

## OFFICE OF THE STATE AUDITOR REPORT NOTE:

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

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

**CITY OF QUITMAN, MISSISSIPPI**

**Audited Financial Statements  
and Special Reports**

**For the Year Ended September 30, 2023**



# CITY OF QUITMAN, MISSISSIPPI

## Table of Contents

### Financial Audit Report

Independent Auditor's Report	1 - 3
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### Financial Statements

Statement of Net Position - Cash Basis	7
Statement of Activities - Cash Basis	8
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds	9
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis - Governmental Funds	10
Statement of Net Position - Cash Basis - Proprietary Funds	11
Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis - Proprietary Funds	12
Notes to the Financial Statements	13 - 18

### Other Information

Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund	21
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) House Bill 1 Fund	22
Notes to the Budgetary Comparison Schedule	23
Schedule of Investments - All Funds	24
Schedule of Capital Assets	25
Schedule of Changes in Long-term Debt	26
Schedule of Surety Bonds for Municipal Officials	27

### Special Report

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31 - 32
Independent Auditor's Report on Compliance with State Laws and Regulations	33 - 35
Schedule of Findings and Responses	37 - 41



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## INDEPENDENT AUDITOR'S REPORT

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

### Opinions

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quitman, Mississippi, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Quitman, Mississippi's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quitman, Mississippi as of September 30, 2023, and the respective changes in the cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### 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 Statement 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.

### Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

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

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

## **Auditor's Responsibility for the Audit of the Financial Statements**

Our 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 generally accepted auditing standards 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 generally accepted auditing standards 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 of Quitman, Mississippi'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 of Quitman, Mississippi'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.

## **Other Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2024, on our consideration of the City of Quitman, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Quitman, Mississippi's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Quitman, Mississippi's internal control over financial reporting and compliance.

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

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

Quitman, Mississippi

August 30, 2024



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## **FINANCIAL STATEMENTS**

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**CITY OF QUITMAN, MISSISSIPPI**  
**Statement of Net Position - Cash Basis**  
**September 30, 2023**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 1,447,199	\$ 1,401,849	\$ 2,849,048
Restricted cash	-	328,511	328,511
Total Assets	<u>1,447,199</u>	<u>1,730,360</u>	<u>3,177,559</u>
<b>NET POSITION</b>			
Restricted:			
Expendable:			
Public safety	150,758	-	150,758
Public works	284,103	1,730,360	2,014,463
Culture and recreation	16,063	-	16,063
Economic development	40,100	-	40,100
Unemployment compensation	24,284	-	24,284
Debt service	2,367	-	2,367
Unrestricted	<u>929,524</u>	<u>-</u>	<u>929,524</u>
Total Net Position	<u>\$ 1,447,199</u>	<u>\$ 1,730,360</u>	<u>\$ 3,177,559</u>

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Statement of Activities - Cash Basis**  
**For the Year Ended September 30, 2023**

<b>Functions/Programs</b>	<b>Cash Disbursements</b>	<b>Program Cash Receipts</b>			<b>Net (Disbursements) Receipts and Changes in Net Position</b>		<b>Total</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
Governmental Activities:							
General government	\$ 282,901	\$ -	\$ -	\$ -	\$ (282,901)	\$ -	\$ (282,901)
Public safety	924,473	32,580	149,024	-	(742,869)	-	(742,869)
Public works	645,097	-	-	-	(645,097)	-	(645,097)
Culture and recreation	203,129	-	165,096	-	(38,033)	-	(38,033)
Economic development & assistance	197,176	-	-	-	(197,176)	-	(197,176)
Debt service:							
Principal	38,247	-	-	-	(38,247)	-	(38,247)
Interest	9,357	-	-	-	(9,357)	-	(9,357)
Total Governmental Activities	<u>2,300,380</u>	<u>32,580</u>	<u>314,120</u>	<u>-</u>	<u>(1,953,680)</u>	<u>-</u>	<u>(1,953,680)</u>
Business-type Activities:							
Water and sewer	828,808	772,759	-	-	-	(56,049)	(56,049)
Garbage collection	254,234	274,361	-	-	-	20,127	20,127
Total Business-type Activities	<u>1,083,042</u>	<u>1,047,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,922)</u>	<u>(35,922)</u>
Total Government	<u>3,383,422</u>	<u>1,079,700</u>	<u>314,120</u>	<u>-</u>	<u>(1,953,680)</u>	<u>(35,922)</u>	<u>(1,989,602)</u>
General Receipts:							
Property taxes					780,918	-	780,918
Sales tax					682,222	-	682,222
Liquor tax					1,800	-	1,800
Licenses and permits					232,730	-	232,730
Grants and contributions not restricted to specific programs					76,242	-	76,242
Unrestricted interest income					33,842	33,287	67,129
Miscellaneous					45,143	-	45,143
Sale of city property					30,001	-	30,001
Transfers					300	(300)	-
Total General Revenues					<u>1,883,198</u>	<u>32,987</u>	<u>1,916,185</u>
Changes in Net Position					<u>(70,482)</u>	<u>(2,935)</u>	<u>(73,417)</u>
Net Position - Beginning					<u>1,517,681</u>	<u>1,733,295</u>	<u>3,250,976</u>
Net Position - Ending					<u>\$ 1,447,199</u>	<u>\$ 1,730,360</u>	<u>\$ 3,177,559</u>

