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FINANCIAL STATEMENTS  
CITY OF GUNTOWN, MISSISSIPPI  
Year Ended September 30, 2016

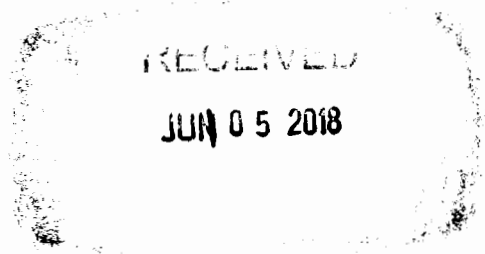


Franks, Franks, Jarrell & Wilemon, P.A.  
—Certified Public Accountants

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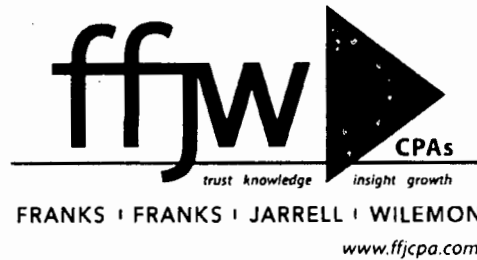
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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen  
City of Guntown, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guntown, Mississippi as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guntown, Mississippi, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the schedule of the Town's proportionate share of the net pension liability on page 42 and the schedule of the Town's contributions on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Guntown, Mississippi's basic financial statements. The individual fund financial statements and other supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and the other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and the other supplementary schedules 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 16, 2018 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 grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Guntown's internal control over financial reporting and compliance.

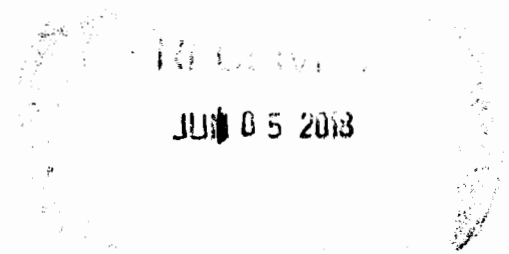
*Franks, Franks, Jarrell + Wilemon, P.A.*

FRANKS, FRANKS, JARRELL & WILEMON, P.A.

Tupelo, Mississippi  
May 16, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS



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

## **Required Supplementary Information for the Year Ended September 30, 2016**

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, 2016. Please read it in conjunction with the City of Guntown 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 \$4,688,714. Of this amount, \$190,825 may be used to meet the City of Guntown's ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$4,755,283, of which \$79,410 was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Guntown governmental funds reported combined ending fund balances of \$330,118, an increase of \$35,641 in comparison to the prior year. Approximately 66 percent of the combined fund balances, \$217,190 is considered unassigned and is available for spending at the City of Guntown discretion.
- The City of Guntown's total debt is \$3,591,006. New debt in the amount of \$70,727 was issued in the current fiscal year. Debt in the amount of \$150,237 was repaid during the current fiscal year.

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

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

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

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

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 of Guntown's financial statements, including the portion of the City of Guntown 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 Position and liabilities, both financial and capital, and short-term and long-term	Only Position expected to be used up and liabilities that come due during the year or soon thereafter, no capital Position included	All Position 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 of Guntown as a whole using accounting methods similar to those used by private-sector companies. The statement of net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the City of Guntown's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City of Guntown, the reader should consider additional non-financial factors such as changes in the City of Guntown's economic environment.
- *Governmental activities* – Most of the City of Guntown'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 of Guntown charges fees to customers to help it cover the costs of certain services it provides. The City of Guntown's water and sewer systems services are included here.

## **Fund Financial Statements**

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

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

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

The City of Guntown has two types of funds:

- **Governmental funds**—most of the City of Guntown's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Guntown'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 of Guntown utilizes two types of governmental funds: the General Fund and Special Revenue Funds.
- **Proprietary funds**—Services for which the City of Guntown charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary fund—Enterprise Funds. The City of Guntown'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 of Guntown's assets exceeded liabilities by \$4,688,714 at the close of the most recent fiscal year.

A large portion, 89 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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 659,904	\$ 639,292	\$ 1,045,851	\$ 955,990	\$ 1,705,755	\$ 1,595,282
Noncurrent Assets	<u>635,635</u>	<u>635,140</u>	<u>7,145,796</u>	<u>7,416,503</u>	<u>7,781,431</u>	<u>8,051,643</u>
Total Assets	1,295,539	1,274,432	8,191,647	8,372,493	9,487,186	9,646,925
Deferred Outflows	<u>113,016</u>	<u>116,130</u>	<u>63,193</u>	<u>66,714</u>	<u>176,209</u>	<u>182,844</u>
Total Deferred Outflows	113,016	116,130	63,193	66,714	176,209	182,844
Current and Other Liabilities	82,450	75,792	248,239	237,706	330,689	313,498
Long-Term Liabilities	<u>733,022</u>	<u>679,300</u>	<u>3,836,576</u>	<u>4,008,588</u>	<u>4,569,598</u>	<u>4,687,888</u>
Total Liabilities	815,472	755,092	4,084,815	4,246,294	4,900,287	5,001,386
Deferred Inflows	<u>47,715</u>	<u>46,428</u>	<u>26,679</u>	<u>26,672</u>	<u>74,394</u>	<u>73,100</u>
Total Deferred Inflows	47,715	46,428	26,679	26,672	74,394	73,100
Net Investment in Capital Assets	626,217	622,642	3,564,208	3,758,485	4,190,425	4,381,127
Restricted	112,928	112,928	194,536	181,818	307,464	294,746
Unrestricted	<u>(193,777)</u>	<u>(146,528)</u>	<u>384,602</u>	<u>225,938</u>	<u>190,825</u>	<u>79,410</u>
Total Net Position	\$ 545,368	\$ 589,042	\$ 4,143,346	\$ 4,166,241	\$ 4,688,714	\$ 4,755,283

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The \$190,825 of 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 \$384,602 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City of Guntown generally can only use this net position to finance the continuing operations of the business type activities.

