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CITY OF QUITMAN, MISSISSIPPI

**Audited Financial Statements
and Special Report**

For the Year Ended September 30, 2019



CITY OF QUITMAN, MISSISSIPPI

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quitman, Mississippi, (the City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the 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 the cash basis of accounting as described in Note 1C; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Quitman, Mississippi as of September 30, 2019,



CITY OF QUITMAN, MISSISSIPPI
Statement of Net Position - Cash Basis
September 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 619,437	\$ 1,508,617	\$ 2,128,054
Restricted cash	-	159,067	159,067
Total Assets	<u>\$ 619,437</u>	<u>\$ 1,667,684</u>	<u>\$ 2,287,121</u>
NET POSITION			
Restricted for:			
Expendable:			
Public safety	\$ 42,237	\$ -	\$ 42,237
Public works	-	1,667,684	1,667,684
Unemployment compensation	26,448	-	26,448
Debt service	20,360	-	20,360
Unrestricted	530,392	-	530,392
Total Net Position	<u>\$ 619,437</u>	<u>\$ 1,667,684</u>	<u>\$ 2,287,121</u>

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

CITY OF QUITMAN, MISSISSIPPI
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2019

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 530,392	\$ 89,045	\$ 619,437
Total Assets	<u>\$ 530,392</u>	<u>\$ 89,045</u>	<u>\$ 619,437</u>
FUND BALANCES			
Restricted for:			
Public safety	-	42,237	42,237
Debt service	-	20,360	20,360
Unemployment compensation	-	26,448	26,448
Unassigned	530,392	-	530,392
Total Fund Balances	<u>530,392</u>	<u>89,045</u>	<u>619,437</u>
Total Fund Balances	<u>\$ 530,392</u>	<u>\$ 89,045</u>	<u>\$ 619,437</u>

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



CITY OF QUITMAN, MISSISSIPPI
Statement of Net Position - Cash Basis
Proprietary Funds
September 30, 2019

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Garbage Collection Fund	Total
ASSETS			
Current assets:			
Cash	\$ 1,371,594	\$ 137,023	\$ 1,508,617
Total Current Assets	1,371,594	137,023	1,508,617
Noncurrent assets:			
Restricted cash	159,067	-	159,067
Total Noncurrent Assets	159,067	-	159,067
Total Assets	1,530,661	137,023	1,667,684
NET POSITION			
Restricted for:			
Public works	1,530,661	137,023	1,667,684
Total Net Position	\$ 1,530,661	\$ 137,023	\$ 1,667,684

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

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2019

Note 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity.

The City of Quitman, Mississippi (the City) is a municipal corporation which was incorporated on February 6, 1901. The City is governed by a mayor elected from the citizens of the City at-large and a five-member board of aldermen. Four aldermen are elected by the citizens from a specific district and one alderman is elected by the citizens of the City at-large. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require the City to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the City. There are no outside organizations that should be included as component units of the City's reporting entity.

B. Basis of Presentation.

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information concerning the City as a whole. The statements include all non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts, and other non-exchange receipts and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for services.

The Statement of Net Position – Cash Basis presents the financial condition of the governmental activities and business-type activities of the City at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the City's governmental activities and business-type activities. Direct disbursements are those that are specifically associated with a service, program, or department and therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other receipts not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general receipts of the City.

Fund Financial Statements:

Fund financial statements of the City 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, fund balances, receipts and disbursements. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds, Proprietary Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred.



CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2019

E. Deposits and Investments.

State law authorizes the City 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. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). All cash deposits are reported at carrying amount (cost) which reasonably estimates fair market value.

F. Restricted Cash.

The City requires new users of its water and sewer system to pay a meter deposit up front in order to use the City's water and sewer systems. The City is required to maintain these deposits in a separate bank account and return this deposit to the customer upon discontinuation of service.

The City is required by the Mississippi Development Authority in its loan covenants to maintain a debt service reserve in a separate bank account in an amount equivalent to one year's maintenance cost for the City's notes payable with the Mississippi Development Authority.

G. Equity Classifications.

Government-wide Financial Statements:

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

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

Unrestricted net position – All other net position not meeting the definition of "restricted".

Net Position Flow Assumption:

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first.

Fund Financial Statements:

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

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

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

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

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2019

The principal purpose of the above transfers was to provide resources for debt service of the 2015 TIFF Series Limited Obligation Bonds.

Note 4: Restricted Cash.

