

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. 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.

CITY OF QUITMAN, MISSISSIPPI

**Audited Financial Statements
and Special Reports**

For the Year Ended September 30, 2022

CITY OF QUITMAN, MISSISSIPPI

Table of Contents

Financial Audit Report

Independent Auditor's Report	1 - 2
------------------------------	-------

Financial Statements

Statement of Net Position - Cash Basis	5
Statement of Activities - Cash Basis	6
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	7
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds	8
Statement of Net Position - Cash Basis - Proprietary Funds	9
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position - Proprietary Funds	10
Notes to the Financial Statements	11 - 16

Other Information

Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund	19
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) House Bill 1 Fund	20
Notes to the Budgetary Comparison Schedule	21
Schedule of Investments - All Funds	22
Schedule of Capital Assets	23
Schedule of Changes in Long-term Debt	24
Schedule of Surety Bonds for Municipal Officials	25

Special Report

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 <i>Government Auditing Standards</i>	29 - 30
Independent Auditor's Report on Compliance with State Laws and Regulations	31 - 34
Schedule of Findings and Responses	35 - 38

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

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephen@stephenmyrickcpa.com

*Member
American Institute of
Certified Public Accountants*

*Member
Mississippi Society of
Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

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

Disclaimer of Opinions

We were engaged to audit 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, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Quitman, Mississippi's basic financial statements as listed in the table of contents.

We do not express an opinion, because of the significance of the matter discussed in the Basis for Disclaimer of Opinions on the Financial Statements as a Whole section of our report, we have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial position of the cash basis financial statements referred to above of the City of Quitman, Mississippi as of September 30, 2022, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Disclaimer of Opinions on the Financial Statements as a Whole

The City suffered a loss of the entire staff in the municipal clerk's office at the beginning of the fiscal year which resulted in inadequate record keeping for a period of approximately eight months while the City searched for qualified replacements for the former municipal and deputy municipal clerks. This lack of adequate records significantly limited our ability to obtain sufficient appropriate audit evidence to form an opinion on the cash basis financial statements referred to above of the City of Quitman, Mississippi as of and for the year ended September 30, 2022, and the related notes to the financial statements.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Quitman, Mississippi's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the City of Quitman, Mississippi's cash basis financial statements in accordance with generally accepted auditing standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinions on the Financial Statements as a Whole section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the cash basis financial statements referred to above of the City of Quitman, Mississippi as of and for the year ended September 30, 2022, and the related notes to the financial statements.

We are required to be independent of the City of Quitman, Mississippi and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Budgetary Comparison Schedules, Notes to the Budgetary Comparison Schedules, Schedule of Investments, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, and Schedule of Surety Bonds for Municipal Officials but does not include the basic financial statements and our auditor's report thereon. Our disclaimer of opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2024 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, with the letters "S", "D", and "M" being particularly prominent.

Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
March 7, 2024

FINANCIAL STATEMENTS

(This page intentionally left blank)

CITY OF QUITMAN, MISSISSIPPI
Statement of Net Position - Cash Basis
September 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,517,681	\$ 1,331,969	\$ 2,849,650
Restricted cash	-	401,326	401,326
Total Assets	<u>\$ 1,517,681</u>	<u>\$ 1,733,295</u>	<u>\$ 3,250,976</u>
NET POSITION			
Restricted:			
Expendable:			
General government	\$ 159,797	\$ -	\$ 159,797
Public safety	63,860	-	63,860
Public works	267,922	1,733,295	2,001,217
Unemployment compensation	8,379	-	8,379
Debt service	23,825	-	23,825
Unrestricted	<u>993,898</u>	<u>-</u>	<u>993,898</u>
Total Net Position	<u>\$ 1,517,681</u>	<u>\$ 1,733,295</u>	<u>\$ 3,250,976</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, 2022

