

## 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.

FINANCIAL STATEMENTS  
CITY OF GUNTOWN, MISSISSIPPI  
Year Ended September 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen  
City of Guntown, Mississippi

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guntown, 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 as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guntown, Mississippi, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

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'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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions on pages 52 through 56 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Guntown, Mississippi's basic financial statements. The individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2024, on our consideration of the City of Guntown, 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 Guntown, 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 City of Guntown, Mississippi's internal control over financial reporting and compliance.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.  
Tupelo, Mississippi  
May 28, 2024

# **CITY OF GUNTOWN, MISSISSIPPI**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Required Supplementary Information for the Year Ended September 30, 2022**

This section of the City of Guntown's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2022. Please read it in conjunction with the City's financial statements, which follows this section.

#### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,520,662. Of this amount, \$18,727 may be used to meet the City's ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$5,115,833, of which none was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,090,517, an increase of \$358,267 in comparison to the prior year. \$53,830 of the combined fund balances is considered unassigned and is available for spending at the City's discretion.
- The City's total debt is \$2,241,096 which includes the liability for compensated absences of \$24,786. \$40,610 in new debt was issued in the current fiscal year. Debt in the amount of \$224,695 was repaid during the current fiscal year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

# CITY OF GUNTOWN, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

Figure A-1

#### Major Features of the City of Guntown's Government-Wide and Fund Financial Statements

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

# **CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Government-wide Statements**

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

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

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

## **Fund Financial Statements**

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

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



## CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Guntown has two types of funds:

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

### **Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$5,520,662 at the close of the most recent fiscal year.

A large portion, 77 percent, of the City's net position reflects its investment in capital assets (such as land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table A-1  
City of Guntown's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 1,758,936	\$ 1,190,927	\$ 1,325,356	\$ 1,263,588	\$ 3,084,292	\$ 2,454,515
Capital Assets, Net	1,243,262	1,208,277	5,230,126	5,446,245	6,473,388	6,654,522
Total Assets	3,002,198	2,399,204	6,555,482	6,709,833	9,557,680	9,109,037
Total Deferred Outflows	146,237	83,901	74,321	44,509	220,558	128,410
Current Liabilities	136,134	153,017	219,018	203,691	355,152	356,708
Noncurrent Liabilities	1,264,465	907,068	2,464,565	2,455,965	3,729,030	3,363,033
Total Liabilities	1,400,599	1,060,085	2,683,583	2,659,656	4,084,182	3,719,741
Total Deferred Inflows	156,039	262,578	17,355	139,295	173,394	401,873
Net Position:						
Net Investment in Capital Assets	1,025,051	954,503	3,232,027	3,299,624	4,257,078	4,254,127
Restricted	786,781	441,440	458,076	445,363	1,244,857	886,803
Unrestricted (Deficit)	(220,035)	(235,501)	238,762	210,404	18,727	(25,097)
Total Net Position	\$ 1,591,797	\$ 1,160,442	\$ 3,928,865	\$ 3,955,391	\$ 5,520,662	\$ 5,115,833

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. None of the unrestricted net position provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net position of our business-type activities was \$238,762 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City generally can only use this net position to finance the continuing operations of the business type activities.

**Changes in net position.** Approximately 17 percent of the City's revenue comes from property taxes and approximately 13 percent from sales tax, with 34 percent of all revenue coming from some type of tax. (See Table A-2.) Another 46 percent comes from fees charged for services, and the balance is from intergovernmental revenues, investment earnings and other miscellaneous receipts.

# CITY OF GUNTOWN, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Table A-2**  
**Changes in the City of Guntown's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 219,478	\$ 107,516	\$ 996,306	\$ 976,940	\$ 1,215,784	\$ 1,084,456
Operating Grants & Contributions	-	48,788	-	-	-	48,788
Capital Grants & Contributions	407,941	343,200	8,000	-	415,941	343,200
General Revenues:						
Property Taxes	459,231	480,875	-	-	459,231	480,875
Sales Taxes	345,010	284,035	-	-	345,010	284,035
Other Taxes	99,854	102,768	-	-	99,854	102,768
Intergovernmental Revenue	71,629	7,158	-	-	71,629	7,158
Investment Income	3,956	239	1,256	1,742	5,212	1,987
Other	6,604	11,050	27,857	2,197	34,461	13,247
<b>Total Revenues</b>	<b>1,613,703</b>	<b>1,385,629</b>	<b>1,033,419</b>	<b>980,879</b>	<b>2,647,122</b>	<b>2,366,506</b>
<b>Expenses</b>						
General Government	519,649	435,609	-	-	519,649	435,609
Public Safety	674,380	482,200	-	-	674,380	482,200
Public Works	6,034	42,540	-	-	6,034	42,540
Culture & Recreation	16,873	17,685	-	-	16,873	17,685
Water & Sewer System	-	-	965,990	879,343	965,990	879,343
Interest on Long-Term Debt	8,050	10,285	51,317	55,221	59,367	65,506
<b>Total Expenses</b>	<b>1,224,986</b>	<b>988,319</b>	<b>1,017,307</b>	<b>934,564</b>	<b>2,242,293</b>	<b>1,922,883</b>
Excess of Revenue Over Expenses	388,717	397,310	16,112	46,315	404,829	443,623
Transfers (to) from Other Funds	42,638	33,217	(42,638)	(33,217)	-	-
<b>Increase (Decrease) in Net Position</b>	<b>431,355</b>	<b>430,527</b>	<b>(26,526)</b>	<b>13,098</b>	<b>404,829</b>	<b>443,623</b>
Net Position—Beginning	1,160,442	729,915	3,955,391	3,942,293	5,115,833	4,672,208
<b>Net Position—Ending</b>	<b>\$ 1,591,797</b>	<b>\$ 1,160,442</b>	<b>\$ 3,928,865</b>	<b>\$ 3,955,391</b>	<b>\$ 5,520,662</b>	<b>\$ 5,115,833</b>

### Governmental Activities

Governmental activities increased the City's net position by \$431,355, thereby accounting for all of the total increase in the net position of the City. Key elements are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are property taxes (28 percent), charges for services (14 percent) and sales tax (21 percent).

The largest expense categories for the City's governmental activities are public safety (55 percent) and general government (42 percent).

# CITY OF GUNTOWN, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Business-type Activities

Business-type activities decreased the City's net position by \$26,526, thereby accounting for none of the total increase in the net position of the City.

Charges for services are the major revenue categories for the enterprise funds. Total business-type charges for services revenues are comprised of \$996,306 for the water and sewer system.

### Financial Analysis of the Government's Funds

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

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

**General Fund** - The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$53,830. As a measure of the general fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total unassigned fund balance represents 5 percent of total fund expenditures. The fund balance of the City's general fund decreased by \$23,748 during the current fiscal year.

**Major Fund: American Rescue Plan Act (ARPA) Fund** - This major fund has a fund balance of \$686,510, all of which is committed to public health expenditures, replacement of lost revenue, providing pay for essential workers, and investing in water and sewer infrastructure. The net increase in fund balance during the current year in the ARPA fund was \$343,300.

**Major Fund: Fire Fund** - This major fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$89,608, which will be used for future expenditures. The net increase in fund balance during the current year in the Fire fund was \$38,715.

**Proprietary Funds** - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$3,928,865, a decrease of \$26,526.

### Budgetary Highlights

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

The City's 2021-22 general fund operating budget increased by \$87,603 during the current fiscal year. This increase was primarily related to increases in capital outlay budgets for Public Safety and Public Works. The City's tax millage increased .50 mills from 2021 to 2022.

# CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** - In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounted to \$6,473,388, net of accumulated depreciation of \$4,563,395. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

**Table A-3  
City of Guntown's Capital Assets**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Land	\$ 118,220	\$ 118,220	\$ 47,128	\$ 47,128	\$ 165,348	\$ 165,348
Construction in Progress	-	303,239	8,000	-	8,000	303,239
Plant, Buildings & Improvements	835,911	521,056	8,400,579	8,400,579	9,236,490	8,921,635
Machinery & Equipment	1,171,116	525,069	455,829	351,622	1,626,945	876,691
Leased Property under Capital Leases	-	536,786	-	59,499	-	596,285
Accumulated Depreciation	(881,985)	(796,093)	(3,681,410)	(3,412,583)	(4,563,395)	(4,208,676)
Total	\$ 1,243,262	\$ 1,208,277	\$ 5,230,126	\$ 5,446,245	\$ 6,473,388	\$ 6,654,522

**Long-term Debt** - At year-end, the City had \$2,241,096 in revenue bonds and other long-term debt outstanding, of which \$208,544 is due within one year. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

**Table A-4  
City of Guntown's Outstanding Debt**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenue Bonds	\$ -	\$ -	\$ 775,000	\$ 835,000	\$ 775,000	\$ 835,000
Notes Payable	-	-	1,189,032	1,290,231	1,189,032	1,290,231
Financed Purchases	218,211	253,774	34,067	21,390	252,278	275,164
Compensated Absences	16,050	10,489	8,736	7,473	24,786	17,962
Total	\$ 234,261	\$ 264,263	\$ 2,006,835	\$ 2,154,094	\$ 2,241,096	\$ 2,418,357



## **CITY OF GUNTOWN, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2023 budget. The total budgeted appropriations for the City's general fund operations is \$1,335,917. This is a decrease of \$68,649 from the prior year budget. This decrease is primarily related to capital outlay in the town department and police department.

### **CONTACTING THE CITY OF GUNTOWN FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Guntown finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Guntown's Finance Department, P.O. Box 27, Guntown, MS 38849.

## BASIC FINANCIAL STATEMENTS

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**September 30, 2022**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS:</u></b>			
Current Assets:			
Cash on Deposit	\$ 497,159	\$ 296,489	\$ 793,648
Investments	-	422,709	422,709
Due From Other Governments	14,229	-	14,229
Accounts Receivable	-	151,734	151,734
Court Fines Receivable, net	412,993	-	412,993
Lease Receivable: Due Within One Year	18,415	-	18,415
Property Tax Receivable	4,554	-	4,554
Other Receivable	14,908	-	14,908
Internal Balances	3,652	(3,652)	-
<b>TOTAL CURRENT ASSETS</b>	<b>965,910</b>	<b>867,280</b>	<b>1,833,190</b>
Noncurrent Assets:			
Restricted Cash	686,510	458,076	1,144,586
Lease Receivable: Due in More Than One Year	106,516	-	106,516
Capital Assets:			
Land	118,220	47,128	165,348
Construction in Progress	-	8,000	8,000
Plant, Buildings and Improvements	835,911	8,400,579	9,236,490
Machinery and Equipment	1,171,116	455,829	1,626,945
Accumulated Depreciation	(881,985)	(3,681,410)	(4,563,395)
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,036,288</b>	<b>5,688,202</b>	<b>7,724,490</b>
<b>TOTAL ASSETS</b>	<b>3,002,198</b>	<b>6,555,482</b>	<b>9,557,680</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>			
Deferred Amounts Related to Pensions	146,237	74,321	220,558
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 146,237</b>	<b>\$ 74,321</b>	<b>\$ 220,558</b>

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**September 30, 2022**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>LIABILITIES:</u></b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 109,492	\$ 37,116	\$ 146,608
Long-Term Debt: Due Within One Year	26,642	181,902	208,544
<b>TOTAL CURRENT LIABILITIES</b>	<b>136,134</b>	<b>219,018</b>	<b>355,152</b>
Noncurrent Liabilities:			
Accrued Compensated Absences	16,050	8,736	24,786
Net Pension Liability	1,037,356	527,206	1,564,562
Refundable Deposits	19,490	112,426	131,916
Long-Term Debt: Due in More Than One Year	191,569	1,816,197	2,007,766
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,264,465</b>	<b>2,464,565</b>	<b>3,729,030</b>
<b>TOTAL LIABILITIES</b>	<b>1,400,599</b>	<b>2,683,583</b>	<b>4,084,182</b>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
Deferred Amounts Related to Leases	121,890	-	121,890
Deferred Amounts Related to Pensions	34,149	17,355	51,504
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>156,039</b>	<b>17,355</b>	<b>173,394</b>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	1,025,051	3,232,027	4,257,078
Restricted for:			
Debt Service	-	458,076	458,076
Grant Activities	10,663	-	10,663
Infrastructure - ARPA	686,510	-	686,510
Fire Protection	89,608	-	89,608
Unrestricted (deficit)	(220,035)	238,762	18,727
<b>TOTAL NET POSITION</b>	<b>\$ 1,591,797</b>	<b>\$ 3,928,865</b>	<b>\$ 5,520,662</b>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2022

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charge for Services	Operating Grants and Contributions		PRIMARY GOVERNMENT	
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
<b>PRIMARY GOVERNMENT</b>						
Government Activities:						
General Government	\$ 519,649	\$ 39,896	\$ -	\$ -	\$ (479,753)	\$ -
Public Safety	674,380	179,082	-	64,741	(430,557)	-
Public Works	6,034	-	-	343,200	337,166	-
Culture and Recreation	16,873	500	-	-	(16,373)	-
Interest on Long-Term Debt	8,050	-	-	-	(8,050)	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>1,224,986</b>	<b>219,478</b>	<b>-</b>	<b>407,941</b>	<b>(597,567)</b>	<b>-</b>
Business-Type Activities:						
Water & Sewer System	1,017,307	996,306	-	8,000	-	(13,001)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,017,307</b>	<b>996,306</b>	<b>-</b>	<b>8,000</b>	<b>(13,001)</b>	<b>(13,001)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 2,242,293</b>	<b>\$ 1,215,784</b>	<b>\$ -</b>	<b>\$ 415,941</b>	<b>\$ (597,567)</b>	<b>\$ (13,001)</b>
					<b>\$ (610,568)</b>	
<b>GENERAL REVENUES:</b>						
Taxes:						
Property Taxes, Levied for General Purposes					\$ 459,231	\$ -
Sales and Use Taxes					345,010	-
Licenses and Permits					9,566	-
In Lieu Taxes					90,288	-
Intergovernmental Revenues					71,629	-
Gain (Loss) on Sale of Capital Assets					(880)	27,193
Investment Earnings					3,956	1,256
Miscellaneous					7,484	664
Transfers (to) from Other Funds					42,638	(42,638)
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>1,028,922</b>	<b>(13,525)</b>
<b>CHANGE IN NET POSITION</b>					<b>431,355</b>	<b>(26,526)</b>
<b>NET POSITION--BEGINNING</b>					<b>1,160,442</b>	<b>3,955,391</b>
<b>NET POSITION--ENDING</b>					<b>\$ 1,591,797</b>	<b>\$ 3,928,865</b>
						<b>\$ 5,520,662</b>



**CITY OF GUNTOWN, MISSISSIPPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2022**

	General Fund	Major Funds ARPA Fund	Fire Fund	Total Governmental Funds
<b><u>ASSETS:</u></b>				
Cash on Deposit	\$ 382,907	\$ -	\$ 114,252	\$ 497,159
Restricted Cash	-	686,510	-	686,510
Due From Other Governments	14,229	-	-	14,229
Lease Receivable	124,931	-	-	124,931
Other Receivables	14,908	-	-	14,908
Due From Other Funds	18,681	-	-	18,681
<b>TOTAL ASSETS</b>	<b>\$ 555,656</b>	<b>\$ 686,510</b>	<b>\$ 114,252</b>	<b>\$ 1,356,418</b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</u></b>				
<b><u>LIABILITIES:</u></b>				
Accounts Payable and Accrued Expenses	\$ 99,877	\$ -	\$ 9,615	\$ 109,492
Due to Other Funds	-	-	15,029	15,029
Refundable Deposits	19,490	-	-	19,490
<b>TOTAL LIABILITIES</b>	<b>119,367</b>	<b>-</b>	<b>24,644</b>	<b>144,011</b>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>				
Deferred Inflows Related to Leases	121,890	-	-	121,890
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>121,890</b>	<b>-</b>	<b>-</b>	<b>121,890</b>
<b><u>FUND BALANCES:</u></b>				
Restricted:				
Fire Protection	-	-	89,608	89,608
Grant Activities	10,663	-	-	10,663
Infrastructure - ARPA	-	686,510	-	686,510
Assigned:				
Future Budget Requirements	249,906	-	-	249,906
Unassigned	53,830	-	-	53,830
<b>TOTAL FUND BALANCES</b>	<b>314,399</b>	<b>686,510</b>	<b>89,608</b>	<b>1,090,517</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 555,656</b>	<b>\$ 686,510</b>	<b>\$ 114,252</b>	<b>\$ 1,356,418</b>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**September 30, 2022**

