



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

FINANCIAL STATEMENTS
City of Verona, Mississippi

For the year ended
September 30, 2019

CITY OF VERONA, MISSISSIPPI

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
<u>FINANCIAL STATEMENTS:</u>	
Statement of Net Position	12
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund- Balances to the Government-Wide Statement of Activities	18
General Fund Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis	19
Statement of Net Position - Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Notes to Financial Statements	23
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of the City's Proportionate Share of the Net Pension Liability	40
Schedule of the City's Contributions	41
Notes to the Required Supplementary Information	42
<u>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:</u>	
Combining Balance Sheet Non-Major Governmental Funds	44
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Non-Major Governmental Funds	45
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	46
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Schedule of Long Term Debt	48
Schedule of Surety Bonds for Municipal Officials	49
<u>OTHER REPORTS:</u>	
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 <i>Government Auditing Standards</i>	50
Independent Auditors' Report on Compliance with State Laws and Regulations	52
Schedule of Findings and Responses	53

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners
Gary Franks, CPA
Bryon Wilemon, CPA
Jonathan Hagood, CPA
Michael Little, CPA
Rudolph Franks, CPA (1933-2019)

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Verona, 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 City of Verona, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Verona, 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 on pages 3 through 11, the schedule of the City's proportionate share of the net pension liability on page 40, and the schedule of the City's contributions on page 41 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 City of Verona, Mississippi's basic financial statements. The combining and individual non-major fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2020 on our consideration of the City of Verona, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Verona's internal control over financial reporting and compliance.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
June 22, 2020

CITY OF VERONA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2019

This section of the City of Verona's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2019. Please read it in conjunction with the City of Verona financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$3,239,185. Of this amount, \$19,651 may be used to meet the City of Verona ongoing obligations. This compares to the previous year when assets exceed liabilities by \$3,133,453, of which \$57,600 was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Verona governmental funds reported combined ending fund balances of \$348,136 compared to \$260,719, an increase of \$87,417 in comparison to the prior year. Approximately 78% of the combined fund balances, \$272,440 is considered unassigned and is available for spending at the City of Verona discretion.
- The City of Verona's total debt is \$224,091. Debt in the amount of \$48,539 was repaid during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City of Verona.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City of Verona's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City of Verona's operations in more detail than the government-wide statements.

The Governmental Funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending. The City of Verona has three Governmental Fund types: General, Special Revenue, and Capital Projects.

Proprietary fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and include the Water and Sewer fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

CITY OF VERONA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 summarizes the major features of the City of Verona's financial statements, including the portion of the City of Verona they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of the City of Verona's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks and recreation	Activities the City operates similar to private businesses: Water and Sewer System.
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Net Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

CITY OF VERONA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the City of Verona as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City of Verona's net position and how they have changed. Net position—the difference between the City of Verona's assets and liabilities—is one way to measure the City of Verona's financial health, or position.

- Over time, increases or decreases in the city of Verona's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City of Verona, the reader should consider additional non-financial factors such as changes in the City of Verona's property tax base.
- *Governmental activities*—Most of the City of Verona's basic services are included here, such as the police, fire, public works, and parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities*—The City of Verona charges fees to customers to help it cover the costs of certain services it provides. The City of Verona's water and sewer system services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City of Verona's most significant funds—not the City as a whole. The "fund" level is where the basic unit of financial organization and operation within the City of Verona exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Alderman establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Verona has two kinds of funds:

- **Governmental funds**—most of the City of Verona's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Verona's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City of Verona utilizes three types of governmental funds: the General Fund, Special Revenue Funds, and Capital Projects Funds.
- **Proprietary funds**—Services for which the City of Verona charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary fund—enterprise funds. The City of Verona's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Verona's assets exceeded liabilities by \$3,239,185 at the close of the most recent fiscal year.

A large portion, 97%, of the City's net position reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-1

City of Verona's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 954,622	\$ 849,164	\$ 1,572,793	\$ 1,504,220	\$ 2,527,415	\$ 2,353,384
Capital Assets	1,282,438	1,363,084	2,094,826	1,909,644	3,377,264	3,272,728
Total Assets	<u>2,237,060</u>	<u>2,212,248</u>	<u>3,667,619</u>	<u>3,413,864</u>	<u>5,904,679</u>	<u>5,626,112</u>
Deferred Outflows	32,186	23,991	14,907	10,683	47,093	34,674
Total Deferred Outflows	<u>32,186</u>	<u>23,991</u>	<u>14,907</u>	<u>10,683</u>	<u>47,093</u>	<u>34,674</u>
Current and Other Liabilities	385,589	384,018	129,810	17,271	515,399	401,289
Long-Term Liabilities	1,389,283	1,394,270	648,483	601,647	2,037,766	1,995,917
Total Liabilities	<u>1,774,872</u>	<u>1,778,288</u>	<u>778,293</u>	<u>618,918</u>	<u>2,553,165</u>	<u>2,397,206</u>
Deferred Inflows	108,959	90,037	50,463	40,090	159,422	130,127
Total Deferred Inflows	<u>108,959</u>	<u>90,037</u>	<u>50,463</u>	<u>40,090</u>	<u>159,422</u>	<u>130,127</u>
Net Position (Deficit):						
Net Investment in						
Capital Assets	1,058,347	1,090,454	2,094,826	1,909,644	3,153,173	3,000,098
Restricted	66,361	75,755	0	0	66,361	75,755
Unrestricted	(739,293)	(798,295)	758,944	855,895	19,651	57,600
Total Net Position	<u>\$ 385,415</u>	<u>\$ 367,914</u>	<u>\$ 2,853,770</u>	<u>\$ 2,765,539</u>	<u>\$ 3,239,185</u>	<u>\$ 3,133,453</u>

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position of our business-type activities were \$758,944 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City of Verona generally can only use this net position to finance the continuing operations of the business type activities.

Changes in net position. Approximately 21.32 percent of the City of Verona's revenue comes from property taxes, with 39.25 percent of all revenue coming from some type of tax. (See Table A-2.) Another 48.27 percent comes from fees charged for services, 4.53 percent comes from intergovernmental revenues and the balance is from investment earnings, operating and capital grants and contributions and other miscellaneous receipts.