**Changes in net position.** Approximately 18.82 percent of the City of Guntown's revenue comes from property taxes and approximately 9.42 percent from sales tax, with 34.71 percent of all revenue coming from some type of tax. (See Table A-2.) Another 59.69 percent comes from fees charged for services, 1.85 percent from operating and capital grants and contributions 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	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 128,311	\$ 247,322	\$ 875,884	\$ 842,648	\$ 1,004,195	\$ 1,089,970
Operating Grants & Contributions	0	0	0	0	0	0
Capital Grants & Contributions	19,015	1,601	12,226	229,848	31,241	231,449
General Revenues:						
Property Taxes	317,252	305,997	0	0	317,252	305,997
Sales Taxes	203,192	183,123	0	0	203,192	183,123
Other Taxes	64,880	71,953	0	0	64,880	71,953
Intergovernmental Revenue	19,232	30,919	0	0	19,232	30,919
Investment Income	301	264	757	815	1,058	1,079
Other	<u>42,782</u>	<u>30,389</u>	<u>2,300</u>	<u>0</u>	<u>45,082</u>	<u>30,389</u>
Total Revenues	794,965	871,568	891,167	1,073,311	1,686,132	1,944,879
<b>Expenses</b>						
General Government	376,935	375,132	0	0	376,935	375,132
Public Safety	504,137	531,822	0	0	504,137	531,822
Culture & Recreation	15,956	17,345	0	0	15,956	17,345
Water & Sewer System	0	0	759,700	668,731	759,700	668,731
Interest on Long-Term Debt	<u>697</u>	<u>1,409</u>	<u>95,276</u>	<u>47,573</u>	<u>95,973</u>	<u>48,982</u>
Total Expenses	<u>897,725</u>	<u>925,708</u>	<u>854,976</u>	<u>716,304</u>	<u>1,752,701</u>	<u>1,642,012</u>
Excess of Revenue Over Expenses	(102,760)	(54,140)	36,191	357,007	(66,569)	302,867
Transfers (to) from Other Funds	<u>59,086</u>	<u>68,098</u>	<u>(59,086)</u>	<u>(68,098)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>(43,674)</u>	<u>13,958</u>	<u>(22,895)</u>	<u>288,909</u>	<u>(66,569)</u>	<u>302,867</u>
Net Position—Beginning, previously stated	589,042	1,259,047	4,166,241	2,963,891	4,755,283	4,222,938
Prior Period Adjustment	<u>0</u>	<u>(683,963)</u>	<u>0</u>	<u>913,441</u>	<u>0</u>	<u>229,478</u>
Net Position—October 1, as restated	<u>589,042</u>	<u>575,084</u>	<u>4,166,241</u>	<u>3,877,332</u>	<u>4,755,283</u>	<u>4,452,416</u>
Net Position—Ending	<u>\$ 545,368</u>	<u>\$ 589,042</u>	<u>\$ 4,143,346</u>	<u>\$ 4,166,241</u>	<u>\$ 4,688,714</u>	<u>\$ 4,755,283</u>

### Governmental Activities

Governmental activities decreased the City's net position by \$43,674. Key elements of this decrease are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are property taxes (40 percent), charges for services (16 percent) and sales tax (26 percent).

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

The largest expense categories for the City's governmental activities are public safety (56 percent) and general government (42 percent).

### **Business-type Activities**

Business-type activities decreased the City's net position by \$22,895.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$875,884 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 \$203,963, which comprised 100 percent of the fund balance. 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 26 percent of total fund expenditures. The fund balance of the City's general fund increased by \$22,841 during the current fiscal year.

**Special Revenue Fund**—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$126,155, which will be used for future expenditures.

**Proprietary Funds**—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$4,143,346, a change of \$20,595.

### **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 2015-16 general fund operating budget decreased by \$48,166 during the current fiscal year. This decrease was primarily related to a decrease in the General Government capital outlay and other services budgets. There was no change in the City's tax millage from 2015 to 2016.

**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, 2016, amounted to \$7,781,431, net of accumulated depreciation of \$2,895,999. 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			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 98,220	\$ 98,220	\$ 82,006	\$ 82,006	\$ 180,226	\$ 180,226
Plants, Buildings & Improvements	518,456	518,456	8,962,738	7,600,763	9,481,194	8,119,219
Machinery & Equipment	628,133	597,196	387,877	383,037	1,016,010	980,233
Construction in Progress	0	0	0	1,361,974	0	1,361,974
Accumulated Depreciation	<u>(609,174)</u>	<u>(578,732)</u>	<u>(2,286,825)</u>	<u>(2,011,277)</u>	<u>(2,895,999)</u>	<u>(2,590,009)</u>
Total	\$ <u>635,635</u>	\$ <u>635,140</u>	\$ <u>7,145,796</u>	\$ <u>7,416,503</u>	\$ <u>7,781,431</u>	\$ <u>8,051,643</u>

**Long-term Debt**—At year-end, the City had \$3,591,006 in bonds, note payables and capital leases outstanding. More detailed information about the City of Guntown'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			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue Bonds	\$ 0	\$ 0	\$ 2,186,288	\$ 2,257,377	\$ 2,186,288	\$ 2,257,377
Notes Payable	0	0	1,395,300	1,400,641	1,395,300	1,400,641
Capital Lease Payable	<u>9,418</u>	<u>12,498</u>	<u>0</u>	<u>0</u>	<u>9,418</u>	<u>12,498</u>
Total	\$ <u>9,418</u>	\$ <u>12,498</u>	\$ <u>3,581,588</u>	\$ <u>3,658,018</u>	\$ <u>3,591,006</u>	\$ <u>3,670,516</u>

# **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 2017 budget. The total budgeted appropriations for the City's general fund operations is \$1,391,810. This is an increase from the prior year budget. The increase is primarily related to capital outlay in the fire 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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS:</u></b>			
Cash on Deposit	\$ 364,866	\$ 412,843	\$ 777,709
Money Market, Certificates of Deposit	-	322,581	322,581
Restricted Cash	-	194,536	194,536
Due From Other Governments	10,927	-	10,927
Accounts Receivable	-	115,891	115,891
Court Fines Receivable, net	246,230	-	246,230
Property Tax Receivable	4,328	-	4,328
Other Receivable	31,407	-	31,407
Due From Other Funds	2,146	-	2,146
Capital Assets:			
Land	98,220	82,006	180,226
Plant, Buildings and Improvements	518,456	8,962,738	9,481,194
Machinery and Equipment	628,133	387,877	1,016,010
Construction in Progress	-	-	-
Accumulated Depreciation	(609,174)	(2,286,825)	(2,895,999)
<b>TOTAL ASSETS</b>	<u>1,295,539</u>	<u>8,191,647</u>	<u>9,487,186</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>			
Deferred Amounts Related to Pensions	<u>113,016</u>	<u>63,193</u>	<u>176,209</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 113,016</u>	<u>\$ 63,193</u>	<u>\$ 176,209</u>

