sheet:		
Deferred outflows of resources related to defined benefit pension plan		29,093
Deferred inflows of resources related to defined benefit pension plan		(14,545)

Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Net Pension Liability		(357,919)
Other Loans Payable		(259,028)
Accrued Interest Payable		(2,789)

Prepaid expenses are not financial resources, and, therefore, are not reported in the funds.		24,162
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Net Position of Governmental Activities in the Statement of Net Position	\$	1,184,310
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The accompanying notes to the financial statements are an integral part of this financial statement

Town of Farmington, Mississippi
Statement of Revenue, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2019

	General Fund	BP Grant Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Ad valorem taxes	\$ 215,790	\$ -	\$ 14,244	\$ 230,034
Fines and Forfeitures	52,165	-	-	52,165
Intergovernmental revenues	241,716	500,000	-	741,716
Investment earnings	518	723	-	1,241
Miscellaneous	5,477	-	-	5,477
Franchise fees	48,626	-	-	48,626
Total Revenues	<u>564,292</u>	<u>500,723</u>	<u>14,244</u>	<u>1,079,259</u>
<u>Expenditures</u>				
General government	195,398	-	-	195,398
Public safety	213,488	-	-	213,488
Public works	29,286	26,763	-	56,049
Culture and Recreation	-	-	-	-
Debt Service:				
Principal	21,065	-	8,069	29,134
Interest and fiscal charges	409	-	4,737	5,146
Total Expenditures	<u>459,646</u>	<u>26,763</u>	<u>12,806</u>	<u>499,215</u>
Excess (deficiency) of Revenues Over Expenditures	<u>104,646</u>	<u>473,960</u>	<u>1,438</u>	<u>580,044</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from note payable	<u>37,800</u>	<u>-</u>	<u>-</u>	<u>37,800</u>
Total other Financing Sources	<u>37,800</u>	<u>-</u>	<u>-</u>	<u>37,800</u>
Net change in fund balances	142,446	473,960	1,438	617,844
Fund Balances - Beginning of Year	<u>327,663</u>	<u>-</u>	<u>18,348</u>	<u>346,011</u>
Fund Balances - End of Year	<u>\$ 470,109</u>	<u>\$ 473,960</u>	<u>\$ 19,786</u>	<u>\$ 963,855</u>

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

Town of Farmington, Mississippi
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

Net change in fund balances - total governmental funds: \$ 617,844

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	68,946	
Depreciation expense	(37,343)	
	31,603	
Excess of capital outlay over depreciation		31,603

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This includes an decrease of \$10,427 in the Town's fines revenue. (10,427)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position.

Proceeds from long term debt	(37,800)	
Payments of debt principal		29,134

Pension Expense is reported in the statement of activities but does not provide or require the use of current financial resources. Therefore, pension expense is not reported as expenditures in governmental funds. (14,479)

Some expenses reported in the statement of activities do require the use of current financial resources and are not reported as expenditures in governmental funds. These include:

Prepaid insurance	1,295	
	1,295	

Change in net assets of governmental activities	\$ 617,170	
	617,170	

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

Town of Farmington, Mississippi
Statement of Net Position -
Proprietary Fund
September 30, 2019

	<u>Enterprise Fund</u> <u>Sewer System</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 500
Accounts receivable, net of uncollectible, \$34,995	77,588
Prepaid insurance	6,991
Total Current Assets	<u>85,079</u>
Noncurrent Assets:	
Capital assets not being depreciated	38,071
Capital assets being depreciated, net of depreciation	5,049,894
Total noncurrent assets	<u>5,087,965</u>
Total Assets	<u>5,173,044</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Amounts - Pensions	<u>6,223</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	13,436
Accrued Liabilities	871
Due to other funds	222,980
Customer deposits	57,959
Interest payable	33,558
Current maturities of long-term debt	83,624
Total current liabilities	<u>412,428</u>
Noncurrent Liabilities:	
Revenue bonds payable	1,654,065
Notes Payable	494,769
Net Pension Liability	68,513
Total noncurrent liabilities	<u>2,217,347</u>
Total Liabilities	<u>2,629,775</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Amounts - Pensions	<u>3,065</u>
<u>NET POSITION</u>	
Net investment in capital assets	2,855,507
Unrestricted	<u>(309,080)</u>
Total Net Position	\$ <u>2,546,427</u>

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

Town of Farmington, Mississippi
Statement of Revenues, Expenses, and Changes in Net Position -
Proprietary Fund
For The Year Ended September 30, 2019