CITY OF VERONA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2

Changes in The City of Verona's Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 84,847	\$ 96,079	\$ 870,518	\$ 898,729	\$ 955,365	\$ 994,808
Operating Grants & Contributions	42,742	31,473	0	0	42,742	31,473
Capital Grants & Contributions	0	80,000	70,841	0	70,841	80,000
General Revenues:						
Property Taxes	421,902	404,239	0	0	421,902	404,239
Other Taxes	354,827	355,394	0	0	354,827	355,394
Intergovernmental Revenues	89,751	75,505	0	0	89,751	75,505
Investment Income	729	662	885	851	1,614	1,513
Other	<u>42,090</u>	<u>33,567</u>	<u>0</u>	<u>0</u>	<u>42,090</u>	<u>33,567</u>
Total Revenues	<u>1,036,888</u>	<u>1,076,919</u>	<u>942,244</u>	<u>899,580</u>	<u>1,979,132</u>	<u>1,976,499</u>
Expenses						
General Government	179,886	176,170	0	0	179,886	176,170
Public Safety	766,799	797,808	0	0	766,799	797,808
Public Works	94,262	125,232	0	0	94,262	125,232
Culture & Recreation	23,440	26,254	0	0	23,440	26,254
Water & Sewer	<u>0</u>	<u>0</u>	<u>809,013</u>	<u>799,385</u>	<u>809,013</u>	<u>799,385</u>
Total Expenses	<u>1,064,387</u>	<u>1,125,464</u>	<u>809,013</u>	<u>799,385</u>	<u>1,873,400</u>	<u>1,924,849</u>
Excess of Revenue Over Expenses	(27,499)	(48,545)	133,231	100,195	105,732	51,650
Transfers	<u>45,000</u>	<u>50,000</u>	<u>(45,000)</u>	<u>(50,000)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	17,501	1,455	88,231	50,195	105,732	51,650
Net Position—Beginning	<u>367,914</u>	<u>366,459</u>	<u>2,765,539</u>	<u>2,715,344</u>	<u>3,133,453</u>	<u>3,081,803</u>
Net Position—Ending	<u>\$ 385,415</u>	<u>\$ 367,914</u>	<u>\$ 2,853,770</u>	<u>\$ 2,765,539</u>	<u>\$ 3,239,185</u>	<u>\$ 3,133,453</u>

Governmental Activities

Governmental activities increased the City's net position by \$17,501, thereby accounting for 17% of the total increase in the net position of the City. Key elements of this increase are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are property taxes (41%), other taxes (34%), intergovernmental revenues (9%), charges for services (8%) and operating grants and contributions (4%).

CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The largest expense categories for the City's governmental activities are public safety (72%) and general government (17%).

Business-type Activities

Business-type activities increased the City's net position by \$88,231, thereby accounting for 83% of the increase in the City's net position.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$942,244 for water and sewer.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

General Fund—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$272,440, which comprised 95 percent of the fund balance. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total fund balance represents 30.06% of total fund expenditures. The fund balance of the City's general fund increased by \$96,775 during the current fiscal year.

Capital Projects Fund—The capital projects fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$0. There was no change in the fund balance for the current fiscal year.

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$62,509, which will be used for future expenditures.

Proprietary Funds—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$2,853,770.

Budgetary Highlights

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the governmental funds.

The City's 2018-2019 general fund operating budget decreased by \$40,112. This decrease was primarily related to personnel service and capital outlay decreases in the Police Department (Public Safety). The City's tax millage for the 2019 fiscal year remained constant with no change.

CITY OF VERONA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019 amounted to \$3,377,264, net of accumulated depreciation of \$4,828,097. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3

City of Verona's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 258,889	\$ 258,889	\$ 260,052	\$ 260,052	\$ 518,941	\$ 518,941
Plant, Buildings & Improvements	805,368	790,120	5,011,845	4,920,125	5,817,213	5,710,245
Machinery & Equipment	1,184,807	1,183,204	461,548	420,847	1,646,355	1,604,051
Infrastructure	89,172	89,172	0	0	89,172	89,172
Construction-in-progress	0	0	133,680	0	133,680	0
Accumulated Depreciation	(1,055,798)	(958,301)	(3,772,299)	(3,691,380)	(4,828,097)	(4,649,681)
Total	<u>\$ 1,282,438</u>	<u>\$ 1,363,084</u>	<u>\$ 2,094,826</u>	<u>\$ 1,909,644</u>	<u>\$ 3,377,264</u>	<u>\$ 3,272,728</u>

CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt - At year-end, the city had \$224,091 in debt outstanding. More detailed information about the City of Verona's long-term liabilities is presented in the notes to the financial statements.

Table A-4

City of Verona's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General Obligation Bonds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Revenue Bonds	0	0	0	0	0	0
CAP Loans	0	0	0	0	0	0
Promissory Notes & Capital Lease	224,091	272,630	0	0	224,091	272,630
Total	\$ 224,091	\$ 272,630	\$ 0	\$ 0	\$ 224,091	\$ 272,630

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2020 budget. The total budgeted appropriations for the City's operations is \$1,062,551. This budget reflects an increase of approximately \$67,988. This increase is primarily related to an increase in capital outlay in public safety.

CONTACTING THE CITY OF VERONA FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Verona's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Verona's Finance Department, P.O. Box 2363, Verona, MS 38879.

CITY OF VERONA, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash on Deposit	\$ 565,887	\$ 783,348	\$ 1,349,235
Money Market, CD's	-	358,991	358,991
Restricted CD's	29,230	-	29,230
Due From Other Governments	-	-	-
Accounts Receivable, Net	84,190	76,136	160,326
Grant Receivable	-	-	-
Other Receivable	-	1,549	1,549
Court Fines Receivable, Net	249,525	-	249,525
Property Taxes Receivable	25,790	-	25,790
Lease Receivable	-	-	-
Due From Other Funds	-	281,928	281,928
Due From Other Governments	-	70,841	70,841
Capital Assets:			
Land	258,889	260,052	518,941
Construction in Progress	-	133,680	133,680
Plant, Buildings and Improvements	805,368	5,011,845	5,817,213
Machinery and Equipment	1,184,807	461,548	1,646,355
Infrastructure	89,172	-	89,172
Accumulated Depreciation	(1,055,798)	(3,772,299)	(4,828,097)
TOTAL ASSETS	<u>2,237,060</u>	<u>3,667,619</u>	<u>5,904,679</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions	<u>32,186</u>	<u>14,907</u>	<u>47,093</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>32,186</u>	\$ <u>14,907</u>	\$ <u>47,093</u>