Functions/Programs	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 555,594	\$ -	\$ 259,489	\$ -	\$ (296,105)	\$ -	\$ (296,105)
Public safety	698,060	61,732	33,806	-	(602,522)	-	(602,522)
Public works	644,788	-	-	138,032	(506,756)	-	(506,756)
Culture and recreation	192,378	-	-	-	(192,378)	-	(192,378)
Debt service:							
Principal	35,767	-	-	-	(35,767)	-	(35,767)
Interest	5,922	-	-	-	(5,922)	-	(5,922)
Total Governmental Activities	<u>2,132,509</u>	<u>61,732</u>	<u>293,295</u>	<u>138,032</u>	<u>(1,639,450)</u>	<u>-</u>	<u>(1,639,450)</u>
Business-type Activities:							
Water and sewer	1,180,018	979,646	-	450,000	-	249,628	249,628
Garbage collection	340,165	221,555	-	-	-	(118,610)	(118,610)
Total Business-type Activities	<u>1,520,183</u>	<u>1,201,201</u>	<u>-</u>	<u>450,000</u>	<u>-</u>	<u>131,018</u>	<u>131,018</u>
Total Government	<u>\$ 3,652,692</u>	<u>\$ 1,262,933</u>	<u>\$ 293,295</u>	<u>\$ 588,032</u>	<u>(1,639,450)</u>	<u>131,018</u>	<u>(1,508,432)</u>
General Receipts:							
Property taxes					742,971	-	742,971
Sales tax					617,738	-	617,738
Liquor tax					2,144	-	2,144
Gasoline tax					6,394	-	6,394
Licenses and permits					220,995	-	220,995
Grants and contributions not restricted to specific programs					60,090	-	60,090
Unrestricted interest income					6,045	7,233	13,278
Miscellaneous					58,202	-	58,202
Proceeds from debt issuance					250,150	-	250,150
Total General Revenues					<u>1,964,729</u>	<u>7,233</u>	<u>1,971,962</u>
Changes in Net Position					325,279	138,251	463,530
Net Position - Beginning					1,192,402	1,595,044	2,787,446
Net Position - Ending					<u>\$ 1,517,681</u>	<u>\$ 1,733,295</u>	<u>\$ 3,250,976</u>

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

CITY OF QUITMAN, MISSISSIPPI
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2022

	Major Funds			Other	Total
	General Fund	House Bill 1 Fund	Municipal Project Fund	Governmental Funds	Governmental Funds
ASSETS					
Cash	\$ 993,898	\$ 267,922	\$ 159,797	\$ 96,064	\$ 1,517,681
Total Assets	<u>993,898</u>	<u>267,922</u>	<u>159,797</u>	<u>96,064</u>	<u>1,517,681</u>
FUND BALANCES					
Restricted for:					
General government	-	-	159,797	-	159,797
Public safety	-	-	-	63,860	63,860
Public works	-	267,922	-	-	267,922
Debt service	-	-	-	8,379	8,379
Unemployment compensation	-	-	-	23,825	23,825
Unassigned	<u>993,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>993,898</u>
Total Fund Balances	<u>993,898</u>	<u>267,922</u>	<u>159,797</u>	<u>96,064</u>	<u>1,517,681</u>
Total Fund Balances	<u>\$ 993,898</u>	<u>\$ 267,922</u>	<u>\$ 159,797</u>	<u>\$ 96,064</u>	<u>\$ 1,517,681</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, 2022

	Major Funds			Other	Total
	General Fund	House Bill 1 Fund	Municipal Project Fund	Governmental Funds	Governmental Funds
RECEIPTS					
Property taxes	\$ 742,971	\$ -	\$ -	\$ -	\$ 742,971
Sales tax	617,738	-	-	-	617,738
Liquor tax	2,144	-	-	-	2,144
Gasoline tax	6,394	-	-	-	6,394
Licenses, commissions and other receipts	220,995	-	-	-	220,995
Fines and forfeitures	61,732	-	-	-	61,732
Intergovernmental receipts	313,669	138,032	-	39,717	491,418
Interest income	4,816	592	220	416	6,044
Miscellaneous receipts	58,202	-	-	-	58,202
Total Receipts	<u>2,028,661</u>	<u>138,624</u>	<u>220</u>	<u>40,133</u>	<u>2,207,638</u>
DISBURSEMENTS					
General government	465,021	-	90,573	-	555,594
Public safety	674,442	-	-	23,618	698,060
Public works	644,788	-	-	-	644,788
Culture and recreation	192,378	-	-	-	192,378
Debt service:					
Principal	22,630	-	-	13,137	35,767
Interest	5,922	-	-	-	5,922
Total Disbursements	<u>2,005,181</u>	<u>-</u>	<u>90,573</u>	<u>36,755</u>	<u>2,132,509</u>
Excess (Deficiency) of Receipts over (under) Disbursement	<u>23,480</u>	<u>138,624</u>	<u>(90,353)</u>	<u>3,378</u>	<u>75,129</u>
OTHER CASH SOURCES (USES)					
Proceeds from long-term debt issuance	<u>-</u>	<u>-</u>	<u>250,150</u>	<u>-</u>	<u>250,150</u>
Total Other Cash Sources and Uses	<u>-</u>	<u>-</u>	<u>250,150</u>	<u>-</u>	<u>250,150</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>23,480</u>	<u>138,624</u>	<u>159,797</u>	<u>3,378</u>	<u>325,279</u>
Fund Balances - Beginning	<u>970,418</u>	<u>129,298</u>	<u>-</u>	<u>92,686</u>	<u>1,192,402</u>
Fund Balances - Ending	<u>\$ 993,898</u>	<u>\$ 267,922</u>	<u>\$ 159,797</u>	<u>\$ 96,064</u>	<u>\$ 1,517,681</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, 2022