	Enterprise Fund Sewer System
<u>OPERATING REVENUES</u>	
Charges for services	\$ 384,798
Total operating revenues	<u>384,798</u>
<u>OPERATING EXPENSES</u>	
Personal services	28,568
Contractual services	250,677
Material and supplies	5,723
Depreciation expense	143,731
Pension Expense	<u>6,532</u>
Total operating expenses	<u>435,231</u>
Operating income (loss)	<u>(50,433)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest expense	(86,182)
Insurance proceeds	<u>3,500</u>
Total nonoperating revenue (expenses)	<u>(82,682)</u>
Change in net position	<u>(133,115)</u>
Total net position - Beginning	<u>2,679,542</u>
Total net position - Ending	\$ <u><u>2,546,427</u></u>

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

Town of Farmington, Mississippi
Statement of Cash Flows -
Proprietary Fund
For The Year Ended September 30, 2019

	<u>Enterprise Fund</u> <u>Sewer System</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 373,839
Cash payments for goods and services	(252,672)
Cash payments to employees	<u>(33,446)</u>
Net cash provided (used) by operating activities	<u>87,721</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase in due to other funds	19,257
Customer deposits	<u>3,250</u>
Net cash provided (used) by noncapital financing activities	<u>22,507</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Insurance recoveries	3,500
Intergovernmental revenues	54,317
Principal payments on debt	(80,339)
Interest payment on debt	<u>(87,706)</u>
Net cash provided (used) by capital & related financing activities	<u>(110,228)</u>
Net decrease in cash and cash equivalents	-
Cash and cash equivalents - beginning of year	<u>500</u>
Cash and cash equivalents - end of year	<u>\$ 500</u>
Reconciliation of operating income (loss) to	
net cash provided (used) by operating activities:	
Operating income (loss)	\$ (50,433)
Adjustments to reconcile operating income (loss)	
to cash provided (used) by operating activities:	
Depreciation	143,731
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(10,959)
Increase (decrease) in accounts payable and accrued liabilities	4,939
(Increase) decrease in prepaid insurance	(1,211)
Net Pension Expense	<u>1,654</u>
Net cash provided (used) by operating activities	<u>\$ 87,721</u>
Classified as:	
Cash	\$ 500
Restricted Cash	<u>-</u>
	<u>\$ 500</u>

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

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies

The Town of Farmington, Mississippi was incorporated May 23, 1997. The Town operates under a Mayor-Aldermen form of government.

The accounting policies of the Town of Farmington conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the Mayor and Board of Aldermen.

B. Basis of Presentation

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

Government-Wide Financial Statements:

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements:

Fund financial statements of the Town are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures\expenses. Funds are organized into governmental and proprietary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies – Continued

B. Basis of Presentation - Continued

The Town reports the following major governmental funds:

General Fund -The general fund is the main operating fund of the Town. This fund is used to account for all activities of the general government for which a separate fund has not been established.

BP Grant Fund – This fund accounts for grant funds received for capital improvements to the Town of Farmington Sewer System.

The Town reports the following major enterprise fund:

Sewer System-This fund accounts for the operating activities of the Town's sewer services.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town's reporting entity does not apply private-sector guidance issued after November 30, 1989.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within sixty days after year end to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured.

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting – Continued

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

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the Town are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

D. Cash and Investments

State law authorizes the Town to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state.

Cash, for the purpose of the Statement of Net Position and Statement of Cash Flows, consists of demand deposit accounts and passbook savings accounts.

E. Receivables

In the government-wide statements, receivables consist of all revenue earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon estimates by management. Major receivable balances for the governmental activities include sales tax, property taxes, grants and police fines. Business-type activities report utilities earnings as their major receivables.

Receivables are reported net of allowances for uncollectible accounts, were applicable.

F. Interfund Transactions and Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payments are classified as "due from other funds" or "due to other funds" on the balance sheet.

Payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government -wide financial statements as "internal balances."

G. Inventories and Prepaid Items

Prepays are payments to vendors that benefit future reporting periods also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide financial statements.

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies - Continued

H. Capital Assets

Capital outlays are recorded as expenditures of the Governmental Funds and as assets in the government-wide financial statements, to the extent the Town's capitalization threshold is met. Depreciation is recorded on capital assets on a government-wide basis. Capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. As permitted by GASB Statement No. 34, the Town has elected to not report public domain (infrastructure) capital assets acquired prior to October 1, 2003.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary fund. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	-	N/A
Infrastructure	-	20/50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5/10 years
Furniture and equipment	5,000	3/7 years
Sewer System	-	50 years

I. Deferred Outflows/Inflows of Revenue

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has a deferred outflow which is presented as a deferred outflow of resources related to pension obligations.