CITY OF VERONA, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 22,405	\$ 127,434	\$ 149,839
Accrued Compensated Absences	4,040	2,376	6,416
Due to Other Funds	281,928	-	281,928
Due to Cemetery Patrons	26,838	-	26,838
Noncurrent Liabilities:			
Due Within One Year	50,378	-	50,378
Due in More Than One Year	173,713	-	173,713
Net Pension Liability	1,215,570	562,979	1,778,549
Refundable Meter Deposits	-	85,504	85,504
TOTAL LIABILITIES	<u>1,774,872</u>	<u>778,293</u>	<u>2,553,165</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions	<u>108,959</u>	<u>50,463</u>	<u>159,422</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>108,959</u>	<u>50,463</u>	<u>159,422</u>
<u>NET POSITION (DEFICIT):</u>			
Net Investment in Capital Assets	1,058,347	2,094,826	3,153,173
Restricted for:			
Cemetery	2,392	-	2,392
Municipal Court	4,624	-	4,624
Special Revenue	59,345	-	59,345
Unrestricted	<u>(739,293)</u>	<u>758,944</u>	<u>19,651</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ 385,415</u>	<u>\$ 2,853,770</u>	<u>\$ 3,239,185</u>

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

CITY OF VERONA, MISSISSIPPI STATEMENT OF ACTIVITIES

FUNCTIONS/ PROGRAMS		PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position	
		Operating		Capital		PRIMARY GOVERNMENT	
		Charge for Services	Grants and Contributions	Grants and Contributions	Total	Governmental Activities	Business-Type Activities
PRIMARY GOVERNMENT		Expenses					Total
Government Activities:							
General Government	\$	179,886	\$ -	\$ -	\$ -	(179,886)	\$ -
Public Safety		766,799	38,602	17,742	56,344	(710,455)	-
Public Works		94,262	46,245	-	46,245	(48,017)	-
Culture and Recreation		23,440	-	25,000	25,000	1,560	-
TOTAL GOVERNMENTAL ACTIVITIES		<u>1,064,387</u>	<u>84,847</u>	<u>42,742</u>	<u>127,589</u>	<u>(936,798)</u>	<u>-</u>
Business-Type Activities:							
Water and Sewer System		809,013	870,518	-	70,841	-	132,346
TOTAL BUSINESS-TYPE ACTIVITIES		<u>809,013</u>	<u>870,518</u>	<u>-</u>	<u>70,841</u>	<u>-</u>	<u>132,346</u>
TOTAL PRIMARY GOVERNMENT	\$	<u>1,873,400</u>	<u>\$ 955,365</u>	<u>\$ 42,742</u>	<u>\$ 70,841</u>	<u>\$ (936,798)</u>	<u>\$ (804,452)</u>
GENERAL REVENUES:							
Taxes:							
Property Taxes, Levied for General Purposes						\$ 421,902	\$ -
Sales Taxes						249,214	-
Licenses and Permits						13,655	-
In Lieu Taxes						26,648	-
Franchise Taxes						74,891	-
Gasoline Taxes and Other Taxes						4,074	-
Homestead Reimbursement						32,868	-
Other Intergovernmental Revenues						56,883	-
Gain (Loss) on Disposal						-	-
Investment Earnings						729	885
Miscellaneous						28,435	-
Transfers						45,000	(45,000)
TOTAL GENERAL REVENUES AND TRANSFERS						<u>954,299</u>	<u>(44,115)</u>
CHANGE IN NET POSITION						17,501	88,231
NET POSITION--BEGINNING,						367,914	2,765,539
NET POSITION--ENDING						<u>385,415</u>	<u>\$ 2,853,770</u>

**CITY OF VERONA, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2019**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ 503,378	\$ 62,509	\$ 565,887
Money Market, CD's	29,230	-	29,230
Accounts Receivable	84,190	-	84,190
Grant Receivable	0	-	-
Due From Other Funds	-	-	-
TOTAL ASSETS	616,798	62,509	679,307
<u>LIABILITIES:</u>			
Checks Issued in Excess of Deposits	-	-	-
Accounts Payable and Accrued Expenses	22,405	-	22,405
Due to Other Funds	281,928	-	281,928
Due to Cemetery Patrons	26,838	-	26,838
TOTAL LIABILITIES	331,171	-	331,171
<u>FUND BALANCES:</u>			
Nonspendable:			
Unemployment Trust Fund	6,171	-	6,171
Restricted for:			
Cemetery	2,392	-	2,392
Municipal Court	4,624	-	4,624
Fire Rebate	-	58,061	58,061
Police/Narcotics	-	3,164	3,164
Energy Grant	-	1,284	1,284
Unassigned:	272,440	-	272,440
TOTAL FUND BALANCES	285,627	62,509	348,136
TOTAL LIABILITIES AND FUND BALANCES	\$ 616,798	\$ 62,509	\$ 679,307

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

CITY OF VERONA, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2019

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 348,136
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	1,282,438
Accrued compensated absences are not due in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(4,040)
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(224,091)
Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(1,215,570)
Deferred outflows and inflows related to pensions are applicable to future periods and therefore they are not reported in the Governmental Funds Balance Sheet.	
Deferred outflows of resources related to defined benefit pension plan	32,186
Deferred inflows of resources related to defined benefit pension plan	(108,959)
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.	25,790
Accrual of court fine revenues to qualify as financial resources.	249,525
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 385,415</u>

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

CITY OF VERONA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the year ended September 30, 2019

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:			
General Property Taxes	\$ 422,037	\$ -	\$ 422,037
Sales and Use Taxes	249,214	-	249,214
Licenses and Permits	13,655	-	13,655
In Lieu of Taxes	26,648	-	26,648
Franchise Taxes	74,891	-	74,891
Intergovernmental Revenues	93,825	-	93,825
Charges for Services	46,245	-	46,245
Fines and Forfeits	21,280	-	21,280
Interest Income	729	-	729
Grant Income	25,000	17,742	42,742
Miscellaneous Revenues	28,435	-	28,435
TOTAL REVENUES	<u>1,001,959</u>	<u>17,742</u>	<u>1,019,701</u>
EXPENDITURES:			
Current:			
General Government	152,583	-	152,583
Public Safety	666,782	26,679	693,461
Public Works	95,779	-	95,779
Culture and Recreation	35,040	421	35,461
TOTAL EXPENDITURES	<u>950,184</u>	<u>27,100</u>	<u>977,284</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>51,775</u>	<u>(9,358)</u>	<u>42,417</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Assets	-	-	-
Proceeds from Long Term Debt Issued	-	-	-
Transfers (to) from Other Funds	45,000	-	45,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>45,000</u>	<u>-</u>	<u>45,000</u>
NET CHANGE IN FUND BALANCES	<u>96,775</u>	<u>(9,358)</u>	<u>87,417</u>
FUND BALANCES - Beginning	<u>188,852</u>	<u>71,867</u>	<u>260,719</u>
FUND BALANCES - Ending	<u>\$ 285,627</u>	<u>\$ 62,509</u>	<u>\$ 348,136</u>

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

CITY OF VERONA, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
For the year ended September 30, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	87,417
--	----	--------

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		16,851
--	--	--------

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(97,497)
---	--	----------

Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds.		(135)
---	--	-------

(Increase) decrease in accrual of compensated absences		1,099
--	--	-------

Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received.		17,322
--	--	--------

Charges to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.		(56,095)
---	--	----------

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.