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
September 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>LIABILITIES:</u></b>			
Accounts Payable and Accrued Expenses	\$ 75,948	\$ 15,270	\$ 91,218
Accrued Compensated Absences	8,037	6,621	14,658
Due to Other Funds	-	2,146	2,146
Refundable Deposits	3,280	77,286	80,566
Net Pension Liability	718,789	401,904	1,120,693
Long-Term Liabilities:			
Due Within One Year	3,222	153,537	156,759
Due in More Than One Year	6,196	3,428,051	3,434,247
<b>TOTAL LIABILITIES</b>	<b>815,472</b>	<b>4,084,815</b>	<b>4,900,287</b>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
Deferred Amounts Related to Pensions	47,715	26,679	74,394
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>47,715</b>	<b>26,679</b>	<b>74,394</b>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	626,217	3,564,208	4,190,425
Restricted for:			
Debt Service	-	194,536	194,536
Special Revenue Projects	112,928	-	112,928
Unrestricted	(193,777)	384,602	190,825
<b>TOTAL NET POSITION</b>	<b>\$ 545,368</b>	<b>\$ 4,143,346</b>	<b>\$ 4,688,714</b>

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

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**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended September 30, 2016**

FUNCTIONS/ PROGRAMS	Expenses	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position PRIMARY GOVERNMENT		
		Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>								
Government Activities:								
General Government	\$ 376,935	\$ 39,671	\$ -	\$ 19,015	\$ 58,686	\$ (318,249)	\$ -	\$ (318,249)
Public Safety	504,137	86,720	-	-	86,720	(417,417)	-	(417,417)
Culture and Recreation	15,956	1,920	-	-	1,920	(14,036)	-	(14,036)
Interest on Long-Term Debt	697	-	-	-	-	(697)	-	(697)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>897,725</b>	<b>128,311</b>	<b>-</b>	<b>19,015</b>	<b>147,326</b>	<b>(750,399)</b>	<b>-</b>	<b>(750,399)</b>
Business-Type Activities:								
Water & Sewer System	854,976	875,884	-	12,226	888,110	-	33,134	33,134
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>854,976</b>	<b>875,884</b>	<b>-</b>	<b>12,226</b>	<b>888,110</b>	<b>-</b>	<b>33,134</b>	<b>33,134</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,752,701</b>	<b>\$ 1,004,195</b>	<b>\$ -</b>	<b>\$ 31,241</b>	<b>\$ 1,035,436</b>	<b>\$ (750,399)</b>	<b>\$ 33,134</b>	<b>\$ (717,265)</b>
<b>GENERAL REVENUES:</b>								
Taxes:								
Property Taxes, Levied for General Purposes						\$ 317,252	\$ -	\$ 317,252
Sales and Use Taxes						203,192	-	203,192
Licenses and Permits						14,832	-	14,832
In Lieu Taxes						64,880	-	64,880
Intergovernmental Revenues						19,232	-	19,232
Gain (Loss) on Sale of Capital Assets						-	-	-
Investment Earnings						301	757	1,058
Insurance Proceeds						13,360	-	13,360
Miscellaneous						14,590	2,300	16,890
Transfers (to) from Other Funds						59,086	(59,086)	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>						<b>706,725</b>	<b>(56,029)</b>	<b>650,696</b>
<b>CHANGE IN NET POSITION</b>						<b>(43,674)</b>	<b>(22,895)</b>	<b>(66,569)</b>
<b>NET POSITION--BEGINNING</b>						<b>589,042</b>	<b>4,166,241</b>	<b>4,755,283</b>
<b>NET POSITION--ENDING</b>						<b>\$ 545,368</b>	<b>\$ 4,143,346</b>	<b>\$ 4,688,714</b>

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

**CITY OF GUNTOWN, MISSISSIPPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2016**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS:</u></b>			
Cash on Deposit	\$ 224,208	\$ 140,658	\$ 364,866
Due From Other Governments	10,927	-	10,927
Other Receivables	29,739	1,668	31,407
Due From Other Funds	1,926	220	2,146
<b>TOTAL ASSETS</b>	<b>\$ 266,800</b>	<b>\$ 142,546</b>	<b>\$ 409,346</b>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>			
<b><u>LIABILITIES:</u></b>			
Accounts Payable and Accrued Expenses	\$ 59,557	\$ 16,391	\$ 75,948
Due to Other Funds	-	-	-
Refundable Deposits	3,280	-	3,280
<b>TOTAL LIABILITIES</b>	<b>62,837</b>	<b>16,391</b>	<b>79,228</b>
<b><u>FUND BALANCES (DEFICIT):</u></b>			
Restricted:			
Fire Protection	-	112,928	112,928
Unassigned	203,963	13,227	217,190
<b>TOTAL FUND BALANCES</b>	<b>203,963</b>	<b>126,155</b>	<b>330,118</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 266,800</b>	<b>\$ 142,546</b>	<b>\$ 409,346</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, 2016**