	Business-type Activities -		
	Enterprise Funds		
	Water and Sewer	Garbage	
	Fund	Collection Fund	Total
ASSETS			
Current Assets:			
Cash	\$ 1,231,290	\$ 100,679	\$ 1,331,969
Total Current Assets	1,231,290	100,679	1,331,969
Noncurrent Assets:			
Restricted cash	401,326	-	401,326
Total Noncurrent Assets	401,326	-	401,326
Total Assets	1,632,616	100,679	1,733,295
NET POSITION			
Restricted for:			
Public works	1,632,616	100,679	1,733,295
Total Net Position	\$ 1,632,616	\$ 100,679	\$ 1,733,295

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, 2022

	Business-type Activities - Enterprise Funds		
	Water and Sewer Fund	Garbage Collection Fund	Total
Operating Receipts			
Charges for sales and services	\$ 940,360	\$ 199,643	\$ 1,140,003
Miscellaneous	39,286	21,912	61,198
Total Operating Receipts	<u>979,646</u>	<u>221,555</u>	<u>1,201,201</u>
Operating Disbursements			
Personal services	353,666	207,137	560,803
Contractual services	78,590	16,722	95,312
Materials and supplies	666,949	81,625	748,574
Insurance premiums	35,195	34,681	69,876
Total Operating Disbursements	<u>1,134,400</u>	<u>340,165</u>	<u>1,474,565</u>
Operating Income (Loss)	<u>(154,754)</u>	<u>(118,610)</u>	<u>(273,364)</u>
Nonoperating Receipts (Disbursements)			
Interest income	6,325	908	7,233
Grant receipts	450,000	-	450,000
Principal paid	(36,006)	-	(36,006)
Interest expense	<u>(9,612)</u>	<u>-</u>	<u>(9,612)</u>
Net Nonoperating Receipts (Disbursements)	<u>410,707</u>	<u>908</u>	<u>411,615</u>
Changes in Net Position	255,953	(117,702)	138,251
Net Position - Beginning	<u>1,376,663</u>	<u>218,381</u>	<u>1,595,044</u>
Net Position - Ending	<u>\$ 1,632,616</u>	<u>\$ 100,679</u>	<u>\$ 1,733,295</u>

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

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2022

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 nonfiduciary activities of the primary government and its component units. 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 nonexchange receipts and are reported separately from business-type activities. Business-type activities rely mainly 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 – 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 and proprietary. 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. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2022

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 County reports the following major Governmental Funds:

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

House Bill 1 Fund – This special revenue fund is used to account for and report activities related to Modernization Use Tax funds received from the State of Mississippi.

Municipal Project Fund – The capital project fund is used to account for and report activities related to the Municipal Project of the City.

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.

PROPRIETARY FUND TYPE

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.

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).

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2022

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.

Governmental 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.

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.

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2022

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.

H. Changes in Accounting Standards.

GASB 87, *Leases*, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It established a single model for lease accounting based on the foundations principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. These financial statements do not reflect leases in accordance with GASB 87 as these financial statements were prepared using the cash basis of accounting.

Note 2: Deposits.

The carrying amount of the City's total deposits with financial institutions at September 30, 2022, was \$3,250,976 including \$250 in petty cash, and the bank balance was \$3,350,690. 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, Mississippi Code of 1972 Annotated*. 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 Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. 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.

Note 3: Restricted Cash.

The restricted cash account in the City's Water and Sewer Fund represents customer meter deposits in the amount of \$159,122 and a debt service reserve of \$242,204 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. These amounts are included in the total deposits in Note 2.

Note 4: 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, 2022, to January 1,

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2022

2023. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Note 5: 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 6: 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 2022 fiscal year. This appropriation is funded by a 1 mill ad valorem millage rate on the citizens and businesses of the City.

Note 7: 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 City, Mississippi that operates within Clarke City, Mississippi. It was created to further the pursuit of criminal activity within the City. 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 City in the Justice and Circuit courts and are forwarded to the City upon collection. The City also provides one investigator whose salary is paid by the City and accounted for in the City's financial accounting system.

Note 8: 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

CITY OF QUITMAN, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2022

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, 2022, 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, 2022 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, 2022, 2021 and 2020 were \$191,734, \$193,849 and \$182,472, respectively, equal to the required contributions for each year.

These financial statements do not reflect pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources in accordance with GASB 67, 68 and 71 as these financial statements were prepared using the cash basis of accounting.

Note 9: 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.

The City has a total of five ad valorem tax abatement agreements with two different industries as of September 30, 2022:

Category	Percentage of Taxes Abated	Amount of Taxes Abated during the Year
Construction and expansion of an existing facility	100%	\$ 18,147

Note 10: 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 March 7, 2024, (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.