This amount represents proceeds from long-term debt issued.

This amount represents long-term debt repayments and issuance costs.

		-
		48,539

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	17,501
---	----	--------

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

CITY OF VERONA, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the year ended September 30, 2019

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
REVENUES:				
General Property Taxes	\$ 400,680	379,865	\$ 379,865	\$ -
Sales and Use Taxes	260,000	249,424	249,424	-
Licenses and Permits	9,700	13,655	13,655	-
In Lieu of Taxes	30,500	26,648	26,648	-
Franchise Taxes	74,901	74,433	74,433	-
Intergovernmental Revenues	89,150	93,825	93,825	-
Charges for Services	45,000	46,240	46,245	5
Fines and Forfeits	30,000	21,319	21,280	(39)
Interest Revenues	750	710	729	19
Grant Income	178,400	105,000	25,000	(80,000)
Miscellaneous Revenues	6,700	28,533	28,435	(98)
TOTAL REVENUES	1,125,781	1,039,652	959,539	(80,113)
EXPENDITURES:				
Current:				
General Government	175,454	178,364	152,583	25,781
Public Safety	695,135	668,425	666,782	1,643
Public Works	82,063	67,620	95,779	(28,159)
Culture and Recreation	41,911	40,042	35,040	5,002
TOTAL EXPENDITURES	994,563	954,451	950,184	4,267
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	131,218	85,201	9,355	(75,846)
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Assets	-	-	-	-
Proceeds from Long Term Debt Issued	-	-	-	-
Transfers (to) from Other Funds	50,000	50,000	45,000	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	50,000	50,000	45,000	(5,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ 181,218	\$ 135,201	\$ 54,355	\$ (80,846)

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

CITY OF VERONA, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2019

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 783,348
Money Market, CD's	358,991
Accounts Receivable, Net	76,136
Other Receivables	1,549
Due From Other Governments	70,841
Due From Other Funds	281,928
Prepaid Expenses	-
Total Current Assets	<u>1,572,793</u>

Restricted Assets:

Investments	-
Total Restricted Assets	<u>-</u>

Fixed Assets:

Water and Sewer System Machinery and Equipment	5,867,125
Less: Accumulated Depreciation	<u>(3,772,299)</u>
Net Fixed Assets	<u>2,094,826</u>
Total Assets	<u><u>3,667,619</u></u>

DEFERRED OUTFLOWS OF RESOURCES:

Deferred Amounts Related to Pensions	14,907
Total Deferred Outflows of Resources	<u><u>14,907</u></u>

LIABILITIES:

Current Liabilities:

Accounts Payable and Accrued Expenses	127,434
Accrued Compensated Absences	2,376
Refundable Meter Deposits	85,504
Current Maturities of Notes Payable	-
Total Current Liabilities	<u>215,314</u>

Noncurrent Liabilities

Net Pension Liability	562,979
Notes Payable, Less Current Maturities	-
Total Noncurrent Liabilities	<u>562,979</u>
Total Liabilities	<u><u>778,293</u></u>

DEFERRED INFLOWS OR RESOURCES:

Deferred Amounts Related to Pensions	50,463
Total Deferred Inflows of Resources	<u><u>50,463</u></u>

NET POSITION:

Net Investment in Capital Assets	2,094,826
Restricted for Debt Service	-
Unrestricted	758,944
Total Net Position	<u><u>\$ 2,853,770</u></u>

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

CITY OF VERONA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the year ended September 30, 2019

OPERATING REVENUES

Charges for Services	\$ 815,615
Service Charges and Penalties	48,166
Other Receipts	<u>6,737</u>
Total Operating Revenues	<u>870,518</u>

OPERATING EXPENSES

Personnel Services	401,770
Supplies	145,599
Depreciation and Amortization	80,919
Bad Debt Expense	4,981
Other Services	<u>175,744</u>
Total Operating Expenses	<u>809,013</u>
Operating Income	<u>61,505</u>

NON-OPERATING REVENUES (EXPENSES)

Interest Income	885
Grant Income	70,841
Gain (Loss) on Sale of Assets	-
Interest and Fiscal Charges	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>71,726</u>

TRANSFERS (TO) FROM OTHER FUNDS (45,000)

CHANGE IN NET POSITION 88,231

NET POSITION - OCTOBER 1 2,765,539

NET POSITION - SEPTEMBER 30 \$ 2,853,770

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

CITY OF VERONA, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the year ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 875,359
Cash Payments for Personnel Services	(354,183)
Cash Payments for Supplies	(32,557)
Cash Payments for Other Services	(175,744)
Net Cash Provided By Operating Activities	<u>312,875</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Operating Transfers - In from (Out) to Other Funds	(45,000)
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	<u>(45,000)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of Fixed Assets	(266,101)
Proceeds from Sale of Assets	-
Capital Grant Received	-
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(266,101)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments	885
Net Cash Provided By Investing Activities	<u>885</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	2,659
CASH AND CASH EQUIVALENTS, OCTOBER 1	<u>1,139,680</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u>\$ 1,142,339</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ 61,505
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:	
Depreciation and Amortization	80,919
Net Pension Expense	48,090
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable, Net	5,274
(Increase) Decrease in Other Receivables	(347)
Increase (Decrease) in Accounts Payable - Operating Activities	42,201
Increase (Decrease) in Accounts Payable - Capital Related Activities	70,841
Increase (Decrease) in Accrued Compensated Absences	(503)
Increase (Decrease) in Refundable Meter Deposits	4,895
Total Adjustments	<u>251,370</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 312,875</u>

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

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Verona, Mississippi operates under the Home-Rule authority granted by the 1985 Mississippi Legislature. A mayor-board of aldermen form of government is used and the City provides the following services: public safety (police and fire), street maintenance, water and sewer services and general administrative services.