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Statement of Assets and Fund Balances - Cash Basis**  
**Governmental Funds**  
**September 30, 2023**

	<b>Major Funds</b>			<b>Other</b>	<b>Total</b>
	<b>General Fund</b>	<b>House Bill 1 Fund</b>	<b>Municipal Project Fund</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>ASSETS</b>					
Cash	\$ 929,524	\$ 283,903	\$ -	\$ 233,772	\$ 1,447,199
Total Assets	<u>929,524</u>	<u>283,903</u>	<u>-</u>	<u>233,772</u>	<u>1,447,199</u>
<b>FUND BALANCES</b>					
Restricted for:					
Public safety	-	-	-	150,758	150,758
Public works	-	283,903	-	200	284,103
Culture and recreation	-	-	-	16,063	16,063
Economic development & assistance	-	-	-	40,100	40,100
Debt service	-	-	-	2,367	2,367
Unemployment compensation	-	-	-	24,284	24,284
Unassigned	<u>929,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>929,524</u>
Total Fund Balances	<u>\$ 929,524</u>	<u>\$ 283,903</u>	<u>\$ -</u>	<u>\$ 233,772</u>	<u>\$ 1,447,199</u>

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis**  
**Governmental Funds**  
**For the Year Ended September 30, 2023**

	<b>Major Funds</b>			<b>Other</b>	<b>Total</b>
	<b>General Fund</b>	<b>House Bill 1 Fund</b>	<b>Municipal Project Fund</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>RECEIPTS</b>					
Property taxes	\$ 780,918	\$ -	\$ -	\$ -	\$ 780,918
Sales tax	682,222	-	-	-	682,222
Liquor tax	1,800	-	-	-	1,800
Licenses, commissions and other receipts	232,730	-	-	-	232,730
Fines and forfeitures	32,580	-	-	-	32,580
Intergovernmental receipts	69,041	144,263	-	177,058	390,362
Interest income	28,328	1,436	-	4,078	33,842
Miscellaneous receipts	45,143	-	-	-	45,143
Total Receipts	<u>1,872,762</u>	<u>145,699</u>	<u>-</u>	<u>181,136</u>	<u>2,199,597</u>
<b>DISBURSEMENTS</b>					
General government	282,901	-	-	-	282,901
Public safety	785,913	129,718	-	8,842	924,473
Public works	645,097	-	-	-	645,097
Culture and recreation	203,129	-	-	-	203,129
Economic development	-	-	-	197,176	197,176
Debt service:					
Principal	27,147	-	-	11,100	38,247
Interest	7,829	-	-	1,528	9,357
Total Disbursements	<u>1,952,016</u>	<u>129,718</u>	<u>-</u>	<u>218,646</u>	<u>2,300,380</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(79,254)</u>	<u>15,981</u>	<u>-</u>	<u>(37,510)</u>	<u>(100,783)</u>
<b>OTHER CASH SOURCES (USES)</b>					
Sale of city property	30,001	-	-	-	30,001
Transfers in	-	-	-	15,421	15,421
Transfers out	(15,121)	-	-	-	(15,121)
Total Other Financing Sources and Uses	<u>14,880</u>	<u>-</u>	<u>-</u>	<u>15,421</u>	<u>30,301</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>(64,374)</u>	<u>15,981</u>	<u>-</u>	<u>(22,089)</u>	<u>(70,482)</u>
Fund Balances - Beginning, as previously reported	993,898	267,922	159,797	96,064	1,517,681
Fund reclassification	-	-	(159,797)	159,797	-
Fund Balances - Beginning, as restated	<u>993,898</u>	<u>267,922</u>	<u>-</u>	<u>255,861</u>	<u>1,517,681</u>
Fund Balances - Ending	<u>\$ 929,524</u>	<u>\$ 283,903</u>	<u>\$ -</u>	<u>\$ 233,772</u>	<u>\$ 1,447,199</u>

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Statement of Net Position - Cash Basis**  
**Proprietary Funds**  
**September 30, 2023**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Garbage Collection Fund</b>	<b>Total Proprietary Funds</b>
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 1,278,638	\$ 123,211	\$ 1,401,849
Total Current Assets	1,278,638	123,211	1,401,849
Noncurrent Assets:			
Restricted cash	328,511	-	328,511
Total Noncurrent Assets	328,511	-	328,511
Total Assets	1,607,149	123,211	1,730,360
<b>NET POSITION</b>			
Restricted for:			
Public works	1,607,149	123,211	1,730,360
Total Net Position	\$ 1,607,149	\$ 123,211	\$ 1,730,360

