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CITY OF QUITMAN, MISSISSIPPI

**Audited Financial Statements
and Special Reports**

For the Year Ended September 30, 2020

CITY OF QUITMAN, MISSISSIPPI

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quitman, Mississippi, (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

fund information of the City of Quitman, Mississippi as of September 30, 2020, and the respective changes in the cash basis financial position thereof for the year then ended in accordance with the cash basis accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that the City of Quitman, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

The Budgetary Comparison Schedule, Notes to the Budgetary Comparison Schedule, Schedule of Investments, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, and Schedule of Surety Bonds for Municipal Officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2021 on our consideration of the City of Quitman, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Quitman, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Quitman, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Stephen D. Myrick CPA LLC". The signature is fluid and cursive.

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

Quitman, Mississippi

May 17, 2021

FINANCIAL STATEMENTS

CITY OF QUITMAN, MISSISSIPPI
Statement of Net Position - Cash Basis
September 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 709,949	\$ 1,164,388	\$ 1,874,337
Restricted cash	-	345,781	345,781
Total Assets	<u>\$ 709,949</u>	<u>\$ 1,510,169</u>	<u>\$ 2,220,118</u>
NET POSITION			
Restricted for:			
Expendable:			
Public safety	\$ 70,517	\$ -	\$ 70,517
Public works	39,136	1,510,169	1,549,305
Unemployment compensation	26,750	-	26,750
Debt service	13,562	-	13,562
Unrestricted	559,984	-	559,984
Total Net Position	<u>\$ 709,949</u>	<u>\$ 1,510,169</u>	<u>\$ 2,220,118</u>

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

CITY OF QUITMAN, MISSISSIPPI
Statement of Activities - Cash Basis
For the Year Ended September 30, 2020

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		Total
	Cash	Charges for	Operating	Capital	Governmental	Business-type	
	Disbursements	Services	Grants and Contributions	Grants and Contributions	Activities	Activities	
Governmental Activities:							
General government	\$ 289,440	\$ -	\$ -	\$ 84,904	\$ (204,536)	\$ -	\$ (204,536)
Public safety	680,771	44,418	14,014	-	(622,339)	-	(622,339)
Public works	712,054	-	68,984	-	(643,070)	-	(643,070)
Culture and recreation	243,388	-	-	71,560	(171,828)	-	(171,828)
Debt service:							
Principal	33,115	-	-	-	(33,115)	-	(33,115)
Interest	4,344	-	-	-	(4,344)	-	(4,344)
Total Governmental Activities	1,963,112	44,418	82,998	156,464	(1,679,232)	-	(1,679,232)
Business-type Activities:							
Water and sewer	1,407,143	786,073	-	454,550	-	(166,520)	(166,520)
Garbage collection	187,303	226,637	-	-	-	39,334	39,334
Total Business-type Activities	1,594,446	1,012,710	-	454,550	-	(127,186)	(127,186)
Total Government	\$ 3,557,558	\$ 1,057,128	\$ 82,998	\$ 611,014	(1,679,232)	(127,186)	(1,806,418)
General Receipts:							
Property taxes					725,570	-	725,570
Sales tax					601,115	-	601,115
Gasoline tax					7,114	-	7,114
Liquor Tax					1,350	-	1,350
Licenses and permits					196,334	-	196,334
Grants and contributions not restricted to specific programs					100,478	-	100,478
Unrestricted interest income					7,220	19,671	26,891
Miscellaneous					80,563	-	80,563
Transfers					50,000	(50,000)	-
Total General Revenues and Transfers					1,769,744	(30,329)	1,739,415
Changes in Net Position					90,512	(157,515)	(67,003)
Net Position - Beginning					619,437	1,667,684	2,287,121
Net Position - Ending					\$ 709,949	\$ 1,510,169	\$ 2,220,118

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

CITY OF QUITMAN, MISSISSIPPI
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2020

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 559,984	\$ 149,965	\$ 709,949
Total Assets	<u>559,984</u>	<u>149,965</u>	<u>709,949</u>
FUND BALANCES			
Restricted for:			
Public safety	-	70,517	70,517
Public works	-	39,136	39,136
Debt service	-	13,562	13,562
Unemployment compensation	-	26,750	26,750
Unassigned	<u>559,984</u>	<u>-</u>	<u>559,984</u>
Total Fund Balances	<u>559,984</u>	<u>149,965</u>	<u>709,949</u>
Total Fund Balances	<u>\$ 559,984</u>	<u>\$ 149,965</u>	<u>\$ 709,949</u>