The restricted cash account in the City's Water and Sewer fund represents customer meter deposits in the amount of \$111,043 and a debt service reserve of \$48,024 required by the Mississippi Development Authority in its loan covenants requiring the City to maintain a debt service reserve in a separate bank account in an amount equivalent to one year's maintenance cost for the City's notes payable with the Mississippi Development Authority.

Note 5: Claims and Judgements.

Workers' Compensation Benefits

The City finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2019 to January 1, 2020. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Note 6: Contingencies.

Federal Grants – The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. The City may be responsible for any disallowances.

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

Note 7: Related Organization.

The City's Mayor and Board of Aldermen are responsible for appointing three members to the board of trustees of the Quitman Public Library, but the City's accountability for this organization does not extend beyond making the appointments. The City appropriated \$44,523 for an operating grant to the Quitman Public Library for the fiscal year 2019. This appropriation is funded by a 1 mill ad valorem millage rate on the citizens and businesses of the City.

Note 8: Joint Venture.

The City participates in the following joint ventures:

Chickasawhay Natural Gas District - The City is a participant with the City of Waynesboro and the City of Shubuta in a joint venture to operate Chickasawhay Natural Gas District ("The District"), a special governmental unit established by state statute to provide gas service to the residences of the three cities' citizens and as well as to citizens of certain areas of Clarke and Wayne counties. The District is governed by a seven-member board of trustees composed of the mayor of each of the three participating cities, four members elected by the customers, two each from Clarke and Wayne counties.

OTHER INFORMATION



CITY OF QUITMAN, MISSISSIPPI
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 696,000	\$ 670,725	\$ 671,419	\$ 694
Licenses, commissions and other receipts	6,600	10,628	10,628	-
Fines and forfeitures	54,000	40,598	40,498	(100)
Intergovernmental receipts	697,750	660,429	660,429	-
Miscellaneous receipts	371,375	213,840	213,246	(594)
Total Revenues	<u>1,825,725</u>	<u>1,596,220</u>	<u>1,596,220</u>	<u>-</u>
DISBURSEMENTS				
Current:				
General government	413,634	302,662	302,662	-
Public safety	577,715	590,727	590,727	-
Public works	623,983	541,170	541,170	-
Culture and recreation	180,736	151,841	151,841	-
Economic development	25,000	-	-	-
Total Disbursements	<u>1,821,068</u>	<u>1,586,400</u>	<u>1,586,400</u>	<u>-</u>
Net Change in Fund Balance	4,657	9,820	9,820	-
Fund Balances - Beginning	519,773	508,997	464,793	(44,204)
Fund Balances - Ending	<u>\$ 524,430</u>	<u>\$ 518,817</u>	<u>\$ 474,613</u>	<u>\$ (44,204)</u>

The accompanying notes to Budgetary Comparison Schedule are an integral part of this statement.

CITY OF QUITMAN, MISSISSIPPI
Notes to the Budgetary Comparison Schedule
For the Year Ended September 30, 2019

A. Budgetary Information.

Statutory requirements dictate how and when the City'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 City, using historical and anticipated fiscal data and proposed budgets submitted by the department managers for their departments, 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 investment balances. When, during the fiscal year, it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting except for disbursements where the City follows Section 21-35-23, Miss. Code Ann. (1972) which allows disbursements made within 30 days after September 30 to be charged back to the budget for fiscal year ending on September 30. This provision applies to obligations incurred prior to the end of the fiscal year ended September 30 and intended appropriated to be paid from that fiscal year's budget. To qualify for this charge back, the claim for payment [Section 21-39-9, Miss. Code Ann. 1972] must be approved and the check for payment dated no later than October 30. 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. The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

C. Budget/GAAP Reconciliation.

The major difference between the budgetary basis and the cash basis is that disbursements for the budgetary basis include all disbursements paid by year end as well as all disbursements obligated by September 30 and paid by October 30 whereas cash basis disbursements for financial statement purposes only include those disbursements paid by September 30.