OTHER INFORMATION

(This page intentionally left blank)

CITY OF QUITMAN, MISSISSIPPI
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2022

	Original Budget	Final Budget *	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 821,650	\$ 821,650	\$ 742,971	\$ (78,679)
Sales tax	-	-	707,117	707,117
Liquor tax	-	-	5,107	5,107
Licenses, commissions and other receipts	221,000	221,000	223,814	2,814
Fines and forfeitures	-	-	61,732	61,732
Intergovernmental receipts	804,500	804,500	628,140	(176,360)
Interest income	500	500	4,816	4,316
Miscellaneous receipts	157,500	157,500	84,340	(73,160)
Total Receipts	<u>2,005,150</u>	<u>2,005,150</u>	<u>2,458,037</u>	<u>452,887</u>
DISBURSEMENTS				
Current:				
General government	356,546	356,546	584,138	(227,592)
Public safety	905,890	905,890	663,911	241,979
Public works	840,905	840,905	645,882	195,023
Culture and recreation	261,078	261,078	192,379	68,699
Total Disbursements	<u>2,364,419</u>	<u>2,364,419</u>	<u>2,086,310</u>	<u>278,109</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(359,269)</u>	<u>(359,269)</u>	<u>371,727</u>	<u>(730,996)</u>
OTHER CASH SOURCES (USES)				
Transfers in	-	-	81,025	81,025
Total Other Cash Sources and Uses	<u>-</u>	<u>-</u>	<u>81,025</u>	<u>81,025</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>(359,269)</u>	<u>(359,269)</u>	<u>452,752</u>	<u>812,021</u>
Cash Basis Fund Balances - Beginning	<u>743,694</u>	<u>743,694</u>	<u>765,183</u>	<u>21,489</u>
Cash Basis Fund Balances - Ending	<u>\$ 384,425</u>	<u>\$ 384,425</u>	<u>\$ 1,217,935</u>	<u>\$ 833,510</u>

* No final amended budget was prepared or spread to the minutes of the Board of Aldermen. This column represents the original adopted budget.

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

CITY OF QUITMAN, MISSISSIPPI
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
House Bill 1 Fund
For the Year Ended September 30, 2022

	Original Budget	Final Budget *	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Interest income	\$ 700	\$ 700	\$ 593	\$ (107)
Miscellaneous receipts	90,000	90,000	-	(90,000)
Total Receipts	90,700	90,700	593	(90,107)
DISBURSEMENTS				
Total Disbursements	-	-	-	-
Excess (Deficiency) of Receipts over (under) Disbursements	90,700	90,700	593	(90,107)
Cash Basis Fund Balances - Beginning	129,007	129,007	129,298	291
Cash Basis Fund Balances - Ending	\$ 219,707	\$ 219,707	\$ 129,891	\$ (89,816)

* No final amended budget was prepared or spread to the minutes of the Board of Aldermen. This column represents the original adopted budget.

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, 2022

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 receipt, each general item of disbursement, 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 Schedules – 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.

CITY OF QUITMAN, MISSISSIPPI
Schedule of Investments - All Funds
For the Year Ended September 30, 2022

<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>
------------------	-------------------------------	--------------------------	-----------------------------	--------------------------	------------------------------	----------------------------------

The City did not have any investments for the year ended September 30, 2022.

CITY OF QUITMAN, MISSISSIPPI
Schedule of Capital Assets
For the Fiscal Year Ended September 30, 2022

Governmental Activities:

	Balance October 1, 2021	Additions	Deletions	Balance September 30, 2022
Land	\$ 402,881	\$ -	\$ -	\$ 402,881
Construction in Progress	161,541	180,085	-	341,626
Infrastructure	157,453	5,060	-	162,513
Buildings	409,892	-	-	409,892
Improvements Other Than Buildings	805,144	-	-	805,144
Mobile Equipment	872,659	-	-	872,659
Furniture and Equipment	460,896	-	-	460,896
Total Capital Assets - Governmental Activities	<u>\$ 3,270,466</u>	<u>\$ 185,145</u>	<u>\$ -</u>	<u>\$ 3,455,611</u>

Business-type Activities:

	Balance October 1, 2021	Additions	Deletions	Balance September 30, 2022
Land	\$ 18,591	\$ -	\$ -	\$ 18,591
Infrastructure	992,168	463,417	-	1,455,585
Machinery and Equipment	5,399,364	-	-	5,399,364
Mobile Equipment	368,374	-	-	368,374
Total Capital Assets - Business-type Activities	<u>\$ 6,778,497</u>	<u>\$ 463,417</u>	<u>\$ -</u>	<u>\$ 7,241,914</u>

CITY OF QUITMAN, MISSISSIPPI
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2022