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

CITY OF QUITMAN, MISSISSIPPI
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS			
Property taxes	\$ 725,570	\$ -	\$ 725,570
Sales tax	601,115	-	601,115
Liquor tax	1,350	-	1,350
Gasoline tax	7,114	-	7,114
Licenses, commissions and other receipts	196,334	-	196,334
Fines and forfeitures	44,418	-	44,418
Intergovernmental receipts	279,729	60,211	339,940
Interest income	6,123	1,097	7,220
Miscellaneous receipts	38,979	41,584	80,563
Total Receipts	<u>1,900,732</u>	<u>102,892</u>	<u>2,003,624</u>
DISBURSEMENTS			
General government	289,440	-	289,440
Public safety	652,954	27,817	680,771
Public works	712,054	-	712,054
Culture and recreation	243,388	-	243,388
Debt service:			
Principal	22,015	11,100	33,115
Interest	1,289	3,055	4,344
Total Disbursements	<u>1,921,140</u>	<u>41,972</u>	<u>1,963,112</u>
Excess (Deficiency) of Receipts over (under) Disbursement	<u>(20,408)</u>	<u>60,920</u>	<u>40,512</u>
OTHER CASH SOURCES (USES)			
Transfers in	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total Other Financing Sources and Uses	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	29,592	60,920	90,512
Fund Balances - Beginning	<u>530,392</u>	<u>89,045</u>	<u>619,437</u>
Fund Balances - Ending	<u>\$ 559,984</u>	<u>\$ 149,965</u>	<u>\$ 709,949</u>

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

CITY OF QUITMAN, MISSISSIPPI
Statement of Net Position - Cash Basis
Proprietary Funds
September 30, 2020

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Garbage Collection Fund	Total
ASSETS			
Current Assets:			
Cash	\$ 986,447	\$ 177,941	\$ 1,164,388
Total Current Assets	986,447	177,941	1,164,388
Noncurrent Assets:			
Restricted cash	345,781	-	345,781
Total Noncurrent Assets	345,781	-	345,781
Total Assets	1,332,228	177,941	1,510,169
NET POSITION			
Restricted for:			
Public works	1,332,228	177,941	1,510,169
Total Net Position	\$ 1,332,228	\$ 177,941	\$ 1,510,169

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

CITY OF QUITMAN, MISSISSIPPI
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position
Proprietary Funds
For the Year Ended September 30, 2020

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Garbage Collection Fund	Total
Operating Receipts			
Charges for sales and services	\$ 762,728	\$ 226,083	\$ 988,811
Other services	23,345	554	23,899
Total Operating Receipts	786,073	226,637	1,012,710
Operating Disbursements			
Personal services	243,374	115,388	358,762
Contractual services	142,597	16,220	158,817
Materials and supplies	905,005	42,766	947,771
Insurance premiums	62,060	12,929	74,989
Total Operating Disbursements	1,353,036	187,303	1,540,339
Operating Income (Loss)	(566,963)	39,334	(527,629)
Nonoperating Receipts (Disbursements)			
Interest income	18,087	1,584	19,671
Grant receipts	454,550	-	454,550
Principal paid	(41,091)	-	(41,091)
Interest expense	(13,016)	-	(13,016)
Transfers	(50,000)	-	(50,000)
Net Nonoperating Receipts (Disbursements)	368,530	1,584	370,114
Changes in Net Position	(198,433)	40,918	(157,515)
Net Position - Beginning	1,530,661	137,023	1,667,684
Net Position - Ending	\$ 1,332,228	\$ 177,941	\$ 1,510,169

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

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CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund balances, receipts and disbursements. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

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

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The revenues (cash receipts) and expenses (cash disbursements) of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

The City reports the following major Governmental Fund:

General Fund – This fund is used to account for and report all financial resources not accounted for and reported in another fund.

The City reports the following major Enterprise Funds:

Water and Sewer Fund – This fund is used to account for the activities associated with the City's water distribution and sewage collection systems.

Garbage Collection Fund – This fund is used to account for the activities associated with the City's disposal of solid waste within the City.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

Capital Projects Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Funds – These funds are used to account for and report resources that are restricted to the extent that only interest received, and not principal, may be used for purposes that support the City's programs.

PROPRIETARY FUND TYPES

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the City has decided that periodic determination of receipts collected, disbursements paid and/or net income is necessary for management accountability.