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,090,517
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	1,243,262
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.	4,554
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(218,211)
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(16,050)
Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(1,037,356)
Deferred outflows and inflows related to pensions are applicable to future periods and therefore they are not reported in the Governmental Funds Balance Sheet.	
Deferred outflows of resources related to defined benefit pension plan	146,237
Deferred inflows of resources related to defined benefit pension plan	(34,149)
Accrual of court fine revenues to qualify as financial resources.	<u>412,993</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,591,797</u>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2022**

	Major Funds			Total
	General Fund	ARPA Fund	Fire Fund	Governmental Funds
<b>REVENUES:</b>				
General Property Taxes	\$ 460,292	\$ -	\$ -	460,292
Sales & Use Taxes	345,010	-	-	345,010
Licenses and Permits	9,566	-	-	9,566
In Lieu of Taxes	90,288	-	-	90,288
Intergovernmental Revenues	18,318	-	22,851	41,169
Rentals	39,896	-	-	39,896
Park Revenues	500	-	-	500
Fines and Forfeits	94,900	-	-	94,900
Insurance Rebate	-	-	30,460	30,460
Interest Income	3,835	100	21	3,956
Grant Income	-	343,200	64,741	407,941
Miscellaneous Revenues	7,484	-	-	7,484
<b>TOTAL REVENUES</b>	<b>1,070,089</b>	<b>343,300</b>	<b>118,073</b>	<b>1,531,462</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	500,891	-	-	500,891
Public Safety	533,984	-	107,261	641,245
Public Works	15,551	-	-	15,551
Culture and Recreation	14,533	-	-	14,533
Debt Service	33,142	-	24,008	57,150
<b>TOTAL EXPENDITURES</b>	<b>1,098,101</b>	<b>-</b>	<b>131,269</b>	<b>1,229,370</b>
<b>EXCESS OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	<b>(28,012)</b>	<b>343,300</b>	<b>(13,196)</b>	<b>302,092</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Long Term Debt	13,537	-	-	13,537
Transfers to Other Funds	(51,911)	-	-	(51,911)
Transfers from Other Funds	42,638	-	51,911	94,549
<b>TOTAL OTHER FINANCING</b>				
<b>SOURCES (USES)</b>	<b>4,264</b>	<b>-</b>	<b>51,911</b>	<b>56,175</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(23,748)</b>	<b>343,300</b>	<b>38,715</b>	<b>358,267</b>
<b>FUND BALANCES - BEGINNING</b>	<b>338,147</b>	<b>343,210</b>	<b>50,893</b>	<b>732,250</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 314,399</b>	<b>\$ 686,510</b>	<b>\$ 89,608</b>	<b>\$ 1,090,517</b>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT**  
**OF ACTIVITIES**  
**Fiscal Year Ended September 30, 2022**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	358,267
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		131,846
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Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(95,981)
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In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of the assets sold.		
Net loss on disposal of capital assets.		(880)

Items reported in the Statement of Activities relating to the implementation of GASB Statement No. 68 are not reported in the governmental funds.

These activities include:

Recognition of pension expense for the current year	(143,596)	
Recognition of contributions made subsequent to the measurement date	17,682	
Recognition of contributions made in the fiscal year prior to measurement date	50,894	(75,020)

Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in governmental funds.		(1,061)
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Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received.		84,182
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(Increase) decrease in accrual of compensated absences.		(5,561)
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Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.

This amount represents long-term debt proceeds.		(13,537)
This amount represents long-term debt repayments and issuance costs.		49,100

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	431,355
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The accompanying notes are an integral part of these financial statements.

**CITY OF GUNTOWN, MISSISSIPPI**  
**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-BUDGET AND ACTUAL -**  
**BUDGETARY BASIS**  
**For the Fiscal Year Ended September 30, 2022**

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
<b>REVENUES:</b>				
General Property Taxes	\$ 445,149	\$ 445,149	\$ 457,158	\$ 12,009
Sales & Use Taxes	275,000	353,153	343,615	(9,538)
Licenses and Permits	8,250	8,250	9,566	1,316
In Lieu of Taxes	84,040	84,040	90,288	6,248
Intergovernmental Revenues	8,300	8,300	18,318	10,018
Rentals	41,000	41,000	40,591	(409)
Park Revenues	700	700	500	(200)
Fines and Forfeits	62,200	71,650	94,900	23,250
Interest Income	177	177	3,835	3,658
Miscellaneous Revenues	1,900	1,900	7,484	5,584
<b>TOTAL REVENUES</b>	<b>926,716</b>	<b>1,014,319</b>	<b>1,066,255</b>	<b>51,936</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	589,854	547,354	500,891	46,463
Public Safety	540,112	549,562	533,984	15,578
Public Works	74,000	194,653	15,551	179,102
Culture and Recreation	68,072	68,072	14,533	53,539
Debt Service	44,925	44,925	33,142	11,783
<b>TOTAL EXPENDITURES</b>	<b>1,316,963</b>	<b>1,404,566</b>	<b>1,098,101</b>	<b>306,465</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(390,247)</b>	<b>(390,247)</b>	<b>(31,846)</b>	<b>358,401</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Sale of Capital Assets	7,500	7,500	-	(7,500)
Proceeds from Long Term Debt	73,334	73,334	13,537	(59,797)
Transfers from Other Funds	39,690	39,690	42,638	2,948
Transfers (to) Other Funds	(42,239)	(42,239)	(51,911)	(9,672)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>78,285</b>	<b>78,285</b>	<b>4,264</b>	<b>(74,021)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES</b>	<b>\$ (311,962)</b>	<b>\$ (311,962)</b>	<b>\$ (27,582)</b>	<b>\$ 284,380</b>

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



**CITY OF GUNTOWN, MISSISSIPPI**  
**ARPA FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-BUDGET AND ACTUAL -**  
**BUDGETARY BASIS**  
**For the Fiscal Year Ended September 30, 2022**

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
REVENUES:				
Grant Income	\$ 343,200	\$ 343,200	\$ 343,200	\$ -
Interest Income	-	-	100	100
TOTAL REVENUES	343,200	343,200	343,300	100
EXPENDITURES:				
Current:				
Public Works	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	343,200	343,200	343,300	100
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ 343,200	\$ 343,200	\$ 343,300	\$ 100

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**FIRE FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-BUDGET AND ACTUAL -**  
**BUDGETARY BASIS**  
**For the Fiscal Year Ended September 30, 2022**

	Budget			Variance with Final Budget (Unfavorable)
	Original	Final	Actual	
REVENUES:				
Intergovernmental Revenues	\$ 11,600	\$ 23,250	\$ 22,851	\$ (399)
Insurance Rebate	11,151	30,651	30,460	(191)
Interest Income	60	60	21	(39)
Grant Income	-	64,741	64,741	-
Miscellaneous Revenues	100	100	-	(100)
TOTAL REVENUES	22,911	118,802	118,073	(729)
EXPENDITURES:				
Current:				
Public Safety	40,150	112,241	107,261	4,980
Debt Service	25,000	48,800	24,008	24,792
TOTAL EXPENDITURES	65,150	161,041	131,269	29,772
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(42,239)	(42,239)	(13,196)	29,043
OTHER FINANCING SOURCES (USES):				
Transfers from Other Funds	42,239	42,239	51,911	9,672
TOTAL OTHER FINANCING SOURCES (USES)	42,239	42,239	51,911	9,672
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ -	\$ -	\$ 38,715	\$ 38,715

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

CITY OF GUNTOWN, MISSISSIPPI  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
September 30, 2022