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



**CITY OF QUITMAN, MISSISSIPPI**  
**Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis**  
**Proprietary Funds**  
**For the Year Ended September 30, 2023**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Garbage Collection Fund</b>	<b>Total Proprietary Funds</b>
<b>Operating Receipts</b>			
Charges for sales and services	\$ 772,759	\$ 274,361	\$ 1,047,120
Total Operating Receipts	<u>772,759</u>	<u>274,361</u>	<u>1,047,120</u>
<b>Operating Disbursements</b>			
Personal services	353,689	116,819	470,508
Contractual services	115,496	21,977	137,473
Materials and supplies	271,977	77,547	349,524
Insurance premiums	34,951	37,891	72,842
Total Operating Disbursements	<u>776,113</u>	<u>254,234</u>	<u>1,030,347</u>
Operating Income (Loss)	<u>(3,354)</u>	<u>20,127</u>	<u>16,773</u>
<b>Nonoperating Receipts (Disbursements)</b>			
Interest income	30,882	2,405	33,287
Principal paid	(42,459)	-	(42,459)
Interest expense	(10,236)		(10,236)
Net Nonoperating Receipts (Disbursements)	<u>(21,813)</u>	<u>2,405</u>	<u>(19,408)</u>
Net Income (Loss) Before Transfers	<u>(25,167)</u>	<u>22,532</u>	<u>(2,635)</u>
<b>OTHER CASH SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	(300)	-	(300)
Total Other Financing Sources and Uses	<u>(300)</u>	<u>-</u>	<u>(300)</u>
Changes in Net Position	(25,467)	22,532	(2,935)
Net Position - Beginning	<u>1,632,616</u>	<u>100,679</u>	<u>1,733,295</u>
Net Position - Ending	<u>\$ 1,607,149</u>	<u>\$ 123,211</u>	<u>\$ 1,730,360</u>

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2023**

**Note 1: Summary of Significant Accounting Policies**

**A. Financial Reporting Entity.**

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

**B. Basis of Presentation.**

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

Government-wide Financial Statements:

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information concerning the City as a whole. The statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other nonexchange receipts and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements:

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

**C. Measurement Focus and Basis of Accounting.**

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2023**

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

The City reports the following major Governmental Funds:

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

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

The City reports the following major Enterprise Funds:

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

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

Additionally, the City reports the following fund types:

**GOVERNMENTAL FUND TYPES**

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

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

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

**PROPRIETARY FUND TYPE**

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

**D. Account Classifications.**

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

**E. Deposits.**

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

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2023**

**F. Equity Classifications.**

Government-wide Financial Statements:

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

Fund Balance Flow Assumption:

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

**G. Property Tax Receipts.**

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2023**

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

**H. Changes in Accounting Standards.**

GASB 96, *Subscription-Based Information Technology Arrangements*, was implemented during the 2023 fiscal year. Prior to the issuance of this statement there was no accounting or financial reporting guidance specifically for SBITAs. The purposes of the standard is to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, reliability, relevance, and consistency of information about SBITAs. These financial statements do not reflect SBITAs in accordance with GASB 96 as these financial statements were prepared using the cash basis of accounting.

**Note 2: Deposits.**

The carrying amount of the City's total deposits with financial institutions at September 30, 2023, was \$3,177,559 including \$400 in petty cash, and the bank balance was \$3,258,042. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by *Section 27-105-5, Mississippi Code of 1972 Annotated*. Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

**Note 3: Restricted Cash.**

The restricted cash account in the City's Water and Sewer Fund represents customer meter deposits in the amount of \$159,604 and a debt service reserve of \$168,907 required by the Mississippi Development Authority in its loan covenants requiring the City to maintain a debt service reserve in a separate bank account in an amount equivalent to one year's maintenance cost for the City's notes payable with the Mississippi Development Authority. These amounts are included in the total deposits in Note 2.

**Note 4: Interfund Transfers.**

The following is a summary of interfund transfers at September 30, 2023:

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General	\$ 15,121
	Water & Sewer Fund	300

The purpose of the transfers was to reimburse funds for related expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2023**

**Note 5: Claims and Judgements.**

**Risk Financing.**

The City finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2023, to January 1, 2024. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**Note 6: Contingencies.**

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

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

**Note 7: Related Organization.**

The City's Mayor and Board of Aldermen are responsible for appointing three members to the board of trustees of the Quitman Public Library, but the City's accountability for this organization does not extend beyond making the appointments. The City appropriated \$44,523 for an operating grant to the Quitman Public Library for the 2023 fiscal year. This appropriation is funded by a 1 mill ad valorem millage rate on the citizens and businesses of the City.