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies - Continued

I. Deferred Outflows/Inflows of Revenue (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items that qualify for reporting in this category,

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resource should be reported when resources associated with imposed non-exchange revenue transactions are received or reported as a receivable before the period which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Deferred inflows of resources related to pensions – This amount represents the Town's proportionate share of the deferred inflows of resources reported by the pension plan in which the Town participates.

J. Long-term liabilities

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligations indebtedness. Long-term liabilities are not limited to liabilities from debt issuances but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Equity Classifications

Government-Wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowing attributable to the acquisition, construction or improvement of those assets.

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies – Continued

K. Equity Classifications (continued)

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

Unrestricted net position – All other net position not meeting the definition of “restricted” or net investment in capital assets.

Governmental Financial Statements:

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Town Board of Alderman—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. No amounts have been committed as of September 30, 2019.

Assigned fund balance. This classification reflects the amounts constrained by the Town’s “intent” to be used for specific purposes but are neither restricted nor committed. The Town Board and Town Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. No amounts have been assigned as of September 30, 2019.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned-in order as needed.

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies – Continued

L. Property Tax Revenues

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

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

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

All ad valorem taxes are collected and remitted to the Town by the Alcorn County Tax Collector.

M. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the “available” criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences

The Town allows employees to accumulate up to 12 days sick leave per year. Earned vacation time is generally required to be used within one year of accrual. Sick leave is generally paid upon illness while in the employment of the Town. Any accumulated vacation that was not allowed to be taken due to work-related assignments is paid at the end of the year. Any unused sick leave is paid at the end of the year.

O. Budgets

Budgets are adopted on a basis consistent with state statutes. Revenues are budgeted on the cash basis. Expenditures are budgeted on the cash basis but include those made within 30 days after the fiscal year end.

Budget amendments are approved by the Board of Aldermen when made. Final budget amendments are to be made and approved no later than September 30 of the fiscal year.

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies – Continued

P. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could vary from the estimates that were used.

Q. Pensions

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

R. Changes in Accounting Standards

The Town implemented the following standard issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of this standard have been incorporated into the financial statements and notes. However, the Town had no postemployment benefits other than pensions agreements in place as of and for the year ended September 30, 2019; therefore, no further disclosure is necessary.

2. Deposits and Investments

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

At year end, the carrying amount of the Town's deposits was \$751,079 and the bank balance was \$746,728.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the Town will not be able to recover deposits of collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the Town. 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 Town. As of September 30, 2019, none of the Town's bank balance of \$751,079 was exposed to custodial credit risk.

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

3. Balances and Transfers

A. The following is a summary of amounts due from/to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Reason for Loan</u>
Governmental Funds:			
Major Funds:			Temporary cash shortage
General Fund	\$ 226,482	\$ -	in Sewer Fund
Non-Major Funds:			
Other Governmental Funds	-	3,502	Collection Error
Total Government Funds	<u>226,482</u>	<u>3,502</u>	
Proprietary Fund:			Temporary cash shortage
Sewer	-	222,980	in Sewer Fund
Total	<u>\$ 226,482</u>	<u>\$ 226,482</u>	

B. Transfers and Payments

During the course of normal operations, the Town had numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and assets acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. The Governmental and business-type funds financial statements generally reflect such transactions as transfers.

4. Intergovernmental Receivables

Intergovernmental receivables at September 30, 2019 consisted of the following:

Governmental Activities:	
<u>Description</u>	<u>Amount</u>
Alcorn County Tax Collector	\$ 3,409
State Tax Commission Sales Tax	5,853
Total Governmental Funds	<u>\$ 9,262</u>

5. Restricted Cash

The USDA Rural Development Agency restricts cash for debt repayment and contingencies. The Town cannot spend these funds without approval by the USDA Rural Development Agency. For the year ended September 30, 2019, the Town did not have cash reserves in the sewer fund available to be restricted as required by USDA Rural Development Agency.