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	330,118
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.		635,635
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.		4,328
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(9,418)
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(8,037)
Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(718,789)
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		113,016
Deferred inflows of resources related to defined benefit pension plan		(47,715)
Accrual of court fine revenues to qualify as financial resources.		<u>246,230</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>545,368</u></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, 2016**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
General Property Taxes	\$ 316,882	\$ -	\$ 316,882
Sales & Use Taxes	203,192	-	203,192
Licenses and Permits	14,832	-	14,832
In Lieu of Taxes	64,880	-	64,880
Intergovernmental Revenues	7,158	12,074	19,232
Rentals	39,671	-	39,671
Park Revenues	1,920	-	1,920
Fines and Forfeits	108,553	-	108,553
Insurance Rebate	-	13,360	13,360
Interest Income	200	101	301
Grant Income	19,015	-	19,015
Miscellaneous Revenues	14,541	49	14,590
<b>TOTAL REVENUES</b>	<u>790,844</u>	<u>25,584</u>	<u>816,428</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	347,671	-	347,671
Public Safety	426,285	43,954	470,239
Culture and Recreation	18,186	-	18,186
Debt Service	3,777	-	3,777
<b>TOTAL EXPENDITURES</b>	<u>795,919</u>	<u>43,954</u>	<u>839,873</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,075)</u>	<u>(18,370)</u>	<u>(23,445)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Sale of Capital Assets	-	-	-
Proceeds from Long Term Debt	-	-	-
Transfers to Other Funds	(31,800)	-	(31,800)
Transfers from Other Funds	59,716	31,170	90,886
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>27,916</u>	<u>31,170</u>	<u>59,086</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>22,841</u>	<u>12,800</u>	<u>35,641</u>
<b>FUND BALANCES - BEGINNING</b>	<u>181,122</u>	<u>113,355</u>	<u>294,477</u>
<b>FUND BALANCES - Ending</b>	<u>\$ 203,963</u>	<u>\$ 126,155</u>	<u>\$ 330,118</u>

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

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**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, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	35,641
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.		30,937
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.		(30,442)
Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.		(65,390)
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.		370
Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received.		(21,833)
(Increase) decrease in accrual of compensated absences.		3,963
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 repayments and issuance costs.		3,080
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$	 <u><u>(43,674)</u></u>

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, 2016**

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
General Property Taxes	\$ 304,000	\$ 310,900	\$ 312,438	\$ 1,538
Sales & Use Taxes	179,000	200,000	208,059	8,059
Licenses and Permits	9,350	10,600	14,832	4,232
In Lieu of Taxes	69,700	71,300	63,636	(7,664)
Intergovernmental Revenues	34,500	34,500	7,158	(27,342)
Rentals	40,150	38,050	39,671	1,621
Park Revenues	1,900	1,900	1,920	20
Fines and Forfeits	150,000	117,536	108,553	(8,983)
Interest Income	100	100	200	100
Grant Income	3,500	3,500	19,015	15,515
Miscellaneous Revenues	550	620	14,541	13,921
<b>TOTAL REVENUES</b>	<u>792,750</u>	<u>789,006</u>	<u>790,023</u>	<u>1,017</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	386,492	369,033	347,671	21,362
Public Safety	532,472	461,045	426,285	34,760
Culture and Recreation	38,580	79,300	18,186	61,114
Debt Service	3,777	3,777	3,777	-
<b>TOTAL EXPENDITURES</b>	<u>961,321</u>	<u>913,155</u>	<u>795,919</u>	<u>117,236</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(168,571)</u>	<u>(124,149)</u>	<u>(5,896)</u>	<u>118,253</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers (to) from Other Funds	41,253	10,885	27,916	17,031
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>41,253</u>	<u>10,885</u>	<u>27,916</u>	<u>17,031</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES</b>	<u>\$ (127,318)</u>	<u>\$ (113,264)</u>	<u>\$ 22,020</u>	<u>\$ 135,284</u>

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



CITY OF GUNTOWN, MISSISSIPPI  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
September 30, 2016

**ASSETS**

Current Assets

Cash on Deposit	\$	412,843
Money Market, Certificates of Deposit		322,581
Restricted Cash		194,536
Accounts Receivable		115,891
Total Current Assets		1,045,851

Fixed Assets

Distributions Systems		8,962,738
Equipment		387,877
Land		82,006
Less: Accumulated Depreciation		(2,286,825)
Net Fixed Assets		7,145,796

**TOTAL ASSETS**

8,191,647

Deferred Outflows of Resources

Deferred Outflows - Pensions		63,193
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**TOTAL DEFERRED OUTFLOWS OF RESOURCES**

63,193

**LIABILITIES**

Current Liabilities

Accounts Payable		15,270
Due to Other Funds		2,146
Notes and Bonds Payable - Within One Year		153,537
Total Current Liabilities		170,953

Noncurrent Liabilities

Accrued Compensated Absences		6,621
Net Pension Liability		401,904
Refundable Deposits		77,286
Notes and Bonds Payable, Net of Current Maturities		3,428,051
Total Noncurrent Liabilities		3,913,862

**TOTAL LIABILITIES**

4,084,815

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows - Pensions		26,679
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**TOTAL DEFERRED INFLOWS OF RESOURCES**

26,679

**NET POSITION**

Net Investment in Capital Assets		3,564,208
Restricted for:		
Debt Service		194,536
Unrestricted		384,602
Total Net Position		\$ 4,143,346

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, 2016**

**OPERATING REVENUES**

Charges for Services	\$	875,884
Other Receipts		2,300
		878,184
Total Operating Revenues		878,184

**OPERATING EXPENSES**

Personnel Services		213,888
Contractual Services		24,369
Supplies		111,939
Depreciation and Amortization		275,548
Other Services		133,956
		759,700
Total Operating Expenses		759,700

Operating Income		118,484
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**NON-OPERATING REVENUES (EXPENSES)**

Interest Income		757
Grant Income		12,226
Gain(Loss) on Sale of Capital Assets		-
Interest and Fiscal Charges		(95,276)
		(82,293)
Total Non-Operating Revenues (Expenses)		(82,293)

**INCOME BEFORE OPERATING TRANSFERS**

36,191

**TRANSFERS (TO) FROM OTHER FUNDS**

Transfers from Other Funds		189,086
Transfers to Other Funds		(248,172)
		(59,086)
Net Transfers (to) from Other Funds		(59,086)

**CHANGE IN NET POSITION**

(22,895)

**NET POSITION - OCTOBER 1,**

4,166,241

**NET POSITION - SEPTEMBER 30**

\$ 4,143,346

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, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Customers	\$ 879,761
Cash Payments for Personnel Services	(185,866)
Cash Payments for Contractual Services	(24,369)
Cash Payments for Supplies	(111,939)
Cash Payments for Other Services	(133,533)
Net Cash Provided By Operating Activities	<u>424,054</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Operating Transfers - In from (Out) to Other Funds	<u>(56,941)</u>
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	<u>(56,941)</u>