**Note 8: Joint Ventures.**

The City participates in the following joint ventures:

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

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2023**

forwarded to the City upon collection. The City also provides one investigator whose salary is paid by the City and accounted for in the City's financial accounting system.

**Note 9: Defined Benefit Pension Plan.**

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

Funding Policy. At September 30, 2023, PERS members were required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The rate at September 30, 2023 was 17.40% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2023, 2022 and 2021 were \$195,351, \$191,734, and \$193,849, respectively, equal to the required contributions for each year.

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

**Note 10: Tax Abatements.**

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

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

The City has a total of five ad valorem tax abatement agreements with two different industries as of September 30, 2023:

Category	Percentage of Taxes Abated	Amount of Taxes Abated during the Year
Construction and expansion of an existing facility	100%	<u>\$ 26,769</u>

**Note 11: Subsequent Events.**

Events that occur after the Statement of Net Position-Cash Basis date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position-Cash Basis date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position-Cash Basis date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through August 30, 2024, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

## **OTHER INFORMATION**



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**CITY OF QUITMAN, MISSISSIPPI**  
**Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2023**

	Original Budget	Final Budget *	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Property taxes	\$ 821,650	\$ 821,650	\$ 780,917	\$ (40,733)
Sales tax	-	-	633,569	633,569
Liquor tax	-	-	1,800	1,800
Licenses, commissions and other receipts	221,000	221,000	239,042	18,042
Fines and forfeitures	-	-	33,945	33,945
Intergovernmental receipts	804,500	804,500	62,730	(741,770)
Interest income	-	-	28,328	28,328
Miscellaneous receipts	157,500	157,500	231,423	73,923
Total Receipts	<u>2,004,650</u>	<u>2,004,650</u>	<u>2,011,754</u>	<u>7,104</u>
<b>DISBURSEMENTS</b>				
Current:				
General government	356,546	356,546	374,815	(18,269)
Public safety	905,890	905,890	789,128	116,762
Public works	840,905	840,905	645,098	195,807
Culture and recreation	261,078	261,078	193,311	67,767
Economic development & assistance	-	-	9,818	(9,818)
Total Disbursements	<u>2,364,419</u>	<u>2,364,419</u>	<u>2,012,170</u>	<u>352,249</u>
Excess (Deficiency) of Receipts over (under) Disbursements	(359,769)	(359,769)	(416)	359,353
Cash Basis Fund Balances - Beginning	<u>743,694</u>	<u>743,694</u>	<u>1,373,342</u>	<u>629,648</u>
Cash Basis Fund Balances - Ending	<u>\$ 383,925</u>	<u>\$ 383,925</u>	<u>\$ 1,372,926</u>	<u>\$ 989,001</u>

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

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)**  
**House Bill 1 Fund**  
**For the Year Ended September 30, 2023**

	Original Budget	Final Budget *	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Interest income	\$ 700	\$ 700	\$ 1,436	\$ 736
Miscellaneous receipts	90,000	90,000	-	(90,000)
Total Receipts	90,700	90,700	1,436	(89,264)
<b>DISBURSEMENTS</b>				
Total Disbursements	-	-	-	-
Excess (Deficiency) of Receipts over (under) Disbursements	90,700	90,700	1,436	(89,264)
Cash Basis Fund Balances - Beginning	129,007	129,007	129,890	883
Cash Basis Fund Balances - Ending	\$ 219,707	\$ 219,707	\$ 131,326	\$ (88,381)

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

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2023**

**A. Budgetary Information.**

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

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

**B. Basis of Presentation.**

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

**C. Excess of Actual Disbursements Over Budget in Individual Funds.**

The following funds had an excess of actual disbursements over budget for the year ended September 30, 2023:

<u>Description</u>	<u>Excess Expenditures</u>
General Fund	\$ 51,769
Industrial Park Fund	91,840
TIFF Sinking Fund	6,075
Grant Fund	24,950
SRF Fund	95,400

**CITY OF QUITMAN, MISSISSIPPI**  
**Schedule of Investments - All Funds**  
**For the Year Ended September 30, 2023**

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Other Information</u>	<u>Investment Cost/Value</u>
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The City did not have any investments for the year ended September 30, 2023.