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

6. Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2019:

	Balance Oct. 1, 2018	Additions	Deletions	Adjustments	Balance Sept. 30, 2019
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 208,629	\$ -	\$ -	\$ -	\$ 208,629
Construction in progress	-	26,092	-	-	26,092
Total non-depreciable capital assets	208,629	26,092	-	-	234,721
<u>Depreciable capital assets:</u>					
Buildings	304,438	-	-	-	304,438
Improvements other than buildings	194,897	-	-	-	194,897
Mobile equipment	291,300	42,854	-	-	334,154
Furniture and equipment	61,082	-	-	-	61,082
Total depreciable capital assets	851,717	42,854	-	-	894,571
<u>Less accumulated depreciation for:</u>					
Buildings	97,663	6,089	-	-	103,752
Improvements other than buildings	7,796	7,796	-	-	15,592
Mobile equipment	217,475	18,832	-	-	236,307
Furniture and Equipment	19,539	4,626	-	-	24,165
Total accumulated depreciation	342,473	37,343	-	-	379,816
Total depreciable capital assets, net	509,244	5,511	-	-	514,755
Governmental Activities capital assets, net	\$ 717,873	\$ 31,603	\$ -	\$ -	\$ 749,476
Business Type Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 33,360	\$ -	\$ -	\$ -	\$ 33,360
Easements	4,711	-	-	-	4,711
Total non-depreciable capital assets	38,071	-	-	-	38,071
<u>Depreciable capital assets:</u>					
Sewer system	7,032,518	-	-	-	7,032,518
Total depreciable capital assets	7,032,518	-	-	-	7,032,518
<u>Less accumulated depreciation for:</u>					
Sewer system	1,838,893	143,731	-	-	1,982,624
Total accumulated depreciation	1,838,893	143,731	-	-	1,838,893
Total depreciable capital assets, net	5,193,625	(143,731)	-	-	5,049,894
Business Type Activities:					
Capital assets, net	\$ 5,231,696	\$ (143,731)	\$ -	\$ -	\$ 5,087,965

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

6. Capital Assets - Continued

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 7,102
Culture and recreation	13,852
Public safety	<u>16,389</u>
Total governmental activities depreciation expense	<u>\$ 37,343</u>
Business Type Activities:	
Sewer System	<u>\$ 143,731</u>
Total business type activities	<u>\$ 143,731</u>

7. Long-Term Debt

Debt outstanding as of September 30, 2019, consists of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. Loans Payable			
\$250,000 IRP Loan	\$ 221,768	2.00%	3/2042
2019 Police Car	37,260	3.96%	7/2024
	<u>\$ 259,028</u>		
Business-type Activities:			
A. Revenue Bonds:			
Sewer System Bond 2004	<u>\$ 1,709,341</u>	4.375%	4/2039
B. Loans Payable			
\$30,000 CAP Loan	\$ 15,184	2%	11/2028
\$387,465 SRF Loan	289,130	1.75%	9/2034
\$250,000 IRP Loan	218,803	2%	6/2041
	<u>\$ 523,117</u>		

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

7. Long-Term Debt (continued)

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Governmental Activities: Year Ending September 30,	Other Loans Payable	
	Principal	Interest
2020	\$ 15,403	\$ 5,803
2021	15,871	5,335
2022	16,337	4,869
2023	16,819	4,387
2024	16,352	3,901
2025-2029	48,067	15,963
2030-2034	53,072	10,958
2035-2039	58,598	5,432
2040-2042	18,509	499
	<u>\$ 259,028</u>	<u>\$ 57,147</u>

Business Type Activities: Year Ending September 30,	Sewer Revenue Bonds	
	Principal	Interest
2020	55,276	74,841
2021	57,695	72,423
2022	60,219	69,899
2023	62,853	67,264
2024	65,603	64,514
2025-2029	373,663	276,923
2030-2034	462,874	187,712
2035-2039	571,158	77,124
	<u>\$ 1,709,341</u>	<u>\$ 890,700</u>

Year Ending September 30,	Loans Payable	
	Principal	Interest
2020	\$ 28,348	\$ 9,579
2021	28,884	9,043
2022	29,417	8,509
2023	29,961	7,965
2024	30,504	7,422
2025-2029	159,680	28,407
2030-2034	143,509	13,718
2035-2039	59,137	4,888
2040-2041	13,677	277
	<u>\$ 523,117</u>	<u>\$ 89,808</u>

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

7. Long-Term Debt (continued)

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

	Balance Oct. 1, 2018	Additions	Reductions	Balance Sept. 30, 2019	Amount due within one year
Governmental Activities					
Loans Payable	\$ 250,362	37,800	29,134	259,028	15,403
Total	<u>\$ 250,362</u>	<u>37,800</u>	<u>29,134</u>	<u>259,028</u>	<u>15,403</u>
Business Type Activities:					
Sewer System					
Revenue Bond	\$ 1,761,749	-	52,408	1,709,341	55,276
CAP Loan	16,676	-	1,492	15,184	1,528
SRF Loan	307,198	-	18,068	289,130	18,388
IRP Loan	226,854	-	8,051	218,803	8,432
Total	<u>\$ 2,312,477</u>	<u>-</u>	<u>80,019</u>	<u>2,232,458</u>	<u>83,624</u>

8. Commitments and Contingencies

Contingencies

The Town receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of Town management, such disallowances, if any, will not be significant to the Town's financial statements.