Government-Wide and Fund Financial Statements

The City'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 more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information on all nonfiduciary activities of the primary government and its component units. The statements distinguish between those activities of the City that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net position presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Non-major funds, where applicable, are aggregated and presented in a single column. Fiduciary funds are reported by type.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants.

The City reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally the City reports the following governmental fund types:

Capital Projects Funds – Capital Projects Funds are used to account for financial resources such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing or acquiring permanent or semi-permanent capital improvements. Capital improvements intended for Enterprise Fund use are not included in the Capital Projects Funds. These are non-major governmental funds.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes. These are non-major governmental funds.

The City reports the following major proprietary funds:

The Water & Sewer Fund – This fund is used to account for the City's water treatment and distribution system. This fund is responsible for water delivery to the residents of the City of Verona.

The City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities.

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 funds are as follows: sale of water for the Water Fund. 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.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Budgets and Budgetary Accounting

The Mayor and Board of Aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be published in a local newspaper.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments

The collateral for the City's 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 this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

General Obligation Enterprise Bonds

The enterprise funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements. Since the enterprise funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Enterprise Funds and have been reported on the balance sheets of the Enterprise Funds.

Although the general obligation enterprise bonds are reported on the balance sheets of the Enterprise Funds, they are backed by the full faith and credit of the City and are therefore a contingent liability to the general government.

Encumbrances

State law does not require that funds be available when goods or services are ordered, only when paid for. Due to this circumstance, the City does not employ an encumbrance system.

Compensated Absences

The City's policy allows employees to accumulate unused sick leave. The City also allows employees to accumulate comp time. Upon termination, any accumulated comp time will be paid to the employee.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the allowance for uncollectible court fines and defined benefit pension plan liability. It is at least reasonably possible that the significant estimate used will change within the next year.

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 City of Verona's participation in the Public Employees' Retirement System of Mississippi (PERS), and additions to/deductions from the City of Verona's fiduciary net position have been determined on the same basis as they are reported by the Public Employees' Retirement System of Mississippi (PERS). For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employees' Retirement System of Mississippi (PERS).

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Fund Balance Classification

The Town has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. In accordance with GASB Statement No. 54, the governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board of Aldermen delegating this responsibility to the City's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned:** This classification includes the residual fund balance for the General Fund and all other amounts not included in other spendable classifications.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

Business Information

The City of Verona provides water and sewer services to customers located within the City limits of Verona, Mississippi as well as a limited number of customers outside the City limits. Credit is extended to all of these customers for services.

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements.

NOTE 2 - PROPERTY TAXES

Property taxes, except motor vehicles, attach as an enforceable lien on property as of January 1st. The City bills and collects its own property taxes, except motor vehicle taxes. Motor vehicle taxes are collected by the County Tax Collector and remitted to the City. Taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year end.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 - FIXED ASSETS

The following is a summary of capital asset activity as of September 30, 2019:

Primary Government:

	<u>Balance</u> <u>10-01-18</u>	<u>Additions</u>	<u>Reclass/ Disposals</u>	<u>Balance</u> <u>09-30-19</u>
Capital Assets, not being depreciated:				
Land	\$ 258,889	\$ 0	\$ 0	\$ 258,889
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being depreciated	258,889	0	0	258,889
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	790,120	15,248	0	805,368
Infrastructure	89,172	0	0	89,172
Machinery and Equipment	<u>1,183,204</u>	<u>1,603</u>	<u>0</u>	<u>1,184,807</u>
Total Capital Assets being depreciated	2,062,496	16,851	0	2,079,347
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(172,497)	(21,538)	0	(194,035)
Infrastructure	(51,275)	(3,121)	0	(54,396)
Machinery and Equipment	<u>(734,529)</u>	<u>(72,838)</u>	<u>0</u>	<u>(807,367)</u>
Total Accumulated Depreciation	(958,301)	(97,497)	0	(1,055,798)
Total Capital Assets, depreciated, net Governmental Activities	<u>1,104,195</u>	<u>(80,646)</u>	<u>0</u>	<u>1,023,549</u>
Capital Assets, net	<u>\$ 1,363,084</u>	<u>\$ (80,646)</u>	<u>\$ 0</u>	<u>\$ 1,282,438</u>

The City adopted a capitalization threshold of \$1,000 for general fixed assets and a threshold of \$5,000 for infrastructure assets effective for the current fiscal year. The City has retroactively applied these thresholds to all general fixed assets in service at September 30, 2019.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 - FIXED ASSETS (continued)

A summary of business-type capital asset activity at September 30, 2019 follows:

	Balance 10-01-18	Additions	Disposals	Balance 09-30-19
Capital Assets, not being depreciated:				
Land	\$ 260,052	\$ 0	\$ 0	\$ 260,052
Construction in Progress	<u>0</u>	<u>133,680</u>	<u>0</u>	<u>133,680</u>
Total Capital Assets, not being depreciated	260,052	133,680	0	393,732
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	4,920,125	91,720	0	5,011,845
Machinery and Equipment	<u>420,847</u>	<u>40,701</u>	<u>0</u>	<u>461,548</u>
Total Capital Assets being depreciated	<u>5,340,972</u>	<u>132,421</u>	<u>0</u>	<u>5,473,393</u>
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(3,344,966)	(64,318)	0	(3,409,284)
Machinery and Equipment	<u>(346,414)</u>	<u>(16,601)</u>	<u>0</u>	<u>(363,015)</u>
Total Accumulated Depreciation	<u>(3,691,380)</u>	<u>(80,919)</u>	<u>0</u>	<u>(3,772,299)</u>
Total Capital Assets, depreciated, net Business-type Activities	<u>1,649,592</u>	<u>51,502</u>	<u>0</u>	<u>1,701,094</u>
Capital Assets, net	<u>\$ 1,909,644</u>	<u>\$ 185,182</u>	<u>\$ 0</u>	<u>\$ 2,094,826</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

Plant, building, and Improvements	5 – 40 Years
Machinery and Equipment	5 – 15 Years
Furniture and Fixtures	5 – 20 Years
Vehicles	5 – 10 Years

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

Governmental Activities:	
General Government	\$20,397
Public Safety	53,623
Public Works	20,729
Culture and Recreation	<u>2,748</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 97,497</u>

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 - FIXED ASSETS (continued)

Business-type Activities:

Water and Sewer	\$ <u>80,919</u>
Total Depreciation Expense – Business-type Activities	\$ <u>80,919</u>

NOTE 4 - RECEIVABLES

Receivables at September 30, 2019, consisted primarily of taxes, court fines, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

An allowance for doubtful accounts in the amount of \$47,700 has been recorded in the Water and Sewer Fund at September 30, 2019. An allowance has also been recorded in the Governmental Activities for uncollectable court fine receivables in the amount of \$530,314. The City believes that all other accounts receivable are collectible.