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance October 1, 2021	Issued	Principal Payments	Balance September 30, 2022
Governmental Activities:							
A. Limited Obligation Bonds:							
TIFF Series 2015 - Citizens National Bank McDonalds/Dollar General	4/8/2015	3/1/2025	4.5875%	\$ 44,400	\$ -	\$ 13,137	\$ 31,263
B. Other Loans:							
Mississippi Development Authority - Police Car Conversion	4/1/2016	4/1/2023	0.00%	6,429	-	3,214	3,215
Financed Purchase - Knuckleboom/Trailer	12/12/2018	12/12/2021	3.89%	3,332	-	3,332	-
Loan - City Hall Annex	1/4/2022	1/4/1932	3.24%	-	250,150	16,084	234,066
Total Governmental Activities Debt				<u>\$ 54,161</u>	<u>\$250,150</u>	<u>\$ 35,767</u>	<u>\$ 268,544</u>
Business-type Activities:							
A. Other Loans:							
Mississippi Development Authority - Automatic Meter Readers	8/7/2017	9/7/2033	2.00%	\$ 360,198	\$ -	\$ 24,961	\$ 335,237
Mississippi Development Authority - Sewer Rehabilitation	10/16/2017	9/18/2034	2.00%	195,116	-	11,045	184,071
Total Business-type Activities Debt				<u>\$ 555,314</u>	<u>\$ -</u>	<u>\$ 36,006</u>	<u>\$ 519,308</u>

CITY OF QUITMAN, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2022

Name	Position	Company	Bond Amount
Amos S. Watkins Jr.	Mayor	NGM Insurance Company	\$ 50,000
Naomi Shepherd / Cynthia Kirkman	City Clerk	NGM Insurance Company	50,000
Tammy Green / Sevetrius Dillion / Servia Fortenberry	Deputy Clerk	NGM Insurance Company / Old Republic Surety Company	50,000
Mike McCarra	Police Chief	RLI Insurance Company	50,000
Kernesha Price / Thereasa Haire	Court Clerk	NGM Insurance Company / RLI Insurance Company	50,000
Ronald Holloway	Alderman	Old Republic Surety Company	50,000
Joe E. Brooks	Alderman	NGM Insurance Company	50,000
Steven W. Neely	Alderman	NGM Insurance Company	50,000
Bridgett Peters	Alderperson	Old Republic Surety Company	50,000
Harry Wheat	Alderman	Old Republic Surety Company	50,000
Mary J. Bolen	Water Billing Clerk	NGM Insurance Company	50,000
Mary J. Bolen	Court Billing Clerk	NGM Insurance Company	50,000

(This page intentionally left blank)

SPECIAL REPORT

(This page intentionally left blank)

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

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephen@stephenmyrickcpa.com

Member
American Institute of
Certified Public Accountants

Member
Mississippi Society of
Certified Public Accountants

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 were engaged to 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 (*Government Auditing Standards*), 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 7, 2024. Our report includes a disclaimer of opinion on the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City due to the inability to obtain sufficient appropriate audit evidence in order to form an opinion.

Report on 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) as a basis for designing 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2022-001, 2022-002, 2022-003, 2022-004 and 2022-005 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Quitman County, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2022-002, 2022-003, and 2022-004.

City of Quitman, Mississippi's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City of Quitman, Mississippi's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses (Auditee's Corrective Action Plan). The City of Quitman, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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
March 7, 2024

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

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephen@stephenmyrickcpa.com

Member
American Institute of
Certified Public Accountants

Member
Mississippi Society of
Certified Public Accountants

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 were engaged to audit the basic financial statements of the City of Quitman, Mississippi as of and for the year ended September 30, 2022 and have issued our report dated March 7, 2024. We attempted to conduct 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 certain material instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiently. Our findings, recommendations and your responses are discussed below:

1. **The City did not properly advertise for qualifying public depositories as required every two years.**

Repeat Finding: Yes, 2021-001.

Criteria: *Section 27-105-353, Miss. Code Ann. (1972)* requires the Board of Aldermen to give notice at least once every two years to all financial institutions in its county whose accounts are insured by the Federal Deposit Insurance Corporation (or any successor thereto), by publication, that bids will be received from financial institutions at the following January meeting or some subsequent meeting, for the privilege of keeping the City funds, or any part thereof.

Condition: As reported in the prior year audit report, the City did not properly advertise for qualified depositories as required by state statute every two years.

Cause: Former and current financial staff members did not comply with statutory requirements.

Effect: The City is not in compliance with *Section 27-105-353, Miss. Code Ann. (1972)*.

Recommendation: The City should strengthen its necessary internal control system to ensure compliance with *Section 27-105-353, Miss. Code Ann. (1972)*.


Views of Responsible Official(s): This finding was corrected as of February 2023.