9. Litigation

The Town 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 Town with respect to the various proceedings. However, the Town's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material effect on the financial condition of the Town.

10. Risk Management

The Town 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 Town 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.

11. Segment Information

The Town issues revenue bonds to support the Sewer System Fund. The fund financial statements report as a major fund, with revenue-supported debt, the Sewer Fund. Services provided by this fund are described in Note 1 C.

**Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019**

12. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

Town of Farmington, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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 information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 601-359-3589 or 1-800-444-PERS.

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 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 employees' 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 benefits and disability benefits. A Cost-of-Living (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. At September 30, 2019, PERS members are required to contribute 9.00% of the annual covered salary, and the Town 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 rate increased as of July 1, 2019 from 15.75%. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Town's contributions (employer share only) to PERS for the years ending September 30, 2019, 2018 and 2017 were \$26,517, \$24,799 and \$24,285, respectively, equal to 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 Town reported a liability of \$426,432 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 Town's proportion of the net pension liability was based on a projection of the Town's long-term share of

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

12. Defined Benefit Pension Plan (continued)

contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The Town's proportionate share used to calculate the September 30, 2019, net pension liability was 0.002424 percent, which was based on a measurement date of June 30, 2019. This was an decrease of 0.000089 percent from its proportionate share used to calculate the September 30, 2018, net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the Town recognized pension expense of \$43,547. At September 30, 2019, The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,979	\$ 316
Net difference between projected and actual earnings on pension plan investments	8,166	8,843
Changes of assumptions	4,206	74
Changes in the proportion and differences between the Town's contributions and proportionate share of contributions	13,868	8,377
Town contributions subsequent to the measurement date	7,097	-
	<u>\$ 35,316</u>	<u>\$ 17,610</u>

\$7,097 reported as deferred outflows of resources related to pensions resulting from Town 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 ending September 30,	Amount
2020	\$ 8,711
2021	4,023
2022	(1,829)
2023	(296)
2024	-
Thereafter	-
	<u>\$ 10,609</u>

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	3.00 - 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

12. Defined Benefit Pension Plan (continued)

Mortality rates were based on 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 females rates from 18 to 65 scaled up to 102% for ages 75 to 119. Morality 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	27.00%	4.90%
International Equity	22.00%	4.75%
Global Equity	12.00%	5.00%
Fixed Income	20.00%	1.50%
Real Estate	10.00%	4.00%
Private Equity	8.00%	5.10%
Cash	1.00%	0.25%
Total	<u>100.00%</u>	

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 current employer contribution rate (17.40%). 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 Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Town'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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability	\$ 560,556	\$ 426,432	\$ 315,720

Town of Farmington, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

12. Defined Benefit Pension Plan (continued)

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

13. Subsequent Events

Events that occur after the balance sheet due date but before the financial statements were 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 balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management of the Town evaluated the activity of the Town through December 21, 2020, the date the financial statements were available to be issued and determined that the following subsequent event(s) has (have) occurred requiring disclosure in the notes to the financial statements:

As a result of the spread of COVID-19, Coronavirus, economic uncertainties have arisen which could have a material adverse impact on economic and market conditions. While potential impact is unknown at this time, the outbreak presents uncertainty and risk with respect to Town of Farmington, its performance, and its financial results.

14. Effects of Deferred Amounts on Net Position

The unrestricted net position amount of \$(108,964) includes the effect of deferring the recognition of expenses resulting from the deferred outflow from pensions. The \$35,316 balance of deferred outflows of resources at September 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of \$(108,964) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$17,610 balance of deferred inflow of resources at September 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

Please reference Note 12 for details on amortization of deferred outflows/inflows related to pensions.