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

Acquisition of Fixed Assets	(116,952)
Proceeds From Issuance of Debt	70,727
Cash Received from Capital Grants	12,226
Principal Paid on Bonds, Notes and Capital Lease Payables	(147,157)
Interest Paid on Bonds, Notes and Capital Lease Payables	(95,276)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(276,432)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments	<u>757</u>
Net Cash Provided By Investing Activities	<u>757</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 91,438

CASH AND CASH EQUIVALENTS - BEGINNING 838,522

CASH AND CASH EQUIVALENTS - ENDING \$ 929,960

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

Operating Income (Loss)	\$ 118,484
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities	
Depreciation	275,548
Net Pension Expense	27,544
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	1,577
Increase (Decrease) in Accounts Payable - operating activities	(10,407)
Increase (Decrease) in Accrued Expenses - operating activities	478
Increase (Decrease) in Refundable Deposits	10,830
Total Adjustments	<u>305,570</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 424,054</u>

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

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

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

The City of Guntown 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: police protection, fire protection, parks and recreation department and water and sewer systems.

**Government-Wide and Fund Financial Statements**

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

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information on all non-fiduciary activities of the primary government and its component units. The statements distinguish between those activities of the City that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support.

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

**Fund Financial Statements**

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

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

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

The City reports the following governmental funds:

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

*Special Revenue Fund* – The Special Revenue 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 specified purposes. This is a non-major governmental fund.

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.

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

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water and charges for sewer treatment. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Budgets and Budgetary Accounting

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

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be posted in three public places.
- (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.

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**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**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.

Cash and Investments

Deposits- The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's deposits are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments - State statutes, City bond ordinances and City resolutions authorize the City's investments. The City is authorized to invest in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, or of any school district, which such county or municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or in interest-bearing time certificates of deposit with municipal depositories serving in accordance with Section 27-105-353 at a rate of interest not less than a simple interest rate numerically equal to the average bank discount rate on United States Treasury bills of comparable maturity.

The City's investments as of September 30, 2016 are:

Investments:

Certificates of Deposit	\$ 322,581
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**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

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

Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. City policy is to follow State recommendations for capitalization thresholds, which ranges from \$0 to \$5,000 depending on the type of asset. Contributed assets are recorded at fair market value as of the date donated. 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 on capital assets is calculated on the straight-line basis over the following estimated useful lives:

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

Revenue Recognition – Property Taxes

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

General Obligation Enterprise 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.

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.



**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

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

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

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Cash and Cash Equivalents

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Guntown's participation in the Public Employees' Retirement System of Mississippi (PERS), and additions to/deductions from the City of Guntown'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.

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

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

Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City did not have any nonspendable resources as of September 30, 2016.
- **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.
- **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 no assigned fund balances as of September 30, 2016.
- **Unassigned:** This classification includes the residual fund balance for the General Fund and all other amounts not included in other spendable classifications.

Use of Restricted/Unrestricted Net Position

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

Business Information

The City of Guntown 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.

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 2 – FIXED ASSETS**

The following is a summary of capital asset activity as of September 30, 2016:

Primary Government:

	Restated Balance 10/1/2015	Additions	Disposals	Balance 9/30/2016
Capital Assets, not being depreciated:				
Land	\$ 98,220	\$ 0	\$ 0	\$ 98,220
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	518,456	0	0	518,456
Machinery and Equipment	597,196	30,937	0	628,133
Total Capital Assets being depreciated	<u>1,115,652</u>	<u>30,937</u>	<u>0</u>	<u>1,146,589</u>
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(199,363)	(8,470)	0	(207,833)
Machinery and Equipment	(379,369)	(21,972)	0	(401,341)
Total Accumulated Depreciation	<u>(578,732)</u>	<u>(30,442)</u>	<u>0</u>	<u>(609,174)</u>
Total Capital Assets, depreciated, net	<u>536,920</u>	<u>495</u>	<u>0</u>	<u>537,415</u>
Governmental Activities Capital Assets, net	<u>\$ 635,140</u>	<u>\$ 495</u>	<u>\$ 0</u>	<u>\$ 635,635</u>

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 2 – FIXED ASSETS (continued)**

Business-Type Activities:

	Balance 10/1/2015	Additions	Disposals	Balance 9/30/2016
Capital Assets, not being depreciated:				
Land	\$ 82,006	\$ 0	\$ 0	82,006
Construction in Progress	1,361,974	0	(1,361,974)	0
Total Capital Assets, not being depreciated	<u>1,443,980</u>	<u>0</u>	<u>(1,361,974)</u>	<u>82,006</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	7,600,764	0	1,361,974	8,962,738
Machinery and Equipment	383,037	4,840	0	387,877
Total Capital Assets being depreciated	<u>7,983,801</u>	<u>4,840</u>	<u>1,361,974</u>	<u>9,350,615</u>
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(1,734,775)	(259,876)	0	(1,994,651)
Machinery and Equipment	(276,502)	(15,672)	0	(292,174)
Total Accumulated Depreciation	<u>(2,011,277)</u>	<u>(275,548)</u>	<u>0</u>	<u>(2,286,825)</u>
Total Capital Assets, depreciated, net	<u>5,972,523</u>	<u>(270,708)</u>	<u>1,361,974</u>	<u>7,063,790</u>
Business-Type Activities Capital Assets, net	<u>\$ 7,416,504</u>	<u>\$ (270,708)</u>	<u>\$ 0</u>	<u>\$ 7,145,796</u>

The City's capitalization threshold is \$1,000 for Plant, Improvements, Furniture, and Equipment; Land and Buildings are capitalized regardless of cost. The City retroactively applied these thresholds to all general fixed assets in service at September 30, 2004 pursuant to GASB requirements.

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

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

Governmental Activities:	
General Government	\$ 7,845
Public Safety	20,367
Culture and Recreation	<u>2,230</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 30,442</u>
Business-type Activities:	
Water and Sewer	<u>\$ 275,548</u>

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 3 – RECEIVABLES**

Receivables at September 30, 2016, consisted primarily of taxes, account (billings for user charged services including unbilled utility services), sales tax, property tax and in lieu tax.