NOTE 5 - LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended September 30, 2019:

	General Obligation Bonds Payable	Notes Payable	Total
Bonds and Other Long-Term Debt at 10/01/18	\$ 0	\$ 272,630	\$ 272,630
Add: Bonds and Other Long-Term Debt Acquired	0	0	0
Less: Bonds and Other Long-Term Debt Retired	<u>0</u>	<u>48,539</u>	<u>48,539</u>
Bonds and Other Long-Term Debt at 09/30/19	\$ <u>0</u>	\$ <u>224,091</u>	\$ <u>224,091</u>

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 5 - LONG-TERM DEBT (continued)

Bonds and other long-term debt at September 30, 2019 are comprised of the following issues:

Governmental Activities:

Notes Payable and Capital Leases Payable:

Capital Lease Payable - \$145,000 due in annual payments of \$15,262 through November 1, 2026; interest at 3.79%. \$ 103,655

Capital Lease Payable - \$127,182 due in 60 monthly payments of \$2,318 through July 15, 2022; interest at 3.539%. 74,763

Note Payable- \$67,941 due in 60 monthly payments of \$1,250 through December 15, 2022; interest at 3.895%. 45,673

Total Debt **\$ 224,091**

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

The Annual requirements to amortize all debt outstanding as of September 30, 2019 including interest payments of \$25,364 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 50,378	\$ 7,698	\$ 0	\$ 0	\$ 50,378	\$ 7,698
2021	52,261	5,814	0	0	52,261	5,814
2022	49,445	3,868	0	0	49,445	3,868
2023	16,330	2,611	0	0	16,330	2,611
2024	13,152	2,110	0	0	13,152	2,110
2025-2027	<u>42,525</u>	<u>3,263</u>	<u>0</u>	<u>0</u>	<u>42,525</u>	<u>3,263</u>
	\$ <u>224,091</u>	\$ <u>25,364</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>224,091</u>	\$ <u>25,364</u>

Interest Included as Direct Expense

Interest expense of \$9,536 on long-term debt has been included in the direct expenses of individual functions on the government-wide statement of activities. Authorization for general long-term debt is specific to a particular purpose; thus, an objective connection can be made to a specific program. All interest on long-term debt is reported as a direct expense of the program for which borrowing is related. Financial resources from long-term debt issuance in the State are not fungible.

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 6 - LITIGATION

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description - Employees of the City of Verona are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided - For the cost-sharing plan 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 2.00% 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 2.50% 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 (the actuarial reduction for less than 30 years or below age 65 apply only to those who became members on or after July 1, 2011). Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

**CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Employee membership data related to the Plan, as of June 30, 2019 was as follows:

Inactive Members or Beneficiaries Currently Receiving Benefits	104,973
Inactive Members Assumed Eligible for a Benefit at Retirement Date	16,578
Inactive Members Assumed Not to Receive Service Retirement Benefits	52,763
Active Members	150,687
Total	<u>325,001</u>

Contributions - The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and the City of Verona is required to contribute at an actuarially determined rate. The current rate is 17.40% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the City to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

For the year ended September 30, 2019, the City of Verona's total payroll for all employees was \$663,122. Total covered payroll was \$650,456. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At September 30, 2019, the City of Verona reported a liability of \$1,778,549 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 percentage used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Verona's proportion of the net pension was based on a projection of the City of Verona's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City of Verona's proportion was 0.010110%.

For the year ended September 30, 2019, the City of Verona recognized pension expense of \$209,253. At September 30, 2019, the City of Verona reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 1,052	\$ 1,915
Net Difference Between Projected and Actual Investment Earnings	0	19,458
City Pension Contributions Subsequent to the Measurement Date	27,627	0
Changes of Assumptions	18,414	0
Changes in Proportion and Differences Between ER Contributions and Proportionate Share of ER Contributions	0	138,049
Total	\$ <u>47,093</u>	\$ <u>159,422</u>

The \$27,627 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Amount
2020	\$ (31,977)
2021	(66,062)
2022	(34,096)
2023	(7,821)
Total	\$ <u>(139,956)</u>

Actuarial Assumptions - The collective total pension liability was determined by an actuarial valuation as of June 30, 2018 and a measurement date determined of June 30, 2019 using standard rollforward techniques, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.00 -18.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including Inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% 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. Mortality rates will be projected generationally using the

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

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, 2019.

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:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Debt Securities	20.00		1.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.25	
Total	100.00	%		

Discount Rate - The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (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 City of Verona's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City of Verona's proportionate share of the net pension liability using the discount rate of 7.75 percent, as well as what the City of Verona's proportionate share of the net pension liability would

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

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:

	Discount Rate	City of Verona's Proportionate Share of Net Pension Liability
1% Decrease	6.75%	\$ 2,337,964
Current Discount Rate	7.75%	1,778,549
1% Increase	8.75%	1,316,802

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

NOTE 8 - FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$42,420 more than cash revenues.

NOTE 9 - EXPENDITURES OVER APPROPRIATIONS FOR INDIVIDUAL FUNDS

Any expenditures over appropriations at the legal level or budgetary control for the respective funds are disclosed in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the respective fund. Expenditures over appropriations at the legal level of budgetary control are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund:			
General Government			
Supplies	\$ 10,186	\$ 19,264	\$ 9,078
Public Safety			
Personnel Services	\$515,516	\$519,487	\$ 3,971
Supplies	\$ 48,532	\$ 48,870	\$ 338

CITY OF VERONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 9 - EXPENDITURES OVER APPROPRIATIONS FOR INDIVIDUAL FUNDS (continued)

Public Works			
Other Services & Charges	\$ 49,552	\$ 49,900	\$ 348
Cultural, Recreational and Cemetery			
Supplies	\$ 2,503	\$ 2,636	\$ 133

NOTE 10 - RISK MANAGEMENT

The City of Verona is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the City except for certain employment practices liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverage for which the City retains the risk of loss.