15. Tax Abatements

GASB No. 77 requires governments that enter into tax abatements to disclose certain information about the agreements. The Town has not entered into any tax abatements as of and for the year ended September 30, 2019, therefore, no further disclosure is required.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Farmington, Mississippi
Schedule of Revenue, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 226,101	\$ 226,101	\$ 217,486	\$ (8,615)
Franchise taxes	44,000	44,000	48,938	4,938
Fines and forfeitures	20,000	20,000	52,165	32,165
Intergovernmental revenues	222,000	222,000	241,848	19,848
Miscellaneous	6,700	6,700	5,995	(705)
Total Revenues	<u>518,801</u>	<u>518,801</u>	<u>566,432</u>	<u>47,631</u>
EXPENDITURES:				
General government	197,730	197,730	195,398	2,332
Public safety	204,700	204,700	213,488	(8,788)
Public works	27,000	27,000	29,286	(2,286)
Culture and Recreation	191,954	191,954	-	191,954
Debt service	-	-	21,474	(21,474)
Total Expenditures	<u>621,384</u>	<u>621,384</u>	<u>459,646</u>	<u>161,738</u>
Excess of Revenues Over (Under) Expenditures	<u>(102,583)</u>	<u>(102,583)</u>	<u>106,786</u>	<u>209,369</u>
OTHER FINANCING SOURCES:				
Long-term Debt Issued	-	-	37,800	37,800
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>37,800</u>	<u>37,800</u>
Net change in fund balances	(102,583)	(102,583)	144,586	247,169
Fund Balance - Beginning of Year	<u>327,663</u>	<u>327,663</u>	<u>327,663</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 225,080</u>	<u>\$ 225,080</u>	<u>472,249</u>	<u>\$ 247,169</u>
Adjustments to conform with GAAP:				
Revenue Accrual			(2,140)	
Expenditure Accrual			-	
Fund Balance - End of Year (GAAP Basis)			<u>\$ 470,109</u>	

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

Town of Farmington, Mississippi
Schedule of Required Supplementary Information - Pension
September 30, 2019
Last 6 Fiscal Years*

Schedule of the Town's Proportionate Share of the Net Pension Liability

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability	0.002424%	0.002513%	0.002371%	0.002314%	0.002174%	0.002257%
Town's proportionate share of net pension liability	\$ 426,432	\$ 417,986	\$ 394,141	\$ 413,338	\$ 336,058	\$ 273,958
Town's covered payroll	\$ 157,841	\$ 160,445	\$ 152,080	\$ 142,354	\$ 140,006	\$ 140,127
Town's proportionate share of the net pension as a percentage of its covered payroll	270.17%	260.51%	259.17%	290.36%	240.03%	195.51%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.7040%	67.2077%

*-The amounts presented for each fiscal year were determined as of 6/30.

Schedule of the Town's Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 26,517	\$ 24,998	\$ 24,285	\$ 22,421	\$ 22,051	\$ 22,070
Contributions in relation to contractually required contribution	<u>(26,517)</u>	<u>(24,998)</u>	<u>(24,285)</u>	<u>(22,421)</u>	<u>(22,051)</u>	<u>(22,070)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's covered payroll	\$ 164,117	\$ 158,712	\$ 154,190	\$ 142,354	\$ 140,006	\$ 140,127
Contributions as a percentage of covered payroll	16.16%	15.75%	15.75%	15.75%	15.75%	15.75%

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

Town of Farmington, Mississippi
Notes to Required Supplementary Information
For the Year Ended September 30, 2019

Note 1. Budgetary Comparison Schedule

A. Budgetary Information

Statutory requirements dictate how and when the Town's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the Town, using historical and anticipated fiscal data and proposed budgets submitted by the Town Clerk and Chief of Police for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investments balances. When during the fiscal year if it appears to the Board of Aldermen that budgetary estimates will not be met, they may make revisions to the budget.

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

B. Basis of Presentation

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

C. Budget/GAAP Reconciliation:

The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Note 2. Pension Liability and Contributions

A. Changes in benefit provision

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

B. Changes in Assumptions

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-200 Mortality Table, which was used prior to 2015. The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-200 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. Assumed rate of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Town of Farmington, Mississippi
Notes to Required Supplementary Information
For the Year Ended September 30, 2019

B. Changes in Assumptions – continued

2016:

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

2017:

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

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

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

2019:

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, 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%.