All accounts receivable are shown net of an allowance for uncollectible amounts of \$318,628 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 – LONG-TERM DEBT**

The following is a summary of bond and other debt transactions of the City for the year ended September 30, 2016:

	<u>Bonds Payable</u>	<u>Notes Payable/ Capital Lease</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/1/15	\$ 2,257,377	\$ 1,413,139	\$ 3,670,516
Add: Bonds and Other Long-Term Debt Acquired	0	70,727	70,727
Less: Bonds and Other Long-Term Debt Retired	<u>71,089</u>	<u>79,148</u>	<u>150,237</u>
Bonds and Other Long-Term Debt at 9/30/16	<u>\$ 2,186,288</u>	<u>\$ 1,404,718</u>	<u>\$ 3,591,006</u>

Bonds and other long-term debt at September 30, 2016 are comprised of the following issues:

**Revenue Bonds:**

\$1,255,000 Revenue Refunding Bond dated May 30, 2013 (Series 2013), due in annual principal installments bearing semi-annual interest at 0.70% to 3.50% through January 2033; collateralized by the water and sewer system net revenues. \$ 1,125,000

\$870,000 Combined Water and Sewer System Revenue Bond dated December 1, 2014 (Series 2014), due in annual principal installments bearing semi-annual interest at 3.50% through January 2050; collateralized by the water and sewer system net revenues. 859,265

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLE**

Individual fund interfund receivable and payable balances at September 30, 2016, were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,926	\$ 0
Special Revenue Fund	220	0
Enterprise Fund:		
Water and Sewer Fund	0	2,146
	\$ 2,146	\$ 2,146

**NOTE 6 – LITIGATION**

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

**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

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

*Benefits Provided-* For the cost-sharing plan participating members who are vested and retire at or after age 60 or those retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age 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.

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 4 – LONG-TERM DEBT (continued)**

\$400,000 Combined Water and Sewer System Revenue Bond dated July 17, 2017 (Series 2014), due in annual principal installments bearing semi-annual interest at 4.00% through January 2052; collateralized by the water and sewer system net revenues. 202,023

**Notes Payable:**

\$500,000 dated April 1, 2008, to Mississippi Development Authority Capital Improvements Revolving Loan (CAP) due in 240 monthly installments of \$2,529 with interest at 2.00% through March 1, 2028. 313,063

\$50,432 dated December 5, 2014, to Mississippi Department of Health Drinking Water Emergency Loan 2014 due in 57 monthly installments of \$928.20 with interest at 2.00% through October 1, 2019. 33,279

\$1,091,065 dated August 23, 2013, to Mississippi Department of Health Drinking Water Emergency Loan 2015 due in 236 monthly installments of \$5,569.88 with interest at 1.95% through May 1, 2035. 1,048,958

**Capital Leases:**

\$15,810 dated July 15, 2014, to First Government Lease Company due in 60 monthly installments of \$314.75 with interest at 4.50% through June 15, 2019; collateralized by three police cars. 9,418

**Total Long-term Debt** **\$ 3,591,006**

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.

The annual requirements to amortize all debt outstanding as of September 30, 2016 including interest payments of \$1,246,201 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2017	\$ 3,222	\$ 555	\$ 153,537	\$ 92,883	\$ 156,759	\$ 93,438
2018	3,463	314	155,891	90,102	159,354	90,416
2019	2,733	58	163,310	87,041	166,043	87,099
2020	0	0	155,502	84,015	155,502	84,015
2021	0	0	156,901	80,637	156,901	80,637
2022 – 2026	0	0	836,794	348,425	836,794	348,425
2027 – 2031	0	0	823,044	242,936	823,044	242,936
2032 – 2036	0	0	593,497	79,014	593,497	79,014
2037 – 2041	0	0	181,786	79,014	181,786	79,014
2042 – 2046	0	0	183,097	48,242	183,097	48,242
2047 – 2051	0	0	178,229	12,965	178,228	12,965
	<u>\$ 9,418</u>	<u>\$ 927</u>	<u>\$ 3,581,588</u>	<u>\$ 1,245,274</u>	<u>\$ 3,591,006</u>	<u>\$ 1,246,201</u>

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)**

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Retirees and beneficiaries who have been receiving benefit payments for at least one full fiscal year are eligible to receive an annual Cost-of-Living Adjustment (COLA). Designed to help offset the effects of inflation, the COLA is equal to 3% 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% compounded for each fiscal year thereafter.

Employee membership data related to the Plan, as of June 30, 2016 was as follows:

Retirees and Survivors	99,483
Terminated Vested Employees	19,400
Inactive Nonvested Members	123,235
Active Members	<u>154,104</u>
Total	<u><u>396,222</u></u>

*Contributions-* The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and the City of Guntown is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the City to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

For the year ended September 30, 2016, the City of Guntown's total payroll for all employees was \$448,753. Total covered payroll was \$395,710. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions-* At September 30, 2016, the City of Guntown reported a liability of \$1,120,693 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Guntown's proportion of the net pension liability was based on a projection of the City of Guntown's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City of Guntown's proportion was 0.006274%.



**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)**

For the year ended September 30, 2016, the City of Guntown recognized pension expense of \$76,737. At September 30, 2016, the City of Guntown reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Results - Pensions	\$ 31,259	\$ 0
City Pension Contributions Subsequent to the Measurement Date	16,197	0
Changes of Assumptions	52,832	0
Net Difference Between Projected and Actual Investment Earnings on Investments	75,921	0
Changes in Proportion and Differences Between ER Contributions and Proportionate Share Of ER Contributions	0	74,394
<b>Total</b>	<b>\$ <u>176,209</u></b>	<b>\$ <u>74,394</u></b>

The \$16,197 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	<u>Amount</u>
2017	\$ 25,722
2018	12,252
2019	25,505
2020	<u>22,139</u>
<b>Total</b>	<b>\$ <u>85,618</u></b>

*Actuarial Assumptions*-The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, with male rates set forward one year.