**CITY OF QUITMAN, MISSISSIPPI**  
**Schedule of Capital Assets**  
**For the Fiscal Year Ended September 30, 2023**

**Governmental Activities:**

	Balance October 1, 2022	Additions	Deletions	Balance September 30, 2023
Land	\$ 402,881	\$ -	\$ -	\$ 402,881
Construction in Progress	341,626	72,760	-	414,386
Infrastructure	162,513	-	-	162,513
Buildings	409,892	-	-	409,892
Improvements Other Than Buildings	805,144	-	-	805,144
Mobile Equipment	872,659	213,086	-	1,085,745
Furniture and Equipment	460,896	5,198	-	466,094
Total Capital Assets - Governmental Activities	<u>\$ 3,455,611</u>	<u>\$ 291,044</u>	<u>\$ -</u>	<u>\$ 3,746,655</u>

**Business-type Activities:**

	Balance October 1, 2022	Additions	Deletions	Balance September 30, 2023
Land	\$ 18,591	\$ -	\$ -	\$ 18,591
Infrastructure	1,455,585	-	-	1,455,585
Machinery and Equipment	5,399,364	129,718	-	5,529,082
Mobile Equipment	368,374	-	-	368,374
Total Capital Assets - Business-type Activities	<u>\$ 7,241,914</u>	<u>\$ 129,718</u>	<u>\$ -</u>	<u>\$ 7,371,632</u>

**CITY OF QUITMAN, MISSISSIPPI**  
**Schedule of Changes in Long-term Debt**  
**For the Year Ended September 30, 2023**

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance October 1, 2022	Issued	Principal Payments	Balance September 30, 2023
<b>Governmental Activities:</b>							
<b>A. Limited Obligation Bonds:</b>							
TIFF Series 2015 - Citizens National Bank McDonalds/Dollar General	4/8/2015	3/1/2025	4.5875%	\$ 31,263	\$ -	\$ 11,100	\$ 20,163
<b>B. Other Loans:</b>							
Mississippi Development Authority - Police Car Conversion	4/1/2016	4/1/2023	0.00%	3,214	-	3,214	-
Loan - City Hall Annex	1/4/2022	1/4/1932	3.24%	234,066	-	23,933	210,133
Total Governmental Activities Debt				<u>\$ 268,543</u>	<u>\$ -</u>	<u>\$ 38,247</u>	<u>\$ 230,296</u>
<b>Business-type Activities:</b>							
<b>A. Other Loans:</b>							
Mississippi Development Authority - Automatic Meter Readers	8/7/2017	9/7/2033	2.00%	\$ 335,237	\$ -	\$ 30,096	\$ 305,141
Mississippi Development Authority - Sewer Rehabilitation	10/16/2017	9/18/2034	2.00%	184,071	-	12,363	171,708
Total Business-type Activities Debt				<u>\$ 519,308</u>	<u>\$ -</u>	<u>\$ 42,459</u>	<u>\$ 476,849</u>

**CITY OF QUITMAN, MISSISSIPPI**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2023**

<b>Name</b>	<b>Position</b>	<b>Company</b>	<b>Bond Amount</b>
Amos S. Watkins Jr.	Mayor	NGM Insurance Company	\$ 50,000
Naomi Shepherd	City Clerk	NGM Insurance Company	50,000
Tammy Green	Deputy Clerk	NGM Insurance Company	50,000
Mike McCarra	Police Chief	RLI Insurance Company	50,000
Theresa Haire	Court Clerk	NGM Insurance Company	50,000
Ronald Holloway	Alderman	Old Republic Surety Company	50,000
Joe E. Brooks	Alderman	NGM Insurance Company	50,000
Steven W. Neely	Alderman	NGM Insurance Company	50,000
Bridgett Peters	Alderpersion	Old Republic Surety Company	50,000
Harry Wheat	Alderman	Old Republic Surety Company	50,000
Mary J. Bolen	Water Billing Clerk	NGM Insurance Company	50,000
Mary J. Bolen	Court Billing Clerk	NGM Insurance Company	50,000



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## **SPECIAL REPORT**

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quitman, Mississippi, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 30, 2024.

### **Report on Internal Control Over Financial Reporting**

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

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, 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 2023-4 to be a material weakness.

*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 Schedule of Findings and Responses as items. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001, 2023-002, and 2023-003 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Quitman, Mississippi's cash basis 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **City of Quitman, Mississippi's Response to Finding**

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

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

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

Stephen D. Myrick, C.P.A., L.L.C.  
Quitman, Mississippi  
August 30, 2024

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

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*Certified Public Accountants*

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

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

We have audited the cash basis financial statements of the City of Quitman, Mississippi as of and for the year ended September 30, 2023 and have issued our report dated August 30, 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 *Government Auditing Standards*.