<b><u>ASSETS</u></b>	
<u>Current Assets</u>	
Cash on Deposit	\$ 296,489
Investments	422,709
Accounts Receivable	151,734
Total Current Assets	<u>870,932</u>
<u>Noncurrent Assets</u>	
Restricted Cash	458,076
Fixed Assets	
Distributions Systems	8,400,579
Equipment	455,829
Land	47,128
Construction in Progress	8,000
Less: Accumulated Depreciation	<u>(3,681,410)</u>
Total Noncurrent Assets	<u>5,688,202</u>
<b>TOTAL ASSETS</b>	<u>6,559,134</u>
<u>Deferred Outflows of Resources</u>	
Deferred Outflows - Pensions	<u>74,321</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>74,321</u>
<b><u>LIABILITIES</u></b>	
<u>Current Liabilities</u>	
Accounts Payable	37,116
Due to Other Funds	3,652
Notes and Bonds Payable - Within One Year	181,902
Total Current Liabilities	<u>222,670</u>
<u>Noncurrent Liabilities</u>	
Accrued Compensated Absences	8,736
Net Pension Liability	527,206
Refundable Deposits	112,426
Notes and Bonds Payable, Net of Current Maturities	1,816,197
Total Noncurrent Liabilities	<u>2,464,565</u>
<b>TOTAL LIABILITIES</b>	<u>2,687,235</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred Inflows - Pensions	<u>17,355</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>17,355</u>
<b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	3,232,027
Restricted for:	
Debt Service	458,076
Unrestricted	<u>238,762</u>
<b>TOTAL NET POSITION</b>	<u>\$ 3,928,865</u>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2022**

**OPERATING REVENUES**

Charges for Services	\$ 996,306
Other Receipts	664
	<u>          </u>
Total Operating Revenues	<u>996,970</u>

**OPERATING EXPENSES**

Personnel Services	264,663
Contractual Services	42,563
Supplies	113,958
Depreciation and Amortization	272,285
Other Services	272,521
	<u>          </u>
Total Operating Expenses	<u>965,990</u>
Operating Income	<u>30,980</u>

**NON-OPERATING REVENUES (EXPENSES)**

Interest Income	1,256
Grant Income	8,000
Gain(Loss) on Sale of Capital Assets	27,193
Interest and Fiscal Charges	(51,317)
	<u>          </u>
Total Non-Operating Revenues (Expenses)	<u>(14,868)</u>

**INCOME BEFORE OPERATING TRANSFERS**

16,112

**TRANSFERS (TO) FROM OTHER FUNDS**

Transfers to Other Funds	(42,638)
	<u>          </u>

**CHANGE IN NET POSITION**

(26,526)

**NET POSITION - OCTOBER 1**

3,955,391

**NET POSITION - SEPTEMBER 30**

\$ 3,928,865

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
For the Fiscal Year Ended September 30, 2022

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Customers	\$ 980,127
Cash Payments for Personnel Services	(244,207)
Cash Payments for Contractual Services	(42,563)
Cash Payments for Supplies	(113,958)
Cash Payments for Other Services	(272,280)
Net Cash Provided By Operating Activities	<u>307,119</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Operating Transfers - In from (Out) to Other Funds	(34,828)
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	<u>(34,828)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of Fixed Assets	(56,550)
Proceeds from Sale of Fixed Asset	27,577
Proceeds From Issuance of Debt	27,073
Cash Received from Capital Grants	8,000
Principal Paid on Bonds, Notes and Capital Lease Payables	(175,595)
Interest Paid on Bonds, Notes and Capital Lease Payables	(51,317)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(220,812)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments	1,256
Net Cash Provided By Investing Activities	<u>1,256</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,735
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,124,539</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 1,177,274</u></u>

**BALANCE SHEET RECONCILIATION:**

Cash on Deposit	\$ 296,489
Investments	422,709
Restricted Cash	458,076
	<u><u>\$ 1,177,274</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income (Loss)	\$ 30,980
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities	
Depreciation	272,285
Net Pension Expense	19,193
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(16,843)
Increase (Decrease) in Accounts Payable - operating activities	6,061
Increase (Decrease) in Accrued Expenses - operating activities	1,263
Increase (Decrease) in Refundable Deposits	(5,820)
Total Adjustments	<u>276,139</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 307,119</u></u>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Entity

The City of Guntown (the City) was incorporated in 1850 under the laws of the State of Mississippi. A mayor-board of aldermen form of government is used and the City provides the following services: public safety (police and fire), public works (streets and improvements), culture and recreation, water and sewer services and general administrative services.

These financial statements present all the accounts of the City. There are no outside organizations that should be included as component units of the City's reporting entity as defined by GAAP.

Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and statement of activities display information concerning the City as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are generally financed through taxes and intergovernmental revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The statement of net position presents the financial condition of the governmental activities and business-type activities of the City at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues 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, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures/expenses. Funds are organized into governmental and proprietary funds. 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.

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the City. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The revenues and expenses 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. The principal operating revenues for the proprietary funds are related to the sale and distribution of water and collection and treatment of sewage. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major governmental funds:

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

*American Rescue Plan Act Fund (ARPA)* – The ARPA Fund is used to account for funds received directly from the U.S. Department of Treasury for relief to local governments derived from the COVID-19 pandemic. These funds may be used to support public health expenditures, replace lost revenue, provide pay for essential workers, and invest in water and sewer infrastructure.

*Fire Fund* – The Fire Fund is used to account for the proceeds of specific federal and state grants and specific tax assessments that are legally restricted to expenditures for fire protection.



**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The City reports the following major proprietary funds:

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

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

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.

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be posted in a municipal newspaper.
- (7) And, between September 15th-30th, the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

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

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

Encumbrances

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

Deposits and Investments

State statutes authorize the City to invest its excess funds in interest bearing accounts or time certificates of deposit 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). For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the City are reported at fair market value.

Financial Instruments

The carrying amount of cash, investments, accounts and other receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these financial instruments.

Restricted Assets

Governmental and proprietary fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions, and donor specifications have been reported as restricted assets. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

Receivables

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

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

Revenue Recognition – Property Taxes

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

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year end.

General Obligation Enterprise Bond

The enterprise fund provides the annual debt service requirements on the general obligation enterprise bond (secured by system revenues) issued to finance system improvements.

Since the enterprise fund provides the annual debt service on this general obligation bond, the bond is considered to be an obligation of the enterprise fund and has been reported on the Statement of Net Position of the enterprise fund.

Although the general obligation enterprise bond is reported on the Statement of Net Position of the enterprise fund, it is backed by the full faith and credit of the City and is therefore a contingent liability to the general government

Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund Transfers

The principal purpose of interfund transfers is to provide reimbursement for shared costs between funds, funding for debt service and operations. All transfers are routine and consistent with the activities of the fund making the transfer.

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are capitalized at estimated fair market value on the date donated.

City policy is to follow State recommendations for capitalization thresholds, which ranges from \$0 to \$50,000 depending on the type of asset. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Buildings	40 Years
Improvements other than Buildings	20 Years
Machinery and Equipment	3 – 10 Years
Utility Systems	20 Years
Infrastructure	20 – 50 Years

Business Information

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

Prepaid Items

Prepaid items, such as prepaid insurance, are not reported for governmental fund types. This is permitted by generally accepted accounting principles.

Compensated Absences

Personal leave is available only to full time employees. There is no limit to accumulated personal leave time. Upon termination of employment, the employee shall be paid for not more than thirty days of accumulated personal leave time.

<u>Continuous Service</u>	<u>Days Allowed Per Year</u>
1 month to 3 years	12 Days
37 months to 10 years	17 Days
Over 10 years	22 Days

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred Outflows/Inflows of Resources

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

Deferred outflows related to pensions – This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates. See Note 8 for additional details.

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

Deferred inflows related to pensions – This amount represents the City's proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates. See Note 8 for additional details.

Deferred inflows related to leases – Deferred inflows of resources measured at the initial value of the lease receivable to reflect that the receivable relates to future periods. See Note 4 for additional details.

Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87), to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

The City uses the incremental borrowing rate of the City or a risk-free rate at date of inception to calculate the present value of lease payments when the rate implicit in the lease is not known. See Note 4 for additional details.