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34.00%	5.20%
International Equity	19.00%	5.00%
Emerging Markets Equity	8.00%	5.45%
Fixed Income	20.00%	0.25%
Real Assets	10.00%	4.00%
Private Equity	8.00%	6.15%
Cash	1.00%	(0.50)%
Total	100.00%	

*Discount Rate*-The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). 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, 2016**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN (continued)**

*Sensitivity of the City of Guntown's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*-The following presents the City of Guntown's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the City of Guntown's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$1,436,980
Current discount rate	7.75%	\$1,120,693
1% increase	8.75%	\$ 858,278

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

**NOTE 8 – FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS**

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$821 more than cash revenues.

**NOTE 9 – 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. The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2016, 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.

**CITY OF GUNTOWN, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 10 – CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 16, 2018, the date which the financial statements were available to be issued.

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**Fiscal Year Ended September 30, 2016**

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>			
General Property Taxes	\$ 310,900	\$ 312,438	\$ 1,538
Sales & Use Taxes	200,000	208,059	8,059
Licenses and Permits	10,600	14,832	4,232
In Lieu of Taxes	71,300	63,636	(7,664)
Intergovernmental Revenues	34,500	7,158	(27,342)
Rentals	38,050	39,671	1,621
Park Revenues	1,900	1,920	20
Fines and Forfeitures	117,536	108,553	(8,983)
Interest Income	100	200	100
Grant Income	3,500	19,015	15,515
Miscellaneous Revenues	620	14,541	13,921
Total revenues	<u>789,006</u>	<u>790,023</u>	<u>1,017</u>
<b><u>EXPENDITURES</u></b>			
General Government			
Personnel Services	188,757	193,891	(5,134)
Supplies	33,300	15,367	17,933
Other Services and Charges	143,725	137,821	5,904
Capital Outlay	3,251	592	2,659
Total	<u>369,033</u>	<u>347,671</u>	<u>21,362</u>
Public Safety			
Personnel Services	276,240	275,391	849
Supplies	34,000	26,935	7,065
Other Services and Charges	108,305	100,863	7,442
Capital Outlay	42,500	23,096	19,404
Total	<u>461,045</u>	<u>426,285</u>	<u>34,760</u>
Culture and Recreation			
Personnel Services	17,774	3,132	14,642
Supplies	5,275	3,035	2,240
Professional Services	8,750	7,318	1,432
Capital Outlay	47,501	4,701	42,800
Total	<u>\$ 79,300</u>	<u>\$ 18,186</u>	<u>\$ 61,114</u>

**CITY OF GUNTOWN, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued**  
**Fiscal Year Ended September 30, 2016**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Debt Service			
Principal Retired	\$ 3,777	\$ 3,777	\$ -
Interest Expense	-	-	-
Total	<u>3,777</u>	<u>3,777</u>	<u>-</u>
 Total expenditures	 <u>913,155</u>	 <u>795,919</u>	 <u>118,253</u>
 Excess (Deficit) revenues over (under) expenditures	 <u>(124,149)</u>	 <u>(5,896)</u>	 <u>(117,236)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Capital Assets	-	-	-
Proceeds from Long Term Debt	-	-	-
Transfers from Other Funds	451,185	59,716	(391,469)
Transfers (to) Other Funds	<u>(440,300)</u>	<u>(31,800)</u>	<u>(408,500)</u>
Total other financing sources (uses)	<u>10,885</u>	<u>27,916</u>	<u>(799,969)</u>
 Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	 <u>(113,264)</u>	 <u>22,020</u>	 <u>135,284</u>
 Fund balances at October 1, 2015	 <u>181,122</u>	 <u>181,122</u>	 <u>-</u>
Fund balances at September 30, 2016	<u>\$ 67,858</u>	<u>\$ 203,142</u>	<u>\$ 135,284</u>
Adjustments To GAAP Basis:			
Add: Accrued revenues		<u>821</u>	
Fund Balance GAAP September 30, 2016		<u>\$ 203,963</u>	

REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF GUNTOWN, MISSISSIPPI  
 SCHEDULE OF THE CITY'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 Last 10 Fiscal Years  
 For the Fiscal Year Ended September 30, 2016**

	<u>2016</u>	<u>2015</u>
A. Guntown's proportion of net pension liability (%)	0.006300%	0.006700%
B. Guntown's proportionate share of net pension liability	\$1,120,693	\$1,035,688
C. Guntown's covered employee payroll	\$395,710	\$430,303
D. Guntown's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	283.21%	240.69%
E. Plan fiduciary net position as a percentage of total pension liability	57.47%	61.70%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2016, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

**CITY OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF THE CITY'S CONTRIBUTIONS  
For the Last 10 Fiscal Years  
For the Fiscal Years Ended September 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. Statutorily required contributions	\$62,326	\$67,773	\$66,930
B. Contributions in relation to statutorily required contributions	\$62,326	\$67,773	\$66,930
C. Contribution deficiency (excess)	\$0	\$0	\$0
D. Guntown's covered employee payroll	\$395,710	\$430,303	\$424,948
E. Contributions as a percentage of covered employee payroll	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2016, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

**CITY OF GUNTOWN, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended September 30, 2016**

Pension Schedules

(1) Changes in benefit provisions

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(2) Changes of assumptions

In 2015 and later, 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. In 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 more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively. In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