Internal Service Funds – These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

Agency Funds – These funds account for various taxes, deposits and other monies collected or held by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

Private-purpose Trust Funds – These funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

D. Account Classifications.

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

E. Deposits.

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

Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications.

Government-wide Financial Statements:

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

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

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

Net Position Flow Assumption:

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City’s general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

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

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

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

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

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

Fund Balance Flow Assumption:

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

G. Property Tax Receipts.

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

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

The total millage rate of the City for January through December 2020 is 33.27 mills; 32.02 mills for general government operations, 1.0 mill for library operations and .25 mills for fire protection.

Note 2: Deposits.

The carrying amount of the City's total deposits with financial institutions at September 30, 2020, was \$2,220,118 including \$250 in petty cash, and the bank balance was \$2,217,785. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Companies (FDIC).

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 3: Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2020:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 50,000
Total		<u>\$ 50,000</u>

The principal purpose of the above transfer was to provide resources for capital improvements.

Note 4: Restricted Cash.

The restricted cash account in the City's Water and Sewer Fund represents customer meter deposits in the amount of \$158,187 and a debt service reserve of \$187,594 required by the Mississippi Development Authority in its loan covenants requiring the City to maintain a debt service reserve in a separate bank account in an amount equivalent to one year's maintenance cost for the City's notes payable with the Mississippi Development Authority.

Note 5: Claims and Judgements.

Risk Financing.

The City finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2020 to January 1, 2021. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Note 6: Contingencies.

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

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

Note 7: Related Organization.

The City's Mayor and Board of Aldermen are responsible for appointing three members to the board of trustees of the Quitman Public Library, but the City's accountability for this organization does not extend beyond making the appointments. The City appropriated \$44,523 for an operating grant to the Quitman Public Library for the 2020 fiscal year. This appropriation is funded by a 1 mill ad valorem millage rate on the citizens and businesses of the City.

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 8: Joint Ventures.

The City participates in the following joint ventures:

Chickasawhay Natural Gas District - The City is a participant with the City of Waynesboro and the City of Shubuta in a joint venture to operate Chickasawhay Natural Gas District ("The District"), a special governmental unit established by state statute to provide gas service to the residences of the three cities' citizens and as well as to citizens of certain areas of Clarke and Wayne counties. The District is governed by a seven-member board of trustees composed of the mayor of each of the three participating cities, four members elected by the customers, two each from Clarke and Wayne counties. Each of the three cities is not presently obligated by contract to supplement the District's operating revenues. The District's board minutes are silent to a specific formula outlining each participant's claim to joint venture assets, and there is no written joint venture agreement among the participants. Therefore, no explicit and measurable equity interest is deemed to exist. Complete financial statements for the District can be obtained from the District's administrative office at 306 S. Archusa Avenue, Quitman, MS 39355 or call (601) 776-8887.

Criminal Investigation Division – The City is a participant in a joint venture with the Board of Supervisors of Clarke County, Mississippi that operates within Clarke County, Mississippi. It was created to further the pursuit of criminal activity within the county. The board of trustees for this division is composed of the participating governments' sheriff and police chief. The accounting for this joint venture is performed by the City of Quitman and is included as a separate fund in the City's financial accounting system. Fees are collected by the County in the Justice and Circuit courts and are forwarded to the City upon collection. The county also provides one investigator whose salary is paid by the County and accounted for in the county's financial accounting system.

Note 9: Defined Benefit Pension Plan.

Plan Description. The City of Quitman, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2020, PERS members were required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The rate at September 30, 2020 was 17.40% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2020, 2019 and 2018 were \$182,472, \$160,073, and \$159,148, respectively, equal to the required contributions for each year.

Note 10: Tax Abatements.

Tax abatements are available to manufacturers and other new enterprises as authorized in Sections 27-31-101 and 27-31-105 of Mississippi Code Annotated (1972) and are granted by the Board of Aldermen to encourage businesses to locate or expand operations in the City and to create new job opportunities for City residents.

The City negotiates property taxes on an individual basis and approves all abatements for up to ten years. The City has one type of abatement under Section 27-31-102, Miss. Code Annotated (1972) for all allowable property tax levies, which does not provide for the abatement of school or state tax levies. Current agreements do not have any provisions for recapturing abated taxes.

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2020

The City has a total of seven ad valorem tax abatement agreements with two different industries as of September 30, 2020:

<u>Category</u>	<u>Percentage of Taxes Abated</u>	<u>Amount of Taxes Abated during the Year</u>
Construction and expansion of an existing facility	100%	\$ 26,168

Note 11: Subsequent Events.