Long-term Liabilities

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

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

The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.



**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Pensions

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

Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

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

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" or "net investment in capital assets."

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:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City did not have any nonspendable resources as of September 30, 2022.

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified unexpended fire rebate funds as being restricted because their use is restricted by State Statute. Also grant activities are classified as restricted because the underlying grant restricts the use of the remaining funds.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board of Aldermen delegating this responsibility to the City's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has \$249,906 of assigned fund balances as of September 30, 2022.
- **Unassigned:** This classification includes the residual fund balance for the General Fund and all other amounts not included in other spendable classifications.

**Use of Restricted/Unrestricted Net Position**

When an expenditure is incurred 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 expenditures are incurred 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 use unassigned amounts.

**Intergovernmental Revenues in Governmental Funds**

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



**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Concentrations of Credit Risk

Financial instruments that potentially subject the City to concentrations of credit risk consist primarily of proprietary fund accounts receivable. The City grants unsecured credit to customers in and around the City. Consequently, the City's ability to collect amounts due from customers is affected by economic fluctuations in that region, although a security deposit is generally required before credit is granted.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the provision for uncollectible court fines and the defined benefit pension plan liability. It is at least reasonably possible that the significant estimates used will change within the next year.

Comparative Data

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

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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 foundational 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.

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Deposits

The carrying amount of the City's total deposits with financial institutions at September 30, 2022, was \$2,360,943 (which includes \$422,709 of certificates of deposit with original maturities beyond three months and reported on the Statement of Net Position as investments), and the bank balance was \$2,388,016. 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.

Investments

As of September 30, 2022, the City had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	N/A	less than 1 year	\$ <u>422,709</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2022:

- Certificates of deposit of \$422,709 are valued using quoted market prices (Level 1 inputs)

*Interest Rate Risk.* The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

*Credit Risk.* State law limits investments to those prescribed in Section 21-33-323, Miss. Code Ann. (1972). The City does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy that addresses custodial credit risk. As of September 30, 2022, the City did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2022, the City had the following investments:

Issuer	Fair Value	% of Total Investments
Renasant Bank	\$ 422,709	100%

**NOTE 3 – RECEIVABLES**

Receivables at September 30, 2022, consisted primarily of court fines, taxes, account (billings for user charged services including unbilled utility services), sales tax, property tax and in lieu tax.

Court fines receivable are shown net of an allowance for uncollectible amounts of \$520,443 for Governmental activities. The allowance is based on management estimates and the average age of receivables. Management has not set up an allowance for uncollectible amounts in the proprietary fund.

**NOTE 4 - LEASES**

**Lessor**

The City's operations consist of a non-cancelable lease agreement for the use of land and cellular tower space, which expires during fiscal year ending 2028. The related lease receivable and deferred inflows of resources related to leases are presented as amounts equal to the present value of lease payments expected to be received during the lease term. The deferred inflows of resources related to leases are amortized as lease revenue on a straight-line basis over the lease term. The lease has a remaining lease term of 70 months with variable payment amounts. The lease asset and liability were calculated utilizing a risk-free rate of 2.78%, which the City has made an accounting policy to elect to use in lieu of the incremental borrowing rate. For the year ended September 30, 2022, the City recognized \$20,314 in lease revenue and \$3,736 in interest income related to this agreement. In addition, the City reported \$124,931 in lease receivable and \$121,890 in deferred inflows of resources related to leases.

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 4 – LEASES (continued)**

The following is a schedule of future minimum rentals through the end of the lease agreement in effect as of September 30, 2022:

Fiscal Year Ending September 30,	Principal	Interest
2023	\$ 18,415	\$ 3,241
2024	19,591	2,714
2025	20,820	2,154
2026	22,105	1,559
2027	23,446	927
2028	20,554	263
Total	\$ 124,931	\$ 10,858

**NOTE 5 – CAPITAL ASSETS**

The following is a summary of capital assets activity for the year ended September 30, 2022:

Governmental Activities:

	Balance 10/1/2021	Additions	Reclass/ Disposals	Balance 9/30/2022
<u>Capital assets, not being depreciated:</u>				
Land	\$ 118,220	\$ -	\$ -	\$ 118,220
Construction in progress	303,239	11,616	(314,855)	-
Total capital assets, not being depreciated	421,459	11,616	(314,855)	118,220
<u>Capital assets being depreciated:</u>				
Plant, buildings & improvements	521,056	-	314,855	835,911
Machinery & equipment	525,069	120,230	525,817	1,171,116
Leased property under capital leases	536,786	-	(536,786)	-
Total capital assets, being depreciated	1,582,911	120,230	303,886	2,007,027
<u>Less accumulated depreciation for:</u>				
Plant, buildings & improvements	(251,534)	(11,108)	-	(262,642)
Machinery & equipment	(346,998)	(84,873)	(187,472)	(619,343)
Leased property under capital leases	(197,561)	-	197,561	-
Total accumulated depreciation	(796,093)	(95,981)	10,089	(881,985)
Total capital assets, being depreciated, net	786,818	24,249	313,975	1,125,042
Governmental activities capital assets, net	\$ 1,208,277	\$ 35,865	\$ (880)	\$ 1,243,262

The reclasses above and in the following table for leased assets are a result of the implementation of GASB 87. Under the new guidance, leases that were previously reported as capital leases and whereby the asset conveys to the lessee at the conclusion of the lease, are now considered financed purchases. Since these assets are no longer considered leased assets, reclassifications have been made to report them in their respective category.

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**NOTE 5 – CAPITAL ASSETS (continued)**

Business-Type Activities:

	Balance 10/1/2021	Additions	Reclass/ Disposals	Balance 9/30/2022
<u>Capital assets, not being depreciated:</u>				
Land	\$ 47,128	\$ -	\$ -	\$ 47,128
Construction in progress	-	8,000	-	8,000
Total capital assets, not being depreciated	47,128	8,000	-	55,128
<u>Capital assets being depreciated:</u>				
Plant, buildings & improvements	8,400,579	-	-	8,400,579
Machinery & equipment	351,622	48,550	55,657	455,829
Leased property under capital leases	59,499	-	(59,499)	-
Total capital assets, being depreciated	8,811,700	48,550	(3,842)	8,856,408
<u>Less accumulated depreciation for:</u>				
Plant, buildings & improvements	(3,123,999)	(255,045)	-	(3,379,044)
Machinery & equipment	(274,498)	(17,240)	(10,628)	(302,366)
Leased property under capital leases	(14,086)	-	14,086	-
Total accumulated depreciation	(3,412,583)	(272,285)	3,458	(3,681,410)
Total capital assets, being depreciated, net	5,399,117	(223,735)	(384)	5,174,998
Business-Type activities capital assets, net	\$ 5,446,245	\$ (215,735)	\$ (384)	\$ 5,230,126

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

Governmental Activities:

General Government	\$ 19,419
Public Safety	72,476
Public Works	2,099
Culture and Recreation	1,987

Total Depreciation Expense – Governmental Activities \$ 95,981

Business-type Activities:

Water and Sewer \$ 272,285

Commitments with respect to unfinished capital projects at September 30, 2022, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Waste Water Project	\$ 442,000	FY25

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**NOTE 6 - LONG-TERM DEBT**

Debt outstanding as of September 30, 2022, consisted of the following:

**Governmental Activities:**

Description and Purpose	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
A. Financed Purchases:					
Fire Truck	3.35%	2/01/2017	11/01/2031	\$ 281,681	\$ 201,177
Bobcat Excavator	3.81%	8/28/2019	8/28/2023	20,371	4,946
John Deere Tractor	2.78%	5/17/2022	5/17/2025	13,537	12,088
Total Financed Purchases				<u>\$ 315,589</u>	<u>\$ 218,211</u>