The following schedule reconciles the budgetary basis schedules to the cash basis financial statements for the General Fund:

	General Fund
Budget (Cash Basis)	\$ 9,820
Increase (Decrease)	
Net adjustment for disbursements paid within 30 days after year end	11,323
GAAP Basis	<u>\$ 21,143</u>

CITY OF QUITMAN, MISSISSIPPI
Schedule of Capital Assets
For the Fiscal Year Ended September 30, 2019

Governmental Activities:

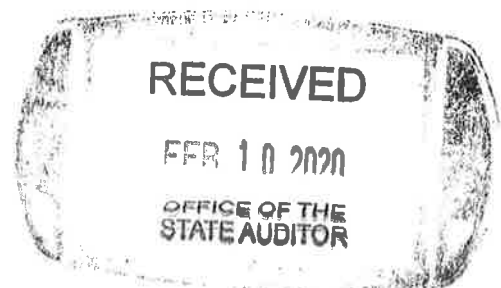
	Balance October 1, 2018	Additions	Deletions	Completed Construction in Progress	Adjustments	Balance September 30, 2019
Land	\$ 402,881	\$ -	\$ -	\$ -	\$ -	\$ 402,881
Buildings	409,892	-	-	-	-	409,892
Improvements other than buildings	773,074	-	-	-	-	773,074
Mobile equipment	801,344	-	-	-	-	801,344
Furniture and equipment	300,836	56,796	-	-	-	357,632
Total capital assets	<u>\$ 2,688,027</u>	<u>\$ 56,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,744,823</u>

Business-type Activities:

	Balance October 1, 2018	Additions	Deletions	Completed Construction in Progress	Adjustments	Balance September 30, 2019
Land	\$ 18,591	\$ -	\$ -	\$ -	\$ -	\$ 18,591
Construction in progress	405,563	222,005	-	(627,568)	-	-
Machinery and equipment	4,709,482	49,990	-	627,568	-	5,387,040
Mobile equipment	321,400	-	-	-	-	321,400
Total capital assets	<u>\$ 5,455,036</u>	<u>\$ 271,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,727,031</u>

CITY OF QUITMAN, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2019

Name	Position	Company	Bond Amount
William Fulton	Mayor	Travelers Insurance Company	50,000
Lisa Harris	City Clerk	Old Republic Surety Company	50,000
Peggy Long	Deputy City Clerk	Old Republic Surety Company	50,000
Dayona Mollett	Deputy City Clerk	Old Republic Surety Company	50,000
Dayona Mollett	Municipal Court Clerk	Old Republic Surety Company	50,000
Vakerri Cooks/Joe Brooks	Alderspersion	Travelers Insurance Company	50,000
Ronald Holloway	Alderman	Travelers Insurance Company	50,000
James H. Buchanan	Alderman	Travelers Insurance Company	50,000
Bridgett Peters	Alderspersion	Travelers Insurance Company	50,000
Harry Wheat	Alderman	Travelers Insurance Company	50,000



SPECIAL REPORT



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

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

We have audited the basic financial statements of the City of Quitman, Mississippi as of and for the year ended September 30, 2019 and have issued our report dated January 6, 2020. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instance of noncompliance with state laws and regulations. Our finding and recommendation and your response is as follows:

1. Finding

The City did not complete an annual inventory of all fixed assets owned by the municipality.

Repeat Finding

Yes

Criteria

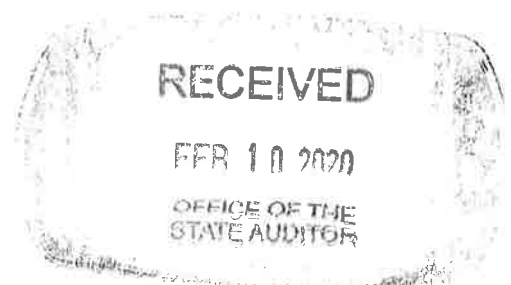
The Mississippi Municipal Audit and Accounting Guide requires municipalities to complete an annual inventory of all fixed assets owned by the municipality.

Condition

The City did not complete the required annual inventory of all fixed assets owned by the municipality.

Cause

Unknown



Repeat Finding

No

Criteria

The Municipal Audit and Accounting Guide requires the Municipal Court Clerk to account for all ticket books.

Condition

The Municipal Court Clerk did not properly account for all tickets.

Cause

Unknown

Effect

Failure to comply with The Municipal Audit and Accounting Guide could result in a loss or misappropriation of public funds.

Recommendation

The City should ensure that the Municipal Court System complies with the requirements of Municipal Audit and Accounting Guide as developed by the Mississippi Office of State Auditor by authority given in Section 7-7-211, Miss. Code Ann. (1972).

Response of Responsible Official/Officials

We have a new court clerk and have implemented new internal controls to ensure that state guidelines are followed.

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendations noted above.

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


Stephen D. Myrick, C.P.A., L.L.C.

Quitman, Mississippi
January 6, 2020