Risk of loss related to workers compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employer's liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2019, will not materially affect the financial condition of the City. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the City during the current or prior year.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 22, 2020, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VERONA, MISSISSIPPI
 SCHEDULE OF THE CITY'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 Last 10 Fiscal Years
 For the year ended September 30, 2019

	2019	2018	2017	2016	2015
A. Verona's proportion of net pension liability (%)	0.010110%	0.010168%	0.009378%	0.009241%	0.010200%
B. Verona's proportionate share of net pension liability	\$ 1,778,549	\$ 1,691,240	\$ 1,558,942	\$ 1,650,673	\$ 1,577,956
C. Verona's covered employee payroll	\$ 650,456	\$ 675,182	\$ 594,548	\$ 586,420	\$ 606,110
D. Verona's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	273.43%	250.49%	262.21%	281.48%	260.34%
E. Plan fiduciary net position as a percentage of total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%

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

The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

CITY OF VERONA, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS
For the Last 10 Fiscal Years
For the year ended September 30, 2019

	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 105,068	\$ 106,342	\$ 93,642	\$ 92,363	\$ 95,463	\$ 96,393
B. Contributions in relation to statutorily required contributions	\$ 105,068	\$ 106,342	\$ 93,642	\$ 92,363	\$ 95,463	\$ 96,393
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Verona's covered employee payroll	\$ 650,456	\$ 675,182	\$ 594,548	\$ 586,420	\$ 606,110	\$ 612,015
E. Contributions as a percentage of covered employee payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

CITY OF VERONA, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

PENSION SCHEDULES

(1) Changes in benefit provisions

a. 2016

- 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 preceding year with a minimum rate of one percent and a maximum rate of five percent.

(2) Changes of assumptions

a. 2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 1. For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 2. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 3. 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:
 1. For males, 137% of male rates at all ages.
 2. For females, 115% of female rates at all ages.
 3. 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%.

b. 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 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 6% to 7%.

c. 2016

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

d. 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-2000 Mortality Table, which was used prior to 2015.

**CITY OF VERONA, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019**

PENSION SCHEDULES (continued)

- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 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 rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

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

- | | |
|---------------------------------|---|
| • Actuarial cost method | Entry age |
| • Amortization method | Level percentage of payroll, open |
| • Remaining amortization period | 38.4 years |
| • Asset valuation method | 5-year smoothed market |
| • Price Inflation | 3.00 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 |

- (4) The comparative information presented on the Schedule of the City's Contributions does not include information for years prior to 2014 because GASB 68 was implemented in the 2015 fiscal year. Information for the 2014 year was included because it was necessary to record the prior period adjustment in the implementation of GASB 68.

FUND FINANCIAL STATEMENTS AND SCHEDULES

**CITY OF VERONA, MISSISSIPPI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2019**

	Non-Major Capital Projects	Non-Major Special Revenue	Total Non-Major Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ -	\$ 62,509	\$ 62,509
TOTAL ASSETS	<u>-</u>	<u>62,509</u>	<u>62,509</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES:</u>			
Restricted for:			
Fire Rebate	-	58,061	58,061
Police/Narcotics	-	3,164	3,164
Energy Grant	-	1,284	1,284
TOTAL FUND BALANCES	<u>-</u>	<u>62,509</u>	<u>62,509</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>-</u>	\$ <u>62,509</u>	\$ <u>62,509</u>

CITY OF VERONA, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
NON-MAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2019

	Non-Major Capital Projects	Non-Major Special Revenue	Total Non-Major Governmental Funds
REVENUES:			
Intergovernmental Revenues	\$ -	\$ 17,742	\$ 17,742
TOTAL REVENUES	<u>-</u>	<u>17,742</u>	<u>17,742</u>
EXPENDITURES:			
Current:			
Public Safety			
Supplies	-	8,822	8,822
Other Services and Charges	-	2,595	2,595
Debt Service	-	15,262	15,262
Capital Outlay	-	421	421
TOTAL EXPENDITURES	<u>-</u>	<u>27,100</u>	<u>27,100</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(9,358)</u>	<u>(9,358)</u>
OTHER FINANCING SOURCES (USES):			
Transfers (to) from Other Funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>(9,358)</u>	<u>(9,358)</u>
FUND BALANCES - Beginning	<u>-</u>	<u>71,867</u>	<u>71,867</u>
FUND BALANCES - Ending	<u>\$ -</u>	<u>\$ 62,509</u>	<u>\$ 62,509</u>

CITY OF VERONA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the year ended September 30, 2019

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
General Property Taxes	\$ 379,865	\$ 379,865	\$ -
Licenses and Permits	13,655	13,655	-
Sales and Use Taxes	249,424	249,424	-
Intergovernmental Revenues	60,957	60,957	-
Homestead Reimbursement	32,868	32,868	-
Fines and Forfeits	21,319	21,280	(39)
In Lieu of Taxes	26,648	26,648	-
Franchise Taxes	74,433	74,433	-
Charges for Services	46,240	46,245	5
Miscellaneous Revenues	28,533	28,435	(98)
Interest Income	710	729	19
Grant Income	105,000	25,000	(80,000)
TOTAL REVENUES	<u>1,039,652</u>	<u>959,539</u>	<u>(80,113)</u>
EXPENDITURES:			
General Government			
Personnel Services	75,751	75,751	-
Supplies	10,186	19,264	(9,078)
Other Services and Charges	57,047	57,047	-
Debt Service	-	-	-
Capital Outlay	35,380	521	34,859
Total General Government	<u>178,364</u>	<u>152,583</u>	<u>25,781</u>
Public Safety			
Personnel Services	515,516	519,487	(3,971)
Supplies	48,532	48,870	(338)
Other Services and Charges	89,375	82,762	6,613
Debt Service	15,002	15,002	-
Capital Outlay	-	661	(661)
Total Public Safety	<u>668,425</u>	<u>666,782</u>	<u>1,643</u>
Public Works			
Personnel Services	14,587	14,587	-
Supplies	3,481	3,481	-
Other Services and Charges	49,552	49,900	(348)
Debt Service	-	27,811	(27,811)
Capital Outlay	-	-	-
Total Public Works	<u>67,620</u>	<u>95,779</u>	<u>(28,159)</u>

CITY OF VERONA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued
For the year ended September 30, 2019