Events that occur after the Statement of Net Position-Cash Basis date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position-Cash Basis date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position-Cash Basis date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through May 17, 2021, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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OTHER INFORMATION

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CITY OF QUITMAN, MISSISSIPPI
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 721,400	\$ 725,292	\$ 725,570	\$ 278
Licenses, commissions, and other receipts	8,000	10,614	10,614	-
Fines and forfeitures	64,000	46,631	44,418	(2,213)
Intergovernmental receipts	694,500	870,325	939,307	68,982
Miscellaneous receipts	418,100	297,941	230,894	(67,047)
Total Revenues	<u>1,906,000</u>	<u>1,950,803</u>	<u>1,950,803</u>	<u>-</u>
DISBURSEMENTS				
Current:				
General government	316,064	292,189	292,189	-
Public safety	675,023	637,318	650,238	(12,920)
Public works	673,418	746,682	733,762	12,920
Culture and recreation	238,995	242,327	242,327	-
Total Disbursements	<u>1,903,500</u>	<u>1,918,516</u>	<u>1,918,516</u>	<u>-</u>
Net Change in Fund Balance	2,500	32,287	32,287	-
Fund Balances - Beginning	422,144	527,445	474,613	52,832
Fund Balances - Ending	<u>\$ 424,644</u>	<u>\$ 559,732</u>	<u>\$ 506,900</u>	<u>\$ 52,832</u>

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

CITY OF QUITMAN, MISSISSIPPI
Notes to the Budgetary Comparison Schedule
For the Year Ended September 30, 2020

A. Budgetary Information.

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

The City's budget is prepared principally on the cash basis of accounting except for disbursements where the City follows Section 21-35-23, Miss. Code Ann. (1972) which allows disbursements made within 30 days after September 30 to be charged back to the budget for fiscal year ending on September 30. This provision applies to obligations incurred prior to the end of the fiscal year ended September 30 and intended appropriated to be paid from that fiscal year's budget. To qualify for this charge back, the claim for payment [Section 21-39-9, Miss. Code Ann. 1972] must be approved and the check for payment dated no later than October 30. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

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

C. Budget/OCBOA Reconciliation.

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

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

	General Fund
	<hr/>
Budget (Modified Accrual)	\$ 32,287
Increase (Decrease):	
Net adjustment for disbursements paid within 30 days after year end	(2,695)
Cash Basis (OCBOA)	<hr/> <u>\$ 29,592</u>

CITY OF QUITMAN, MISSISSIPPI
Schedule of Investments - All Funds
For the Year Ended September 30, 2020

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Other Information</u>	<u>Investment Cost/Value</u>
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The City did not have any investments for the year ended September 30, 2020.

CITY OF QUITMAN, MISSISSIPPI
Schedule of Capital Assets
For the Fiscal Year Ended September 30, 2020

Governmental Activities:

	Balance October 1, 2019	Additions	Deletions	Adjustments	Balance September 30, 2020
Land	\$ 402,881	\$ -	\$ -	\$ -	\$ 402,881
Infrastructure	-	157,453	-	-	157,453
Buildings	409,892	-	-	-	409,892
Improvements Other Than Buildings	773,074	-	-	-	773,074
Mobile Equipment	801,344	7,400	-	-	808,744
Furniture and Equipment	357,632	103,264	-	-	460,896
Total Capital Assets - Governmental Activities	<u>\$ 2,744,823</u>	<u>\$ 268,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,012,940</u>

Business-type Activities:

	Balance October 1, 2019	Additions	Deletions	Adjustments	Balance September 30, 2020
Land	\$ 18,591	\$ -	\$ -	\$ -	\$ 18,591
Infrastructure	-	739,925	-	-	739,925
Machinery and Equipment	5,387,040	12,324	-	-	5,399,364
Mobile Equipment	321,400	46,974	-	-	368,374
Total Capital Assets - Business-type Activities	<u>\$ 5,727,031</u>	<u>\$ 799,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,526,254</u>

CITY OF QUITMAN, MISSISSIPPI
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2020