Town of Farmington, Mississippi
Notes to Required Supplementary Information
For the Year Ended September 30, 2019

C. Methods and assumptions used in calculations of actuarially determined contributions.

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 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, Including inflation

SUPPLEMENTARY INFORMATION

Town of Farmington, Mississippi
Schedule of Surety Bonds for Municipal Officials
September 30, 2019

	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Dale Fortenberry	Mayor	Brierfield Ins.	\$ 50,000
Deborah Jackson	Clerk	Brierfield Ins.	50,000
Johnny Potts	Alderman	Brierfield Ins.	50,000
Lowell Gann	Alderman	Brierfield Ins.	50,000
Shane Harvell	Alderman	Brierfield Ins.	50,000
Jeff Patterson	Alderman	Brierfield Ins.	50,000
Luther R. Rhodes	Alderman	Brierfield Ins.	50,000
Amanda Nicole Lee	Deputy Clerk	Brierfield Ins.	50,000
Daniel Keith Little	Police Chief	Brierfield Ins.	50,000
Anthony Shane Latch	Asst. Police Chief	Brierfield Ins.	50,000



Certified Public Accountants

Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants

www.sparkscpas.com

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

Honorable Mayor and Members
of the Board of Aldermen
Town of Farmington, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Farmington, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Farmington, Mississippi's basic financial statements and have issued our report thereon dated December 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Farmington, 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 Town of Farmington, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Farmington, Mississippi's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as of 2019-001, 2019-002, 2019-003, 2019-004 and 2019-009 to be material weaknesses.

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A *significant deficiency* is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and responses as 2019-005, 2019-006, 2019-007 and 2019-008 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Farmington, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-004, 20019-006, 2019-007 and 2019-008.

Town of Farmington, Mississippi's Response to Findings

The Town of Farmington, Mississippi's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Farmington, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion them.

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.

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Booneville, Mississippi
December 21, 2020



Certified Public Accountants

Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Members
of the Board of Aldermen
Town of Farmington, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Farmington, Mississippi, as of and for the year ended September 30, 2019, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 21, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 recommended 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 procedures to perform test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are included in the Schedule of Findings and Responses as finding numbers 2019-003, 2019-004, 2019-007, and 2019--008.

The Mississippi Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

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

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, stylized font.

The Sparks CPA Firm, P.C.
Certified Public Accountants
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December 21, 2020

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**Town of Farmington, Mississippi
Schedule of Findings and Responses
Year Ended September 30, 2019**

Section 1: Summary of Auditors' Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of Auditors' report issued on the financial statements: | |
| Governmental Activities | Unmodified |
| Business-type Activities | Unmodified |
| General Fund | Unmodified |
| BP Grant Fund | Unmodified |
| Sewer System | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 3. Noncompliance material to the financial statements noted? | Yes |

Section 2: Financial Statements Findings

Material Weakness

2019-001

Criteria:

An effective system of internal controls should include an adequate segregation of duties.

Condition:

The Town employed two individuals who shared responsibilities for all cash transactions and record-keeping.

Cause of Condition:

Limited personnel and the size of the town.

Effect of Condition:

The lack of segregation of duties creates an internal control deficiency could allow errors or omissions, which are material to the financial statements, to go undetected and unreported in a timely manner.

Recommendation:

The Mayor and Board of Aldermen should continue to oversee the day to day operations of the Town and continue to authorize all expenditures before they are made.

Response:

The Mayor oversees day to day operations and the Board approves the claims docket at monthly Board meetings.

Material Weakness

2019-002

Criteria:

A critical aspect of effective financial management is the preparation of accurate financial statements.

Condition:

The Town's accounting records are maintained on a cash basis and the auditors assisted in the preparation of accrual entries and the financial statements. However, the Town has made all management decisions including approving the accrual entries, designating an individual with a basic understanding of the financial statements and related note disclosures to oversee the financial statement preparation, evaluating the adequacy and results of the services performed, and accepting responsibility for the results of the services.

Cause of Condition:

The Board of Aldermen did not assign the preparation of the financial statements to the accounting personnel.

Effect of Condition:

The Board of Aldermen chose not to prepare the financial statements and related notes.

Recommendation:

The Board of Aldermen should establish adequate controls and procedures to ensure that the financial statements and note disclosures are prepared in accordance with generally accepted accounting principles.

Response:

We understand that the expense of acquiring new software and maintaining the training necessary for the accounting personnel can be costly to the Town. We will establish adequate procedures to ensure that financial transactions are recorded, presented and disclosed in accordance with generally accepted accounting principles.

Material Weakness

2019-003

Criteria:

Section 21-39-13, Miss. Code Ann.(1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on the sewer fund which did not have sufficient money to pay the warrants.

Condition:

The Sewer Fund had a deficit cash balance for the period ending September 30, 2019.

Cause of Condition:

Expenditures have exceeded revenues collected.

Effect of Condition:

This causes money from other funds to be used to pay the warrants.

Recommendation:

The Board of Alderman should ensure that no warrants are written on funds when cash is not available to pay the same. Efforts should be made to reduce costs of operation of the sewer system.