**Business-type Activities:**

Description and Purpose	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
A. Limited Obligation Bonds:					
2013 Revenue Bond	3.50%	5/30/2013	1/01/2033	\$ 1,255,000	\$ 775,000
Total Limited Obligation Bonds				<u>\$ 1,255,000</u>	<u>\$ 775,000</u>
B. Notes Payable:					
MDA - CAP	2.00%	3/27/2018	7/20/2033	\$ 368,819	\$ 277,837
MDA - CAP	2.00%	4/01/2008	4/01/2028	500,000	157,221
MS Dept of Health - DWSIRLF	1.95%	8/23/2013	5/01/2035	1,091,065	753,974
Total Notes Payable				<u>\$ 1,959,884</u>	<u>\$ 1,189,032</u>
C. Financed Purchases:					
Bobcat Excavator	3.81%	8/28/2019	8/28/2023	\$ 40,742	\$ 9,892
John Deere Tractor	2.78%	5/17/2022	5/17/2025	27,073	24,175
Total Financed Purchases				<u>\$ 67,815</u>	<u>\$ 34,067</u>

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

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**NOTE 6 - LONG-TERM DEBT (continued)**

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

**Governmental Activities:**

Year Ending September 30	Financed Purchases	
	Principal	Interest
2023	\$ 26,642	\$ 7,114
2024	22,399	6,316
2025	21,550	5,595
2026	19,062	4,945
2027	19,701	4,307
2028 - 2032	108,857	11,182
	<u>\$ 218,211</u>	<u>\$ 39,459</u>

**Business-Type Activities:**

Year Ending September 30	Limited Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2023	\$ 60,000	\$ 22,712	\$ 103,153	\$ 22,520
2024	65,000	21,225	105,208	20,464
2025	65,000	19,600	107,304	18,369
2026	65,000	17,894	109,442	16,230
2027	70,000	16,037	111,622	14,049
2028 - 2032	335,000	48,601	449,330	41,965
2033 - 2035	115,000	2,013	202,973	5,198
	<u>\$ 775,000</u>	<u>\$ 148,082</u>	<u>\$ 1,189,032</u>	<u>\$ 138,795</u>

Year Ending September 30	Financed Purchases	
	Principal	Interest
2023	\$ 18,749	\$ 749
2024	9,106	310
2025	6,212	65
	<u>\$ 34,067</u>	<u>\$ 1,124</u>



**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 6 - LONG-TERM DEBT (continued)**

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2022:

**Governmental Activities:**

	Balance 10/01/21	Additions	Reductions	Reclassification	Balance 09/30/22	Amounts Due Within One Year
Capital Leases	\$ 253,774	\$ -	\$ -	\$ (253,774)	\$ -	\$ -
Financed Purchases	-	13,537	49,100	253,774	218,211	26,642
Compensated Absences	10,489	5,561	-	-	16,050	-
<b>Total</b>	<b>\$ 264,263</b>	<b>\$ 19,098</b>	<b>\$ 49,100</b>	<b>\$ -</b>	<b>\$ 234,261</b>	<b>\$ 26,642</b>

**Business-Type Activities:**

	Balance 10/01/21	Additions	Reductions	Reclassification	Balance 09/30/22	Amounts Due Within One Year
Limited Obligation Bonds	\$ 835,000	\$ -	\$ 60,000	\$ -	\$ 775,000	\$ 60,000
Notes Payable	1,290,231	-	101,199	-	1,189,032	103,153
Capital Leases	21,390	-	-	(21,390)	-	-
Financed Purchases	-	27,073	14,396	21,390	34,067	18,749
Compensated Absences	7,473	1,263	-	-	8,736	-
<b>Total</b>	<b>\$ 2,154,094</b>	<b>\$ 28,336</b>	<b>\$ 175,595</b>	<b>\$ -</b>	<b>\$ 2,006,835</b>	<b>\$ 181,902</b>

The reclassifications above are a result of the implementation of GASB 87. Under the new guidance, leases that were formerly classified as capital leases, where ownership of the asset conveys to the lease at maturity, are no longer considered leases. These agreements are now considered financed purchases.

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 7 – INTERFUND TRANSACTIONS AND BALANCES**

The following is a summary of interfund balances at September 30, 2022:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 15,029
General Fund	Water & Sewer System Fund	3,652
Total		<u>\$ 18,681</u>

The purpose of the due to/from was to reimburse funds for expenses paid by another fund.

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water & Sewer System Fund	\$ 42,638
Fire Fund	General Fund	51,911
Total		<u>\$ 94,549</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to reimburse for administrative services for the proprietary fund.

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

*General Information about the Pension Plan*

Plan Description. The City 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 report is available at [www.pers.ms.gov](http://www.pers.ms.gov).

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (continued)**

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. 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 employer's rate at September 30, 2022 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers 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 \$96,752, \$80,290 and \$82,797, respectively, equal to the required contributions for each year.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2022, the City reported a liability of \$1,564,562 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2022 net pension liability was 0.007601 percent, which was based on a measurement date of June 30, 2022. This was an increase of 0.000647 percent from its proportionate share used to calculate the September 30, 2021 net pension liability, which was based on a measurement date of June 30, 2021.

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (continued)**

For the year ended September 30, 2022, the City recognized pension expense of \$190,965. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,398	-
Net difference between projected and actual earnings on pension plan investments	105,018	-
Changes of assumptions	49,506	-
Changes in the proportion and differences between the City's contributions and proportionate share of contributions	17,967	51,504
City contributions subsequent to the measurement date	26,669	-
Total	\$ 220,558	51,504

\$26,669 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	Amount
2023	\$ 30,301
2024	26,411
2025	776
2026	84,897
Total	\$ 142,385

**Actuarial Assumptions.** The total pension liability as of June 30, 2022 was determined by an actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. The following actuarial assumptions are applied to all periods in the measurement:

Inflation	2.40%
Salary increases	2.65 – 17.90%, including inflation
Investment rate of return	7.55%, net of pension plan investment expense, including inflation

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (continued)**

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the four-year period from July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

The long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	25.00%	4.60%
International Equity	20.00%	4.50%
Global Equity	12.00%	4.85%
Fixed Income	18.00%	1.40%
Real Estate	10.00%	3.65%
Private Equity	10.00%	6.00%
Private Infrastructure	2.00%	4.00%
Private Credit	2.00%	4.00%
Cash Equivalents	1.00%	-0.10%
Total	100.00%	

**Discount Rate.** The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)**

Sensitivity to the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.55 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	Discount Rate	City's Proportionate Share of the Net Pension Liability
1% decrease	6.55%	\$2,041,914
Current discount rate	7.55%	\$1,564,562
1% increase	8.55%	\$1,171,011

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**NOTE 9 – FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS**

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$3,834 more than cash revenues.

**NOTE 10 – RISK MANAGEMENT**

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

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

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

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 10 – RISK MANAGEMENT (continued)**

The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2022, will not materially affect the financial condition of the City. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the City during the current or prior year.

**NOTE 11 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION**

The governmental activities' unrestricted net position amount of (\$220,035) includes the effect of deferred inflows/outflows of resources related to pensions and leases. A portion of the deferred outflow of resources related to pensions in the amount of \$17,682 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. The \$128,555 balance of the deferred outflow of resources related to pensions at September 30, 2022, will be recognized in pension expense over the next 4 years. The \$34,149 balance of the deferred inflow of resources related to pensions at September 30, 2022, will be recognized in pension expense over the next 3 years. The \$121,890 balance of the deferred inflow of resources related to leases at September 30, 2022, will be recognized in rental income over the next 6 years.

The business-type activities' unrestricted net position amount of \$238,762 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$8,987 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. The \$65,334 balance of the deferred outflow of resources related to pensions at September 30, 2022, will be recognized in pension expense over the next 4 years. The \$17,355 balance of the deferred inflow of resources related to pensions at September 30, 2022, will be recognized in pension expense over the next 3 years.

**NOTE 12 - 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 expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provision for any liability that may result has been recognized in the City's financial statements.

**NOTE 13 - LITIGATION**

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



**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2022**

**NOTE 14 - TAX ABATEMENTS**

The City enters into property tax abatement agreements with local businesses for economic development purposes. The abatements may be granted to any business located within or promising to locate within the city limits. The abatements are negotiated on an individual basis. Each abatement is for 10 years. The City had abatement agreements with one entity as of September 30, 2022.