2.	<u>The final amended budget was not prepared, approved, and included in the minutes of the Board of Aldermen.</u>
Repeat Finding:	No.
Criteria:	<i>Section 21-35-9, Miss. Code Ann. (1972)</i> , requires the City to prepare a final amended budget of receipts, disbursements, and working cash balances in such form as may be necessary. Furthermore, the final amended budget of all funds for the fiscal year, which may be amended up to the end of the fiscal year, must be approved and entered on the minutes of the Board of Aldermen following the close of the fiscal year.
Condition:	The City did not prepare a final amended budget to be approved and included in the minutes of the Board of Aldermen.
Cause:	The City did not comply with <i>Section 21-35-9, Miss. Code Ann. (1972)</i> .
Effect:	The failure to prepare and submit a complete and accurate combined final amended budget of revenues, expenditures/expenses, and working cash balances for all funds could result in over-expenditure by the City and would result in the City not complying with state statutes.
Recommendation:	The City should strengthen the internal control system to ensure compliance with state statutes that requires the Municipal Clerk to prepare and submit to the Board of Aldermen for approval each year a complete combined and combining final amended budget of receipts, disbursements, and working cash balances for all funds and obtain approval from the Board of Aldermen.
Views of Responsible Official(s):	Our internal control system over compliance with statutory compliance requirements with the State of Mississippi has been implemented, and we are currently in the process of preparing a written internal control policies and procedures manual.
3.	<u>The City did not maintain records of privilege licenses issued prior to June 2022.</u>
Repeat Finding:	No.
Criteria:	<i>Section 27-17-5, Miss. Code Ann. (1972)</i> , requires the City to collect privilege license tax on businesses operating inside the municipality.
Condition:	The City was unable to provide documentation of privilege licenses issued prior to June 2022.
Cause:	The City did not comply with <i>Section 27-17-5, Miss. Code Ann. (1972)</i> .
Effect:	The failure to maintain documentation of privilege licenses issued prior to June 2022 results in the City being unable to provide documentation related to requirements of <i>Section 27-17-5, Miss. Code Ann. (1972)</i> .
Recommendation:	The City should strengthen the internal control system to ensure that the City properly collects privilege tax licenses from businesses operating inside the municipality in accordance with <i>Section 27-17-5, Miss. Code Ann. (1972)</i> .
Views of Responsible Official(s):	Our internal control system over compliance with statutory compliance requirements with the State of Mississippi has been implemented, and we are currently in the process of preparing a written internal control policies and procedures manual.
4.	<u>The City did not publish the synopsis of the annual audit within 30 days of acceptance.</u>
Repeat Finding:	No.

Criteria:	<i>Section 21-35-31, Miss. Code Ann. (1972)</i> , states “A synopsis of said audit, in a format prescribed by the State Auditor, shall be published within thirty (30) days by the governing authorities of such municipalities in a newspaper published in such municipalities...”.
Condition:	As a part of our procedures over state compliance, we observed that the municipal clerk did not submit the synopsis of the annual audit to be published by the local newspaper within 30 days of acceptance.
Cause:	The City did not comply with <i>Section 21-35-31, Miss. Code Ann. (1972)</i> .
Effect:	The City is not in compliance with <i>Section 21-35-31, Miss. Code Ann. (1972)</i> .
Recommendation:	The City should strengthen the internal control system that the City publishes the synopsis of the annual audit within thirty days of acceptance to ensure compliance with <i>Section 21-35-31, Miss. Code Ann. (1972)</i> .
Views of Responsible Official(s):	Our internal control system over compliance with statutory compliance requirements with the State of Mississippi has been implemented, and we are currently in the process of preparing a written internal control policies and procedures manual. In addition, we have requested that the local newspaper publish the audit synopsis as required.

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
March 7, 2024

CITY OF QUITMAN, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2022

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Disclaimer
Business-type activities	Disclaimer
General Fund	Disclaimer
House Bill 1 Fund	Disclaimer
Municipal Project Fund	Disclaimer
Water and Sewer Fund	Disclaimer
Garbage Collection Fund	Disclaimer
Aggregate remaining fund information	Disclaimer

2. Internal control over financial reporting:

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

3. Noncompliance material to the financial statements noted? Yes

Section 2: Financial Statement Findings

Material Weakness

2022-001. Internal controls over cash and cash equivalents should be strengthened.

Repeat Finding: No.

Criteria: An effective system of internal control over cash and cash equivalents requires bank statements to be reconciled with cash balances reported in the accounting records accurately and in a timely manner. This includes supervisory approval of the cash reconciliations upon their completion as well as maintaining documentation of those reconciliations.

Condition: As a result of our audit procedures over cash and cash equivalents, it did not appear that the current internal control procedures were sufficient to ensure that bank statements were reconciled to the accounting records accurately and in a timely manner and that documentation of the reconciliations was maintained as required.