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Cultural, Recreational and Cemetery			
Personnel Services	\$ 10,272	\$ 10,272	\$ -
Supplies	2,503	2,636	(133)
Other Services and Charges	6,884	6,884	-
Capital Outlay	20,383	15,248	5,135
Total Cultural, Recreational and Cemetery	<u>40,042</u>	<u>35,040</u>	<u>5,002</u>
TOTAL EXPENDITURES	<u>954,451</u>	<u>950,184</u>	<u>4,267</u>
Excess (Deficit) Revenues Over (Under)			
Expenditures	<u>85,201</u>	<u>9,355</u>	<u>(75,846)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from Debt Issuance	-	-	-
Proceeds from Sale of Assets	-	-	-
Transfers (to) from Other Funds	<u>50,000</u>	<u>45,000</u>	<u>(5,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,000</u>	<u>45,000</u>	<u>(5,000)</u>
Excess (Deficit) of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	135,201	54,355	(80,846)
Fund Balance - Beginning	<u>188,852</u>	<u>188,852</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 324,053</u>	243,207	<u>\$ (80,846)</u>
Adjustments To GAAP Basis:			
Less: Accrued Revenue		<u>42,420</u>	
Fund Balance GAAP - Ending		<u>\$ 285,627</u>	

OTHER SUPPLEMENTARY INFORMATION

CITY OF VERONA MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the year ended September 30, 2019

	BALANCE OUTSTANDING October 1, 2018	TRANSACTIONS DURING FISCAL YEAR		BALANCE OUTSTANDING September 30, 2019
		ISSUED	REDEEMED	
Governmental Funds:				
<u>Other Long Term Debt</u>				
Note Payable - Commercial Bank				
Interest Rate 3.79%				
Maturity 2026	\$ 114,575	\$ -	\$ 10,920	\$ 103,655
Note Payable - Commercial Bank				
Interest Rate 3.539%				
Maturity 2022	99,454	-	24,691	74,763
Note Payable - Renasant Bank				
Interest Rate 3.895%				
Maturity 2022	58,601	-	12,928	45,673
Total Governmental Funds	<u>272,630</u>	<u>-</u>	<u>48,539</u>	<u>224,091</u>
Proprietary Fund:				
<u>Other Long Term Debt</u>				
None for FY 2019	\$ -	\$ -	\$ -	\$ -
Total Proprietary Fund	\$ -	\$ -	\$ -	\$ -
Total Government-wide	\$ 272,630	\$ -	\$ 48,539	\$ 224,091

CITY OF VERONA, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2019

NAME	POSITION	COMPANY	BOND
Sonja Moore	Deputy Clerk	Travelers	\$ 50,000
JB Long	Police Chief	Travelers	50,000
Bobby Williams	Mayor	Travelers	50,000
Camille Lipsey	Court Clerk	Travelers	50,000
Camille Lipsey	Water Clerk	Travelers	50,000
Pamela Shumpert	City Clerk	Travelers	50,000
Danielle Kemp	Office Clerk	Travelers	50,000
Eddie Tucker	Alderman	Travelers	50,000
Jessie Gilmore	Alderman	Travelers	50,000
Brenda Spurgon	Alderman	Travelers	50,000
Margaret Baker	Alderman	Travelers	50,000
Julian Riley	Alderman	Travelers	50,000
Paul Smith	Police Officer	Travelers	25,000
Jermamy Jackson	Police Officer	Travelers	25,000
James Beasley	Police Officer	Travelers	25,000
Johnny Patterson	Police Officer	Travelers	25,000
Stephanie Goree	Police Officer	Travelers	25,000
Jeffery Willard	Police Officer	Travelers	25,000
Sherrod Bowens	Police Officer	Travelers	25,000
Daniel Green	Police Officer	Travelers	25,000
Samuel Ford	Police Officer	Travelers	25,000

OTHER REPORTS

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners
Gary Franks, CPA
Bryon Wilemon, CPA
Jonathan Hagood, CPA
Michael Little, CPA
Rudolph Franks, CPA (1933-2019)

INDEPENDENT AUDITOR'S 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 Board of Aldermen
City of Verona, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Verona, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Verona, Mississippi's basic financial statements and have issued our report thereon dated June 22, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as findings no. 1, 2 and 3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Verona, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 findings no. 2 and 3.

City of Verona, Mississippi's Response to Findings

City of Verona, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Verona, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Franks, Franks, Wilemon & Hagood P.A.

Franks, Franks, Wilemon & Hagood, P.A.
Tupelo, Mississippi
June 22, 2020

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners
Gary Franks, CPA
Bryon Wilemon, CPA
Jonathan Hagood, CPA
Michael Little, CPA
Rudolph Franks, CPA (1933-2019)

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Verona, Mississippi as of and for the year ended September 30, 2019, and have issued my report thereon dated June 22, 2020. 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*.

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 four material instances of noncompliance with state laws and regulations as reported in Findings No. 2 and 3.

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 of Verona'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.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
June 22, 2020

CITY OF VERONA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2019

FINANCIAL STATEMENT FINDINGS:

FINDING NO. 1 (material weakness)

Criteria: The City is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records.

Cause of Condition: The City's internal control did not provide for adequate segregation of duties in relation to the collection, processing and administering of various revenue sources and the overall accounting system of the City. The City's size and number of personnel limit the opportunities for adequate segregation of duties.

Recommendation: The City should consider segregation of duties in all areas of the accounting system. The City should consider job descriptions for various employees. Due to the size and number of employees, optimal segregation of duties will be difficult; however, the City should strengthen segregation of duties in all areas possible.

Response: The City will analyze the accounting system and establish procedures that provide clear segregation of duties.

FINDING NO. 2 (material weakness, noncompliance)

Criteria: The City is to maintain adequate subsidiary records substantiating the existence, completeness, and valuation of fixed assets.

Cause of Condition: The City did not conduct an annual inventory observation of fixed assets pursuant to guidelines set forth by the Mississippi Office of the State Auditor. The City does not have a complete, compliant listing of fixed assets.

Recommendation: The City should conduct a year-end inventory of its fixed assets. The City has prepared a listing of assets owned by the City; however, it did not include all necessary information for each asset.

Response: The City will establish an inventory policy that will require a complete annual inventory of all fixed assets. All assets will be properly tagged and numbered and relevant information will be gathered on all assets and included on the master fixed asset listing.

CITY OF VERONA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2019

FINDING NO. 3 (material weakness, noncompliance)

Criteria: The City is required, by state statutes, to prepare a budget for all funds of the City and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts. Also, Section 21-35-15, Mississippi Code Ann. (1972), requires the City Clerk to prepare a budget report to be presented to the governing authority at the regular meeting month for monitoring the budget status.

Cause of Condition: The City had a budget overage in several expenditure categories for the year ended September 30, 2019.

Recommendation: The City should establish a system of control that prevents the approval of expenditures over the amounts set forth in the budget.

Response: The City will take steps necessary to ensure the budgets are amended prior to budget overages occurring.