The City had three types of abatements, none of which provides for the abatement of school or state tax levies:

Section 27-31-101 – New enterprise exemptions  
Section 27-31-105 – Expanded enterprise exemptions  
Section 27-31-104 – Fee in lieu of tax agreements

The entity had tax abatements listed under the above listed statutes.

Category	Amount of taxes abated during the fiscal year
New and expanded industrial enterprises	\$779

The company was not required to comply with any special provisions in order to receive the abatements and the City made no commitments as part of the agreements other than to reduce taxes. Abatements may be voided pursuant to state law in the event of a cessation of company operations.

**NOTE 15 – SUBSEQUENT EVENTS**

Events that occur after the Statement of Net Position 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 date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date, require disclosure in the accompanying notes. Management of City of Guntown evaluated the activity of the City through May 28, 2024, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2022, the City issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
02/24/2023	4.25%	\$ 165,085	Note Payable	Sales & Use Taxes

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2022**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>			
General Property Taxes	\$ 445,149	\$ 457,158	\$ 12,009
Sales & Use Taxes	353,153	343,615	(9,538)
Licenses and Permits	8,250	9,566	1,316
In Lieu of Taxes	84,040	90,288	6,248
Intergovernmental Revenues	8,300	18,318	10,018
Rentals	41,000	40,591	(409)
Park Revenues	700	500	(200)
Fines and Forfeitures	71,650	94,900	23,250
Interest Income	177	3,835	3,658
Miscellaneous Revenues	1,900	7,484	5,584
Total revenues	<u>1,014,319</u>	<u>1,066,255</u>	<u>51,936</u>
<b><u>EXPENDITURES</u></b>			
General Government			
Personnel Services	260,620	260,590	30
Supplies	19,100	16,886	2,214
Other Services and Charges	207,300	192,949	14,351
Capital Outlay	60,334	30,466	29,868
Total	<u>547,354</u>	<u>500,891</u>	<u>46,463</u>
Public Safety			
Personnel Services	376,662	361,832	14,830
Supplies	50,018	49,999	19
Other Services and Charges	100,400	100,367	33
Capital Outlay	22,482	21,786	696
Total	<u>549,562</u>	<u>533,984</u>	<u>15,578</u>
Public Works			
Supplies	4,000	3,935	65
Capital Outlay	190,653	11,616	179,037
Total	<u>\$ 194,653</u>	<u>\$ 15,551</u>	<u>\$ 179,102</u>

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued**  
**For the Fiscal Year Ended September 30, 2022**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Culture and Recreation			
Personnel Services	\$ 23,972	\$ 2,888	\$ 21,084
Supplies	5,900	3,439	2,461
Other Services and Charges	8,500	8,206	294
Capital Outlay	29,700	-	29,700
Total	<u>68,072</u>	<u>14,533</u>	<u>53,539</u>
Debt Service			
Principal Retired	44,175	32,392	11,783
Interest Expense	750	750	-
Total	<u>44,925</u>	<u>33,142</u>	<u>11,783</u>
Total expenditures	<u>1,404,566</u>	<u>1,098,101</u>	<u>306,465</u>
Excess (Deficit) revenues over (under) expenditures	<u>(390,247)</u>	<u>(31,846)</u>	<u>358,401</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Sale of Capital Assets	7,500	-	(7,500)
Proceeds from Long Term Debt	73,334	13,537	(59,797)
Transfers from Other Funds	39,690	42,638	2,948
Transfers (to) Other Funds	<u>(42,239)</u>	<u>(51,911)</u>	<u>(9,672)</u>
Total other financing sources (uses)	<u>78,285</u>	<u>4,264</u>	<u>(74,021)</u>
Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	<u>(311,962)</u>	<u>(27,582)</u>	<u>284,380</u>
Fund balances at October 1, 2022	<u>338,147</u>	<u>338,147</u>	<u>-</u>
Fund balances at September 30, 2022	<u>\$ 26,185</u>	<u>310,565</u>	<u>\$ 284,380</u>
Adjustments To GAAP Basis:			
Add: Accrued revenues		<u>3,834</u>	
Fund Balance GAAP September 30, 2022		<u>\$ 314,399</u>	

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF THE CITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS \*

PERS  
For the Year Ended September 30, 2022  
UNAUDITED

	2022	2021	2020	2019	2018	2017	2016	2015
A. Guntown's proportion of the net pension liability (%)	0.007601%	0.006954%	0.007137%	0.006944%	0.006605%	0.006400%	0.006300%	0.006700%
B. Guntown's proportionate share of the net pension liability	\$ 1,564,562	\$ 1,027,832	\$ 1,381,640	\$ 1,221,587	\$ 1,098,608	\$ 1,060,572	\$ 1,120,693	\$ 1,035,688
C. Guntown's covered employee payroll	\$ 523,276	\$ 462,385	\$ 475,259	\$ 452,273	\$ 422,067	\$ 409,326	\$ 401,346	\$ 419,238
D. Guntown's proportionate share of the net pension liability as a percentage of its covered employee payroll (%)	298.99%	222.29%	290.71%	270.10%	260.29%	259.10%	279.23%	247.04%
E. Plan fiduciary net position as a percentage of total pension liability	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

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

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

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



CITY OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF THE CITY'S CONTRIBUTIONS  
LAST 10 FISCAL YEARS \*  
PERS  
For the Year Ended September 30, 2022  
UNAUDITED

	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Contractually required contributions	\$ 96,752	\$ 80,290	\$ 82,797	\$ 73,697	\$ 67,914	\$ 65,403	\$ 62,326	\$ 67,773	\$ 66,930
B. Contributions in relation to contractually required contributions	\$ 96,752	\$ 80,290	\$ 82,797	\$ 73,697	\$ 67,914	\$ 65,403	\$ 62,326	\$ 67,773	\$ 66,930
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Guntown's covered employee payroll	\$ 556,040	\$ 461,436	\$ 475,846	\$ 455,251	\$ 431,189	\$ 415,253	\$ 395,710	\$ 430,303	\$ 424,948
E. Contributions as a percentage of covered employee payroll	17.40%	17.40%	17.40%	16.19% **	15.75%	15.75%	15.75%	15.75%	15.75%

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

\*\* Until July 1, 2019, contributions were 15.75%. Subsequent to July 1, 2019 contributions were 17.40%.

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

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2022**

**PENSION SCHEDULES**

(1) Changes in assumptions

a. 2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
  - For females, 84% of female rates up to age 72, 100% for ages above 76.
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
  - For males, 134% of male rates at all ages.
  - For females, 121% of female rates at all ages.
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
  - For males, 97% of male rates at all ages.
  - For females, 110% of female rates at all ages.
  - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

b. 2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
  - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
  - For males, 137% of male rates at all ages.
  - For females, 115% of female rates at all ages.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to reflect actual experience more closely.

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2022**

**PENSION SCHEDULES (continued)**

- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.
  - c. 2017
    - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
    - The wage inflation assumption was reduced from 3.75% to 3.25%.
    - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
    - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
  - d. 2016
    - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
  - e. 2015
    - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
    - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
    - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
    - Assumed rates of salary increase were adjusted to reflect actual and anticipated experience more closely.
    - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.
- (2) Changes in benefit provisions
- a. 2016
    - Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.
- (3) **Method and assumptions used in calculations of actuarially determined contributions.** The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2020 valuation for the June 30, 2022 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

• Actuarial cost method	Entry age
• Amortization method	Level percentage of payroll, open
• Remaining amortization period	27.7 years
• Asset valuation method	5-year smoothed market
• Price Inflation	2.75 percent
• Salary increase	3.00 percent to 18.25 percent, including inflation
• Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2022**