Cause: Due to the departure of the entire financial staff at the beginning of the fiscal year and the timing of hiring their replacements combined with the lack of a formal internal control policies and procedures manual, this resulted in inadequate training and guidance for new employees regarding their job responsibilities.

Effect: The failure to properly and timely reconcile bank statements to the accounting records and maintain documentation of these reconciliations could result in the loss or misappropriation of public funds and reporting of inaccurate amounts to those charged with governance.

CITY OF QUITMAN, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2022

Recommendation: The City should develop a written internal control policies and procedures manual to document the City's current internal control system over cash and cash equivalents which should include timely reconciliation of all bank statements to the accounting records by the end of the subsequent month and should include documentation of supervisory review of these bank reconciliations as well as any other procedures deemed necessary by management or those charged with governance.

Views of Responsible Official(s): Our internal control system over cash and cash equivalents has been implemented, and we are currently in the process of preparing a written internal control policies and procedures manual.

Material Weakness

Material Noncompliance

2022-002. Internal controls over cash receipts should be strengthened.

Repeat Finding: No.

Criteria: The Municipal Audit and Accounting Guide as prepared by the Mississippi Office of State Auditor requires all cash collections be documented by the issuance of a receipt warrant. Receipts warrants must be prenumbered and accounted for and must provide space for the date issued, the amount of money received, from whom the money was received, to what fund the money was deposited, the purpose of the money received and the signature of the municipal official who issued the receipt warrant. The Municipal Audit and Accounting Guide also requires that cash receipts be recorded in cash receipt journals. At a minimum the cash receipts journal must identify separately each receipt and report the date, receipt warrant number, payer, and amount received, along with the general ledger account number posted to.

The foundation of any well-designed cash receipt system where funds are received from customers requires that daily cash counts also be performed. Daily cash counts reconcile the funds received from customers to the funds ultimately deposited into the bank. Specifically, daily cash counts should compare the total amount held in the cash drawer at the end of the day to the total amount posted into the general ledger and reported on the daily cash receipt report and deposited into the bank for each day. Daily cash counts should be prepared by the cash receipts clerk and performed in the presence of the department manager. Once the clerk and department manager are in agreement, the clerk should sign the daily cash count as preparer and the department manager should sign as verifier.

Condition: As a result of our audit procedures over cash receipts, it did not appear that cash receipt warrants, cash receipt journals, and supporting documentation were properly completed, maintained, and posted. Daily cash counts also did not appear to be performed reconciling the funds received from customers to the amounts posted into the accounting records and deposited into the bank accounts.

Cause: Due to the departure of the entire financial staff at the beginning of the fiscal year and the timing of hiring their replacements combined with the lack of a formal internal control policies and procedures manual, this resulted in inadequate training and guidance for new employees regarding their job responsibilities.

Effect: Failure to properly fulfill the cash receipt requirements included in the Municipal Audit and Accounting Guide as well as other recommended procedures could result in the loss or misappropriation of public funds and reporting of inaccurate amounts to those charged with governance.

**CITY OF QUITMAN, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2022**

Recommendation: The City should develop a written internal control policies and procedures manual to document its internal control system over cash receipts. This system should fulfill all requirements included in the Municipal Audit and Accounting Guide as developed by the Office of State Auditor of Mississippi as well as any other internal control procedures deemed appropriate by management or those charged with governance.

Views of Responsible Official(s): Our internal control system over cash receipts has been implemented, and we are currently in the process of preparing a written internal control policies and procedures manual.

Material Weakness

Material Noncompliance

2022-003. Internal controls over payroll and payroll disbursements should be strengthened.

Repeat Finding: No.

Criteria: An effective system of internal control over payroll and payroll disbursements should include maintaining accurate and complete payroll records of each employee's pay rates and hours worked, as well as the related supervisory approval of these items. This system should also ensure that all statutorily required withholdings are deducted from employees' pay and that all related payroll tax and other reports are filed in a timely manner.

Condition: As a part of our payroll disbursement procedures, we performed a statistically valid random sample of twenty-five payroll disbursements and attempted to reconcile the required payroll tax returns and other reports to the related amounts posted to the general ledger for gross wages, payroll taxes and retirement contributions. As a result of these procedures, we observed the following:

- Nine instances where timecards could not be located.
- Fourteen instances where timecards were not signed by the employee or approved by the department manager.
- One instance where the details of the withholdings for a payroll check could not be documented.
- Two instances where there was no documentation of board approval of employees' pay rates.
- One instance where the hours listed on the payroll check and the hours recorded on the timecard did not agree.
- One instance where an employee who was eligible for retirement did not have the required retirement contributions withheld from their wages.
- Four instances where the City did not properly prepare Form 941, the Employer's Quarterly Federal Tax Return.
- Seven instances where the monthly PERS Form 8, Summary of Wages and Contributions Made, that report employee withholdings and the employer contributions did not reconcile to the accounting records.