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance October 1, 2019	Issued	Principal Payments	Balance September 30, 2020
Governmental Activities:							
A. Limited Obligation Bonds:							
TIFF Series 2015 - Citizens National Bank							
McDonalds/Dollar General	4/8/2015	3/1/2025	4.5875%	\$ 66,600	\$ -	\$ 11,100	\$ 55,500
B. Other Loans:							
Mississippi Development Authority -							
Police Car Conversion	4/1/2016	4/1/2023	0.00%	12,857	-	3,214	9,643
Capital Lease - Knuckleboom/Trailer	12/12/2018	12/12/2021	3.89%	41,677	-	18,800	22,877
Total Governmental Activities Debt				<u>\$121,134</u>	<u>\$ -</u>	<u>\$ 33,114</u>	<u>\$ 88,020</u>
Business-type Activities:							
A. Other Loans:							
Mississippi Development Authority -							
Automatic Meter Readers	8/7/2017	9/7/2033	2.00%	\$ 415,256	\$ -	\$ 28,336	\$ 386,920
Mississippi Development Authority -							
Sewer Rehabilitation	10/16/2017	9/18/2034	2.00%	220,886	-	12,756	208,130
Total Business-type Activities Debt				<u>\$ 636,142</u>	<u>\$ -</u>	<u>\$ 41,092</u>	<u>\$ 595,050</u>

CITY OF QUITMAN, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2020

Name	Position	Company	Bond Amount
William Fulton	Mayor	Travelers Insurance Company	\$ 50,000
Lisa Harris	City Clerk	Old Republic Surety Company	50,000
Mike McCarra	Police Chief	RLI Insurance Company	50,000
Peggy Mason	Deputy City Clerk	Old Republic Surety Company	50,000
Dayona Mollett	Deputy City Clerk	Old Republic Surety Company	50,000
Dayona Mollett	Municipal Court Clerk	Old Republic Surety Company	50,000
Ryan Evans	Deputy Court Clerk	Old Republic Surety Company	50,000
Thereasa Haire	Deputy Court Clerk	RLI Insurance Company	50,000
Ronald Holloway	Alderman	Travelers Insurance Company	50,000
Joe Brooks	Alderman	Old Republic Surety Company	50,000
James H. Buchanan	Alderman	Travelers Insurance Company	50,000
Bridgett Peters	Aldersperson	Travelers Insurance Company	50,000
Harry Wheat	Alderman	Travelers Insurance Company	50,000

SPECIAL REPORT

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quitman, Mississippi (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 17, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Quitman, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City of Quitman, Mississippi's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses (Auditee's Corrective Action Plan). The City'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 result 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. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink that reads "Stephen D. Myrick CPA LLC". The signature is written in a cursive, flowing style.

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

Quitman, Mississippi

May 17, 2021

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

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

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

We have audited the basic financial statements of the City of Quitman, Mississippi as of and for the year ended September 30, 2020 and have issued our report dated May 17, 2021. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations. The prior year findings have been corrected.

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

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



Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
May 17, 2021

City of Quitman, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2020

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unmodified
Business-type activities	Unmodified
General Fund	Unmodified
Water and Sewer Fund	Unmodified
Garbage Collection Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

a. Material weaknesses identified?	No
b. Significant deficiencies identified?	Yes

3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Payroll Clerk

Significant Deficiency

2020-001. Internal controls over the payroll function should be strengthened.

Repeat Finding: No

Criteria: An effective system of internal control over payroll should include maintaining complete and accurate records for each employee's work hours which include employee timecards that are signed by both the employee and the department manager. An effective system of internal control over payroll should also ensure that employees are compensated at the appropriate approved pay rate.

Condition: As a result of our current year audit procedures on payroll, we observed the following issues:

- Two instances where timesheets were not signed by the employee and approved by the department manager.
- One instance where an employee was not compensated at the rate of pay approved by the board of aldermen.

Cause: The City lacks the necessary control procedures over payroll to ensure that timecards are signed by the employee and approved by the department manager. The City also lacks the necessary control procedures to ensure that employees are paid at the proper pay rates.

City of Quitman, Mississippi
Schedule of Findings and Responses - Continued
For the Year Ended September 30, 2020

Effect:	The failure to establish proper internal controls over payroll could result in employees receiving pay for unauthorized time or at incorrect pay rates as well as increase the possibility of misappropriation or loss of public funds.
Recommendation:	<p>The City should establish internal control policies related to payroll that require employees to sign their time cards and department managers to approve the time card for employees under their supervision prior to payment of the related payroll.</p> <p>The City should also establish internal control policies related to payroll that provides for the proper supervisory review of individual employee pay rates, hours worked and recalculation of gross pay to ensure the accuracy of employee payroll.</p>
Views of Responsible Officials(s):	We will implement the auditor's recommendations as soon as possible.