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

The results of those procedures and our audit of the basic financial statements disclosed certain material instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiently. Our findings, recommendations and your responses are discussed below:

<b>2023-001.</b>	<b><u>The City did not properly advertise for qualifying public depositories as required every two years.</u></b>
<b>Repeat Finding:</b>	Yes, 2022-1.
<b>Criteria:</b>	<i>Section 27-105-353, Miss. Code Ann. (1972)</i> requires the Board of Aldermen to give notice at least once every two years to all financial institutions in its county whose accounts are insured by the Federal Deposit Insurance Corporation (or any successor thereto), by publication, that bids will be received from financial institutions at the following January meeting or some subsequent meeting, for the privilege of keeping the City funds, or any part thereof.
<b>Condition:</b>	As reported in the prior year's audit report, the City did not properly advertise for qualified depositories as required by state statute every two years.
<b>Cause:</b>	Former and current financial staff members did not comply with statutory requirements.
<b>Effect:</b>	The City is not in compliance with <i>Section 27-105-353, Miss. Code Ann. (1972)</i> .
<b>Recommendation:</b>	The City should strengthen its necessary internal control system to ensure compliance with <i>Section 27-105-353, Miss. Code Ann. (1972)</i> .
<b>Views of Responsible Official(s):</b>	This finding was corrected as of February 2023.

<b>2023-002.</b>	<b><u>The final amended budget was not prepared, approved, and included in the minutes of the Board of Aldermen.</u></b>
<b>Repeat Finding:</b>	No.
<b>Criteria:</b>	<i>Section 21-35-9, Miss. Code Ann. (1972)</i> , requires the City to prepare a final amended budget of receipts, disbursements, and working cash balances in such form as may be necessary. Furthermore, the final amended budget of all funds for the fiscal year, which may be amended up to the end of the fiscal year, must be approved and entered on the minutes of the Board of Aldermen following the close of the fiscal year.
<b>Condition:</b>	The City did not prepare a final amended budget to be approved and included in the minutes of the Board of Aldermen.
<b>Cause:</b>	The City did not comply with <i>Section 21-35-9, Miss. Code Ann. (1972)</i> .
<b>Effect:</b>	The failure to prepare and submit a complete and accurate combined final amended budget of revenues, expenditures/expenses, and working cash balances for all funds could result in over-expenditure by the City and would result in the City not complying with state statutes.
<b>Recommendation:</b>	The City should strengthen the internal control system to ensure compliance with state statutes that requires the Municipal Clerk to prepare and submit to the Board of Aldermen for approval each year a complete combined and combining final amended budget of receipts, disbursements, and working cash balances for all funds and obtain approval from the Board of Aldermen.
<b>Views of Responsible Official(s):</b>	We will prepare a final amended budget for the current fiscal year by October 15.
<b>2023-003.</b>	<b><u>Certain city employees are not properly bonded as required by Mississippi Statutes.</u></b>
<b>Repeat Finding:</b>	No
<b>Criteria:</b>	Various statutes within the Mississippi Code of 1972 Annotated, require certain employees and public officials to be bonded.
<b>Condition:</b>	We observed three instances where city employees were bonded through a bond continuation rather than by individual bonds.
<b>Cause:</b>	The City did not have the necessary internal control system in place to ensure compliance with various state laws.
<b>Effect:</b>	Failure to follow state law would limit the amount available for recovery if a loss occurred.
<b>Recommendation:</b>	The City should strengthen its internal control system to ensure compliance with various state laws requiring public officials and certain employees to be bonded by individual bonds.
<b>Views of Responsible Official(s):</b>	We will obtain individual bonds in the future for all required employees.

**2023-004.** **Certain city employees are not properly bonded as required by Mississippi Statutes.**

**Repeat Finding:** No

**Criteria:** **Excerpt from the Mississippi Municipal Audit and Accounting Guide:**

**1. Budget Extension and Revision:**

- **Section 21-35-23:** Charges can be made to the budget within 30 days after the end of the fiscal year. This period also allows for budget revisions.
- **Section 21-35-25:** Governing authorities can revise the final adopted budget at any time, with one exception: no revisions during the first three months of a new term unless a deficit is indicated. In such cases, a revision must be made by the last regular meeting in August.

**2. Mandatory Budget Revision:**

- Governing authorities must revise the budget to address any deficits before the regular July meeting if revenues fall short.

**3. Public Notice for Budget Amendments:**

- **10 Percent Rule:** Public notice is required for amendments resulting in a 10 percent increase or decrease in a department's budget. This notice must detail the amendment, affected amounts and funds, the purpose of the amendment, and each governing authority member's vote.
- **Publication Requirements:** Notices should be published in a municipal newspaper or posted in three public places for municipalities with fewer than 1,500 residents.

**Condition:** We observed twenty-one instances where expenditures in the City's adopted budget was exceeded.

**Cause:** The City did not have the necessary internal control system in place to ensure compliance with various state laws.

**Effect:** The board of aldermen could face personal liability for expenditures that exceed the approved budget.

**Recommendation:** The City should enhance its internal control systems to ensure adherence to state laws and prevent exceeding budgeted expenditures. This includes regular budget monitoring, timely revisions, and ensuring compliance with public notice requirements.