Cause: Due to the departure of the entire financial staff at the beginning of the fiscal year and the timing of hiring their replacements combined with the lack of a formal internal control policies and procedures manual, this resulted in inadequate training and guidance for new employees regarding their job responsibilities.

Effect: The failure to properly maintain accurate and complete payroll records of each employee's pay rates, hours worked, along with the related withholdings as well as supervisory approval for each of these items could result in the loss or misappropriation of public funds and reporting of inaccurate amounts to those charged with governance.

CITY OF QUITMAN, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2022

Recommendation: The City should develop a formal written internal control policies and procedures manual to document the City's current system of internal control over payroll and payroll disbursements as well as any additional control procedures deemed necessary by management and those charged with governance. This manual should include at a minimum, the requirement to maintain complete and accurate personnel files as well as payroll records for each employee which includes pay rates, hours worked along with the related withholdings including supervisory approval of these items. This system of controls should also include the requirement to maintain the necessary reports that document complete and accurate accounting records for payroll disbursements. This manual should also include procedures to ensure that complete and accurate payroll tax returns as well as other required reports are prepared, filed, and maintained.

Views of Responsible Official(s): Our internal control system over payroll and payroll disbursements has been implemented, and we are currently in the process of preparing a written internal control policies and procedures manual.

Material Weakness

Material Noncompliance

2022-004. Internal controls over non-payroll cash disbursements should be strengthened.

Repeat Finding: No.

Criteria: An effective system of internal control over non-payroll cash disbursements must follow *Section 21-35-11, Miss. Code Ann. (1972)*. This section requires the municipal clerk to maintain custody of supporting documentation for purchases of the City and deems the documentation to be public record which shall be made available for inspection during reasonable hours to any person requesting the same. In addition, *Section 21-39-13, Miss. Code Ann. (1972)* requires claims be paid only upon approval by the Board of Aldermen. An effective system of internal control over non-payroll cash disbursements also includes supervisory review and approval of invoices prior to payment to ensure goods and services were properly received for the agreed-upon quantities and unit prices.

Condition: The City's internal control procedures are inadequate to ensure compliance with *Sections 21-35-11 and 21-39-13, Miss. Code Ann. (1972)*. As a result of our statistically valid random sample of twenty-five non-payroll disbursements and our test of large disbursements, we observed the following:

- Twenty-four instances where the City could not provide documentation for the selected disbursement.
- Forty-five instances where the payment could not be traced to board approval and/or the amount approved by the board did not agree to the supporting documentation.
- Twenty-three instances where department manager approval could not be documented.
- One instance where an invoice was coded to the wrong department.

Cause: Due to the departure of the entire financial staff at the beginning of the fiscal year and the timing of hiring their replacements combined with the lack of a formal internal control policies and procedures manual, this resulted in inadequate training and guidance for new employees regarding their job responsibilities.

CITY OF QUITMAN, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2022

Effect: The failure to maintain internal control procedures over non-payroll disbursements that fulfill the requirements of *Sections 21-35-11 and 21-39-13, Miss. Code Ann. (1972)* could result in the loss or misappropriation of public funds and reporting of inaccurate amounts to those charged with governance.

Recommendation: The City should develop a formalized written internal control policies and procedures manual that documents its current system of internal control procedures over non-payroll disbursements and implement any additional control procedures deemed necessary by management and those charged with governance.

Views of Responsible Official(s): Our internal control system over non-payroll disbursements has been implemented, and we are currently in the process of preparing a written internal control policies and procedures manual.

Material Weakness

2022-005. Internal controls over general journal entries should be strengthened.

Repeat Finding: No.

Criteria: An effective system of internal control over general journal entries should require maintaining documentation of all general journal entries made including related support along with evidence of supervisory review and approval.

Condition: As a result of our audit procedures over general journal entries, we were unable to observe documentation or other support of general journal entries made by financial personnel of the City.

Cause: Due to the departure of the entire financial staff at the beginning of the fiscal year and the timing of hiring their replacements combined with the lack of a formal internal control policies and procedures manual, this resulted in inadequate training and guidance for new employees regarding their job responsibilities.

Effect: The failure to maintain documentation of general journal entries made as well as the related support including evidence of supervisory review and approval could result in the loss or misappropriation of public funds and reporting of inaccurate amounts to those charged with governance.

Recommendation: The City should develop a formal written internal control policies and procedures manual that documents its current system of internal control procedures over general journal entries and makes any improvements deemed necessary.

Views of Responsible Official(s): Our internal control system over journal entries has been implemented, and we are currently in the process of preparing a written internal control policies and procedures manual. We have contacted our software vendor to ensure that going forward a report can be generated to print general journal entries recorded.