**PENSION SCHEDULES (continued)**

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

## OTHER SUPPLEMENTARY INFORMATION

**CITY OF GUNTOWN, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS**  
**September 30, 2022**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Mary Roberts	City Clerk	Travelers Insurance	\$50,000
Michael Hall	Chief of Police	Travelers Insurance	\$50,000
Tonya Brown	Water Billing Clerk	Travelers Insurance	\$50,000
Melissa Holt	Court Clerk	Travelers Insurance	\$50,000
Angie Milam	Deputy Clerk	Travelers Insurance	\$50,000
Brent Lindsey	Mayor	Travelers Insurance	\$50,000
Daniel Davis	Alderman	Travelers Insurance	\$50,000
Teena Herring	Alderman	Travelers Insurance	\$50,000
John Herring	Alderman	Travelers Insurance	\$50,000
Zachery Alan White	Alderman	Travelers Insurance	\$50,000
James Herbert Hopkins	Alderman	Travelers Insurance	\$50,000
Montoya Lucas	Deputy Court Clerk	Travelers Insurance	\$50,000
Michael Hall	Police	Travelers Insurance	\$25,000
Jason Jackson	Police	Travelers Insurance	\$25,000
Mike Stahl	Police	Travelers Insurance	\$25,000
Bre Lucas	Police	Travelers Insurance	\$25,000
Tracy Barnett	Police	Travelers Insurance	\$25,000
Jimmy Jarman	Police	Travelers Insurance	\$25,000
John Crabb	Police	Travelers Insurance	\$25,000
Alvis Durham	Police	Travelers Insurance	\$25,000
Jason McCaffrey	Police	Travelers Insurance	\$25,000
Hunter Walton	Police	Travelers Insurance	\$25,000
Robert Cook	Police	Travelers Insurance	\$25,000
David Austin	Police	Travelers Insurance	\$25,000
Josh Davis	Police	Travelers Insurance	\$25,000



**CITY OF GUNTOWN, MISSISSIPPI**  
**SCHEDULE OF LONG-TERM DEBT**  
**For the Year Ended September 30, 2022**

	INTEREST RATE	BALANCE 9-30-21	DEBT ISSUED	DEBT RETIRED	BALANCE 9-30-22	CURRENT MATURITIES
<b>LONG-TERM DEBT:</b>						
<b><u>Governmental Funds</u></b>						
Financed Purchases:						
Fire Truck CFNB	3.35%	\$ 217,885	\$ -	\$ 16,708	\$ 201,177	\$ 17,268
Police Cars & Equipment HWB	3.91%	25,195	-	25,195	-	-
2018 Ram Pickup HWB	3.39%	546	-	546	-	-
Bobcat Excavator HWB	3.81%	10,148	-	5,202	4,946	4,946
John Deere Tractor	2.78%	-	13,537	1,449	12,088	4,428
Total Financed Purchases		253,774	13,537	49,100	218,211	26,642
Total Governmental Funds		253,774	13,537	49,100	218,211	26,642
<b><u>Proprietary Fund Types Debt</u></b>						
Limited Obligation Bonds:						
Series 2013	3.50%	835,000	-	60,000	775,000	60,000
Notes Payable:						
MDA - CAP	2.00%	300,522	-	22,685	277,837	23,149
MDA - CAP	2.00%	184,145	-	26,924	157,221	27,399
MSDH - DWSIRLF	1.95%	805,564	-	51,590	753,974	52,605
Total Notes Payable		1,290,231	-	101,199	1,189,032	103,153
Financed Purchases:						
2018 Ram Pickup HWB	3.39%	1,093	-	1,093	-	-
Bobcat Excavator HWB	3.81%	20,297	-	10,405	9,892	9,892
John Deere Tractor	2.78%	-	27,073	2,898	24,175	8,857
Total Financed Purchases		21,390	27,073	14,396	34,067	18,749
Total Proprietary Fund Type Debt		2,146,621	27,073	175,595	1,998,099	181,902
Total Long-Term Debt		\$ 2,400,395	\$ 40,610	\$ 224,695	\$ 2,216,310	\$ 208,544

## OTHER REPORTS

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## INDEPENDENT AUDITORS' 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

Honorable Mayor and Board of Aldermen  
City of Guntown, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guntown, 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 May 28, 2024.

### Report on Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-002 and 2022-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001 and 2022-004 to be significant deficiencies.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 and 2022-004.

## **City of Guntown, Mississippi's Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Firm's signature

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.

Tupelo, Mississippi  
May 28, 2024



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**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Alderman  
City of Guntown, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guntown, Mississippi, as of and for the year ended September 30, 2022, which collectively comprise the City of Guntown, Mississippi's basic financial statements and have issued our report thereon dated May 28, 2024. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain state laws and regulations and our audit of the financial statements disclosed the instances of noncompliance described in Findings 2022-002 and 2022-004 in the schedule of findings and responses.

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.

The City of Guntown, Mississippi's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

*Franks, Franks, Wilemon & Hagood P.A.*

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.  
Tupelo, Mississippi  
May 28, 2024

**CITY OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2022**

**FINANCIAL STATEMENT FINDINGS:**

**2022-001                      SIGNIFICANT DEFICIENCY**

**Repeat Finding:**      Yes

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

**Condition:**            The City's internal control did not provide for adequate segregation of duties in relation to the collection, processing and administering of water and sewer revenues and court fines. Specifically, one employee who is in charge of the utility billing and collection process also is authorized to make adjustments to customer accounts. Additionally, a single employee is in charge of fine collections, docket entry, and warrant issuances.

**Cause:**                The City's size and number of personnel in these departments limit the opportunities for adequate segregation of duties.

**Effect:**                Failure to have an adequate segregation of duties could result in the loss of public funds.

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

**Response:**            The City will analyze the accounting system and establish procedures that promote mitigating controls where segregation of duties is not feasible. An additional control has been established requiring the Mayor's approval of all customer account adjustments.

**2022-002                      MATERIAL WEAKNESS AND NONCOMPLIANCE**

**Repeat Finding:**      Yes

**Criteria:**              The City is required, by State statutes, to maintain adequate subsidiary records substantiating the existence, completeness, and valuations of its fixed assets.

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

**Cause:**                The City has not fully implemented an adequate system of controls for properly tracking activity of fixed assets.



**CITY OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2022**

**FINANCIAL STATEMENT FINDINGS (continued):**

**Effect:** The City is not in compliance with the applicable requirements as required by state statute as prescribed by the Office of the State Auditor.

**Recommendation:** The City should conduct a year-end inventory of its fixed assets needed to maintain accountability of assets. The City should also prepare a complete fixed asset listing; substantiating the valuation, location, description, and inventory tag numbers of its fixed assets. The City should ensure all new assets purchased are tagged and properly accounted for on the fixed asset listing when the assets are placed in service.

**Response:** The City will conduct year-end inventory observations of their fixed assets. Also, the City will continue to develop a complete listing of all fixed assets to comply with State statutes.

**2022-003 MATERIAL WEAKNESS**

**Repeat Finding:** Yes

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

**Condition:** The City did not maintain adequate internal controls over its interfund balancing. During our audit, we noted that there were significant differences between the interfund receivables and payables and interfund transfers. It appears that these balances have not been reconciled on a routine basis.

**Cause:** The City lacked proper controls to identify and detect potential financial statement misstatements.

**Effect:** Recordkeeping deficiencies may reduce the City's ability to effectively monitor its use of public resources and increase the risk of inappropriate or inefficient use of resources. Improper recording of transactions also could affect the reliability of the City's reporting of financial position and results of operations.

**Recommendation:** The City should implement adequate internal controls over all its accounting functions sufficient to provide timely reconciliation of all interfund balances and transactions.

**Response:** The City will work to implement a monthly reconciliation process for all interfund balances and transactions.

**CITY OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2022**

**FINANCIAL STATEMENT FINDINGS (continued):**

**2022-004                      SIGNIFICANT DEFICIENCY AND NONCOMPLIANCE**

**Repeat Finding:**      Yes

**Criteria:**              The City is to participate in the centralized pledging program (State Collateral Pool) to satisfy pledging requirements for deposits at financial institutions where the City maintains public funds.

**Condition:**            The City did not report all its bank accounts to the State Treasurer as required to participate in the State Collateral Pool.

**Cause:**                 The City failed to include one of its bank accounts when it submitted the Annual Report to the State Treasurer within thirty days of year end.

**Effect:**                The City was out of compliance with the Mississippi Code 27-105-5.

**Recommendation:**   The City should implement adequate controls to ensure that all relevant reports regarding the State Collateral Pool include all bank accounts of the City.

**Response:**            The City will file the annual report with the State Treasurer timely and ensure all accounts are included in the future.