**Views of Responsible**

**Official(s):** We have already implemented procedures to ensure that budgets are not exceeded in the future.

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

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



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

Quitman, Mississippi

August 30, 2024



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**CITY OF QUITMAN, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2023**

**Section 1: Summary of Auditor's Results**

***Financial Statements:***

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

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

2. Internal control over financial reporting:

- |   |     |
|---|-----|
| a. Material weaknesses identified?      | Yes |
| b. Significant deficiencies identified? | Yes |

3. Noncompliance material to the financial statements noted? No

**Section 2: Financial Statement Findings**

**Material Weakness**

**Significant Deficiency**

**2023-001.      Internal controls over cash receipts should be strengthened.**

**Repeat Finding:** Yes.

**Criteria:** The Municipal Audit and Accounting Guide from the Mississippi Office of the State Auditor requires that all cash collections be documented through the issuance of prenumbered receipt warrants. These warrants must include:

- The date issued
- The amount received
- The source of the funds
- The fund into which the money was deposited
- The purpose of the receipt
- The signature of the municipal official who issued the receipt

Additionally, cash receipts must be recorded in a cash receipts journal. This journal should separately identify each receipt and include:

- The date
- Receipt warrant number
- Payer
- Amount received
- General ledger account number

**CITY OF QUITMAN, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2023**

A well-designed cash receipt system also requires daily cash counts, which reconcile funds received with the amounts deposited in the bank. Specifically, the cash on hand at the end of the day should be compared to the total posted in the general ledger and reported on the daily cash receipt report. Daily cash counts should be prepared by the cash receipts clerk in the presence of the department manager, with both parties signing off- the clerk as preparer and the manager as verifier.

**Condition:**

Our audit, based on a statistically valid random sample of twenty-five general receipts and police fines and twenty-five water & sewer receipts, revealed the following issues:

- **Reconciliation Failures:** In fifty instances, daily cash counts were either not performed or not properly documented.
- **Untimely Deposits:** In twelve instances, deposits were not made in a timely manner.
- **Missing and Incomplete Records:** One police fine receipt (7541) was not found in the general ledger, was undated, lacked an indication of whether the funds received were cash or check. This receipt also appeared to be signed by a former employee.
- **Unposted Receipt:** Another police fine receipt (7732) was not posted in either the municipal court system or accounting system and was not deposited into the bank. Excess cash was found in the deposit bag for the same amount.

**Cause:**

The previously recommended internal controls, or acceptable alternatives, were not fully implemented.

**Effect:**

Failure to adhere to the cash receipt requirements in the *Mississippi Municipal Audit and Accounting Guide* and other recommended procedures could lead to loss or misappropriation of public funds and inaccurate financial reporting to those responsible for governance.

**Recommendation:**

The City should develop and implement a written internal control policies and procedures manual that:

- Documents the internal control system over cash receipts.
- Complies with all requirements outlined in the *Municipal Audit and Accounting Guide* from the Mississippi Office of the State Auditor.
- Includes any added internal control procedures deemed appropriate by management or those charged with governance.

**Views of Responsible  
Official(s):**

We have already implemented procedures to ensure the City fully complies with the *Mississippi Municipal Audit and Accounting Guide* that ensures our staff performs daily cash reconciliations, that deposits are made timely and that receipts are properly prepared.

**Significant Deficiency**

**Other Noncompliance**

**2023-002.      Internal controls over payroll and payroll disbursements should be strengthened.**

**Repeat Finding:**

No.

**Criteria:**

An effective internal control system over payroll and payroll disbursements should include:

- Accurate and complete payroll records for each employee, including pay rates and hours worked.
- Supervisory approval for these records.
- Proper withholding of statutorily required deductions from employees' pay.

**CITY OF QUITMAN, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2023**

<b>Condition:</b>	<p>During our audit of payroll disbursements, we performed a statistically valid random sample of twenty-five payroll disbursements. Our procedures revealed the following issues:</p> <ul style="list-style-type: none"><li>• <b>Timecard Approval:</b> In nineteen instances, timecards were not signed by employees or approved by department managers.</li><li>• <b>Board Approval:</b> In seven cases, there was no documentation of board approval for employees' pay rates.</li><li>• <b>Retirement Contributions:</b> One instance, an employee eligible for retirement did not have the required retirement contributions withheld.</li></ul>
<b>Cause:</b>	<p>The previously recommended internal controls, or acceptable alternatives, were not fully implemented.</p>
<b>Effect:</b>	<p>Failure to maintain accurate and complete payroll records, including proper withholdings and supervisory approvals, increases the risk of loss or misappropriation of public funds and could result in inaccurate financial reporting to those responsible for governance.</p>
<b>Recommendation:</b>	<p>The City should develop and implement a formal written internal control policies and procedures manual that documents the current system of internal controls over payroll and payroll disbursements and includes requirements for maintaining complete and accurate personnel files and payroll records, including pay rates, hours worked, withholdings, and supervisory approvals and ensures that necessary reports are maintained to document accurate payroll accounting records.</p>
<b>Views of Responsible Official(s):</b>	<p>We have already implemented procedures to correct the above items.</p>
<b>Significant Deficiency</b>	
<b>Other Noncompliance</b>	