(3) The comparative information presented on the Schedule of the Department'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, 2016**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Susan McKee	City Clerk	Travelers Insurance	\$80,000
Susan McKee	City Clerk	Renasant Insurance	\$30,000
Michael Hall	Chief of Police	Renasant Insurance	\$50,000
Tonya Brown	Deputy City Clerk	Renasant Insurance	\$10,000
Tonya Brown	Water Billing Clerk	Scott Insurance	\$50,000
Nikoma Myhand	Water Operator	Scott Insurance	\$50,000
Angie Watson	Court Clerk	Scott Insurance	\$50,000
Gary Herring	Mayor	Scott Insurance	\$50,000
John Herring	Alderman	Scott Insurance	\$50,000
James Hopkins	Alderman	Scott Insurance	\$50,000
Brent Lindsey	Alderman	Scott Insurance	\$50,000
William McMohan	Alderman	Scott Insurance	\$50,000
Gregory Cagle	Alderman	Scott Insurance	\$50,000
Michael Hall	Deputy Court Clerk	Scott Insurance	\$50,000
Scotty Bradley	Deputy Court Clerk	Scott Insurance	\$50,000
Adam Cook	Deputy Court Clerk	Scott Insurance	\$50,000
Dean Hill	Police	Scott Insurance	\$25,000
Tyler Weathers	Police	Scott Insurance	\$25,000
Joshua Davis	Police	Scott Insurance	\$25,000
Robert Cook	Police	Scott Insurance	\$25,000
Adam Cook	Police	Scott Insurance	\$25,000
Michael Stahl	Police	Scott Insurance	\$25,000
Devin Burress	Police	Scott Insurance	\$25,000
Scotty Bradley	Police	Scott Insurance	\$25,000
James Bradley	Police	Scott Insurance	\$25,000
David Austin	Police	Scott Insurance	\$25,000
Jon Price	Police	Scott Insurance	\$25,000
Jimmy Jarman	Police	Scott Insurance	\$25,000
Justin Williams	Police	Scott Insurance	\$25,000
Jason Jackson	Police	Scott Insurance	\$25,000
Jason McCaffrey	Police	Scott Insurance	\$25,000
Hunter Walton	Police	Scott Insurance	\$25,000

**CITY OF GUNTOWN, MISSISSIPPI**  
**SCHEDULE OF LONG TERM DEBT**  
For the year ended September 30, 2016

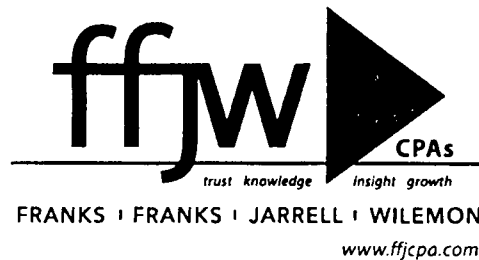
	BALANCE	TRANSACTIONS		BALANCE
	OUTSTANDING	DURING FISCAL YEAR		OUTSTANDING
	<u>October 1, 2015</u>	<u>ISSUED</u>	<u>REDEEMED</u>	<u>September 30, 2016</u>
<u>Revenue Bonds</u>				
USDA 91-14	\$ 870,000	\$ -	\$ 10,735	\$ 859,265
Series 2013	1,180,000	-	55,000	1,125,000
USDA 92-15	207,377	-	5,354	202,023
<u>Other Long Term Debt</u>				
MDA CAP Water Department	336,719	-	23,656	313,063
Capital Lease - Police Cars FGLC	12,498	-	3,080	9,418
MSDH - Drinking Water Emergency Loan	43,639	-	10,360	33,279
MSDH - Drinking Water Improvement Loan	1,020,283	70,727	42,052	1,048,958
<b>TOTAL</b>	<b>\$ 3,670,516</b>	<b>\$ 70,727</b>	<b>\$ 150,237</b>	<b>\$ 3,591,006</b>

OTHER REPORTS

11-1-2018

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

Honorable Mayor and Board of Alderman  
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, 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, 2016, and the related notes to the financial statements, which collectively comprise the City of Guntown, Mississippi's basic financial statements and have issued our report thereon dated May 16, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Guntown, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Guntown, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Guntown, Mississippi'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 have not been 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 finding no. 2 and 3 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 accompany schedule of findings and responses as finding no. 1 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Guntown, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as findings no. 2 and 3.



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

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

### **Purpose of this Report**

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

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

Franks, Franks, Jarrell & Wilemon, P.A.  
Tupelo, Mississippi  
May 16, 2018

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Rudolph Franks, CPA (emeritus)

## 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 City of Guntown, Mississippi, as of and for the year ended September 30, 2016, and have issued our report thereon dated May 16, 2018. 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*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed no instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses can be found in the accompanying schedule of findings and responses as findings no. 1, 2 and 3.

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

This report is intended for the information of 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, Jarrell & Wilemon, P.A.*

FRANKS, FRANKS, JARRELL & WILEMON, P.A.  
Tupelo, Mississippi  
May 16, 2018

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**CITY OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
September 30, 2016**

**FINDING NO. 1 (Significant Deficiency)**

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

**Cause of Condition:** The City's internal control did not provide for adequate segregation of duties in relation to the collection, processing and administering of 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. The City's size and number of personnel in these departments limit the opportunities for adequate segregation of duties.

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

**Response:** The City will analyze the accounting system and establish procedures that 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.

**FINDING NO. 2 (Material weakness, noncompliance)**

**Criteria:** The City is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. The City is to comply with state purchasing laws for all applicable purchases over certain dollar thresholds.

**Cause of Condition:** The City did not obtain competitive quotes for one purchase made during the year, as required by state statutes.

**Recommendation:** The City should implement adequate internal controls over all state purchase laws to ensure that the City strictly adheres to the purchase laws in all departments of the City.

**Response:** The City will take steps necessary to ensure that controls over purchasing are revised to ensure future compliance.

**CITY OF GUNTOWN, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
September 30, 2016**

**Finding No. 3 (Material Weakness, noncompliance)**

**Criteria:** The City is required, by state statutes, to prepare a budget for all required governmental funds of the City and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts. The City is further required to publish notice of any departmental budget amendments in excess of 10 % of the originally adopted departmental budgeted amount.

**Cause of Condition:** The City had budget overages in one category for the year ended September 30, 2016. The City also failed to publish notice of amendments greater than 10% of departmental expenditures during the fiscal year.

**Recommendation:** The City should ensure that all expenditures are within the final amended budget amounts. The City Clerk should generate monthly budget to actual revenue and expense reports that should be used to ensure budgets are amended before expenses are disbursed in excess of budgeted amounts. The City should ensure that notice is published anytime that the City amends a departmental budget in excess of 10% of the originally budgeted amounts.

**Response:** The City will take steps necessary to provide the Board with accurate revenue and expense budget to actual comparisons on a monthly basis for all required accounts. The City will take steps necessary to ensure that budgets are amended prior to budget overages occurring. The City will ensure that the proper notice is published for all amendments of departmental budgets in excess of 10%.