Response:

The Board is in the process of increasing sewer rates and taking steps to cut the cost of operations.

Material Weakness and Material Noncompliance

2019-004

Criteria:

An effective system of internal controls over compliance with state budget laws should include amending the original budget as necessary and maintaining spending limits within the confines of the approved budget.

Condition:

The Town's management did not make any amendments to the original budget and did not

maintain spending limits within the confines of the approved budget.

Cause of Condition:

Lack of board oversight of compliance with state budget laws.

Effect of Condition:

The Town's General Fund expenditures exceeded the original budget at year-end for numerous categories.

Recommendation:

Management should maintain spending limits within the confines of the approved budget or make amendments to the original budget by year-end.

Response:

Management concurs with the recommendation.

Significant Deficiency

2019-005

Criteria:

An effective system of internal controls requires that bank accounts be reconciled as soon as possible after the end of the month.

Condition:

The Town bank accounts were not reconciled in a timely manner.

Cause of Condition:

Failure of staff to timely reconcile the bank accounts.

Effect of Condition:

Failure to timely reconcile bank accounts could result in a loss of Town funds.

Recommendation:

The Town clerk should reconcile the Town bank accounts as soon as the bank statements are received from the Town's depository.

Response:

The Town clerk agrees and will make every effort to reconcile bank statements timely.

Significant Deficiency and Material Noncompliance

2019-006

Criteria:

USDA Rural Development loan requirements require that borrowers maintain a reserve account of restricted cash that can only be utilized upon approval of Rural Development.

Condition:

The Town did not have any restricted cash accounts as required by Rural Development.

Cause of Condition:

Excessive repairs to the sewer system depleted cash reserves.

Effect of Condition:

The Town was not in compliance with Rural Development loan requirements.

Recommendation:

The Board of Aldermen should investigate ways to reduce the cost of operation of the sewer system so that the Rural Development reserve accounts can be funded.

Response:

The Board is in the process of increasing sewer rates and taking steps to cut the cost of operations.

Significant Deficiency and Material Noncompliance

2019-007

Criteria:

The Town is required to make certain assertions with regard to legal compliance by completing and entering into the official minutes of the governing authorities its Municipal Compliance Questionnaire.

Condition:

The Town has not entered into its minutes the Municipal Compliance Questionnaire.

Cause of Condition:

Failure to timely prepare the Municipal Compliance Questionnaire.

Effect of Condition:

Failure to timely prepare the Municipal Compliance Questionnaire could result in the Town not complying with State laws.

Recommendation:

The Town Clerk should prepare the Municipal Compliance Questionnaire and present it to the Board for approval at the next regular meeting following the end of the Town's fiscal year as required by State law.

Response:

The Clerk will make sure the compliance questionnaire is noted in the minutes in a timely manner.

Significant Deficiency and Material Noncompliance

2019-008

Criteria:

State statutes require court fine assessments to be settled within 30 days of the month they are collected.

Condition:

The Town did not settle court fine assessments monthly during the fiscal year. Testing revealed that court fine assessments were settled late three times during the fiscal year and that there were only ten court fine assessments settlement checks written to the State of Mississippi for the fiscal year's collections.

Cause of Condition:

Lack of board oversight of court fine assessments.

Effect of Condition:

The Town was not in compliance with state statutes regarding the monthly settlement of court fine assessments.

Recommendation:

Management should ensure that monthly court fine assessments are being settled monthly to the State of Mississippi by verifying that the settlement check for court fine assessments in on the monthly claims docket that is approved each month.

Response:

There were significant software and hardware problems for the court's accounting during 2018-2019 fiscal year. The Clerk notified the State of Mississippi Department of Revenue of the issues and has been attempting to get all receipts entered into the software that creates the report. The reports will be filed as required.

Material Weakness

2019-009

Criteria:

An effective system of internal controls ensures that each claim for payment has the appropriate supporting documentation for the claim.

Condition:

Inadequate internal controls failed to detect that 4 claims out of 60 tested did not have adequate supporting documentation to support the amount of the claim.

Cause of Condition:

The Town failed to attach and maintain the supporting documentation to the claims in question.

Effect of Condition:

Failure to have and maintain the required supporting documentation before a claim is paid could result in the misappropriation of Town funds.

Recommendation:

Adequate supporting documentation should be attached to each claim before the claims are submitted to the Board for approval for payment.

Response:

All invoices will be filed in the appropriate file for adequate audit purposes after they have been approved by the Board.