**2023-003.      Internal controls over non-payroll cash disbursements should be strengthened.**

<b>Repeat Finding:</b>	<p>No.</p>
<b>Criteria:</b>	<p>An effective internal control system for non-payroll cash disbursements must follow <i>Section 21-35-1 and Section 21-39-13 of the Mississippi Code Annotated (/972)</i>.</p> <p><b>Section 21-35-11</b> mandates that the municipal clerk must keep supporting documentation for City purchases. This documentation is considered a public record and must be available for inspection during reasonable hours by anyone who requests it.</p> <p><b>Section 21-39-13</b> requires that all claims be approved by the Board of Aldermen before payment is made.</p> <p>Additionally, an effective internal control system should include supervisory review and approval of invoices prior to payment. This review ensures that goods and services have been received in the correct quantities and at the agreed-upon prices.</p>
<b>Condition:</b>	<p>The City's internal control procedures are insufficient to ensure compliance with <i>Sections 21-35-11 and 21-39-13 of the Mississippi Code Annotated (/972)</i>. Based on our statistically valid random sample of twenty-five non-payroll disbursements and an examination of large disbursements, we found the following issues:</p> <ul style="list-style-type: none"><li>• <b>Lack of Supporting Documentation:</b> In twenty-four instances, the City was unable to provide supporting documentation, such as invoices or other relevant records, for the selected disbursements.</li></ul>

**CITY OF QUITMAN, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2023**

- **Absence of Board Approval:** In twelve instances, payments could not be traced to board approval, as required by Section 21-39-13.
- **Missing Department Manager Approval:** In thirty-two cases, there was no documented approval from department managers indicating that invoices were reviewed and approved for payment.
- **Insufficient Travel Documentation:** In one instance, travel charges on the City's credit card lacked supporting documentation, such as a conference itinerary or agenda.
- **Discrepancy in Cash Disbursements Journal:** In two instances, the totals reported in the cash disbursements journal did not match the amounts recorded in the board meeting minutes.
- **Missing State Contract Documentation:** In four cases, assets purchased under a state contract lacked documentation verifying the existence of the state contract.

**Cause:** Failure to follow the City's internal control system.

**Effect:** Failure to adhere to internal control procedures for non-payroll disbursements, as required by *Sections 21-35-11 and 21-39-13 of the Mississippi Code Annotated (1972)*, increases the risk of loss or misappropriation of public funds and could result in inaccurate financial reporting to those responsible for governance.

**Recommendation:** The City should develop and implement a formal written internal control policies and procedures manual. This manual should document the current system of internal controls over non-payroll disbursements and incorporate any additional controls necessary as determined by management and those charged with governance.

**Views of Responsible Official(s):** We are in the process of implementing additional internal controls to make sure we fulfill state statutes as well as proper internal controls.

**Material Weakness**

**2023-004.** **Internal controls over the general ledger should be strengthened.**

**Repeat Finding:** No.

**Criteria:** The double-entry accounting theory mandates that the general ledger must always balance. Each transaction must be recorded in at least two accounts: one as a debit and the other as a credit. The total debits must equal the total credits to keep the accounting equation in balance. This system of checks and balances is designed to minimize errors and maintain the accuracy of financial data. To ensure accuracy and integrity, accounting records should always remain balanced as part of an effective internal control system.

**Condition:** Our audit procedures revealed that five individual funds in the general ledger did not balance, causing the initial general ledger to be out of balance. This discrepancy violates the double-entry accounting requirement that each transaction's debits and credits must be equal.

**Cause:** According to documentation from the municipal clerk, the accounting records were found to be out of balance primarily due to:

- **Improper Transaction Recording:** Some transactions were not recorded correctly in both debit and credit accounts, leading to discrepancies.
- **Carryover Errors:** In one instance, the ending balance of an account was not correctly carried over to the beginning balance of the following month properly.

**CITY OF QUITMAN, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2023**

<b>Effect:</b>	The failure of internal control procedures to maintain balanced accounting records as required by double-entry accounting could lead to potential loss or misappropriation of public funds and result in inaccurate financial reporting to those responsible for governance.
<b>Recommendation:</b>	The City should develop and implement a formalized written internal control policies and procedures manual. This manual should include specific procedures for the financial department to ensure that the general ledger balances each month, thereby adhering to double entry accounting principles and enhancing the accuracy of financial records.
<b>Views of Responsible Official(s):</b>	The municipal clerk has begun performing procedures to ensure that individual funds balance at the end of each month.