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EDDIE FULTON, MAYOR

LISA HARRIS, CITY CLERK

Office of the State Auditor  
P O Box 956  
Jackson Ms 39205

February 21, 2019

Re: Annual Municipal Audit

Accompanying this letter is a copy of the annual audit compilation of the City of Quitman, Mississippi, for the fiscal year ended September 30, 2018. A separate management letter was not written to the City of Quitman in connection with this audit.

Sincerely,

  
Eddie Fulton  
Mayor

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*"A Great Place To Live and Visit"*

**CITY OF QUITMAN, MISSISSIPPI**

**Audited Financial Statements  
and Special Report**

**For the Year Ended September 30, 2018**

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# CITY OF QUITMAN, MISSISSIPPI

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

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*Member  
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Certified Public Accountants*

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Mississippi Society of  
Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Quitman, Mississippi, (the City) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 2. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Quitman, Mississippi as of September 30, 2018,

and the respective changes in the cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash basis accounting as described in Note 2.

**Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City of Quitman's basic financial statements. The Budgetary Comparison Schedule, Schedule of Investments, Schedule of Capital Assets, Schedule of Long-term Debt, and Schedule of Surety Bonds for City Officials and corresponding notes have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



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

Quitman, Mississippi  
January 4, 2019

**CITY OF QUITMAN, MISSISSIPPI**  
**Statement of Net Position - Cash Basis**  
**September 30, 2018**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 600,953	\$ 1,212,818	\$ 1,813,771
Restricted cash	-	195,257	195,257
Total Assets	<u>\$ 600,953</u>	<u>\$ 1,408,075</u>	<u>\$ 2,009,028</u>
<b>NET POSITION</b>			
Restricted for:			
Expendable:			
Public safety	\$ 49,416	\$ -	\$ 49,416
Public works	-	1,408,075	1,408,075
Unemployment compensation	26,092	-	26,092
Debt service	16,196	-	16,196
Unrestricted	509,249	-	509,249
Total Net Position	<u>\$ 600,953</u>	<u>\$ 1,408,075</u>	<u>\$ 2,009,028</u>

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Statement of Activities - Cash Basis**  
**For the Year Ended September 30, 2018**

<u>Functions/Programs</u>	<u>Program Cash Receipts</u>				<u>Net (Disbursements) Receipts and Changes in Net Position</u>		<u>Total</u>
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<b>Governmental Activities:</b>							
General government	\$ 419,349	\$ 10,567	\$ -	\$ 158,062	\$ (250,720)	\$ -	\$ (250,720)
Public safety	672,442	-	27,614	-	(644,828)	-	(644,828)
Public works	497,150	-	-	-	(497,150)	-	(497,150)
Culture and recreation	209,831	-	-	-	(209,831)	-	(209,831)
<b>Debt service:</b>							
Principal	3,214	-	-	-	(3,214)	-	(3,214)
<b>Total Governmental Activities</b>	<b>1,801,986</b>	<b>10,567</b>	<b>27,614</b>	<b>158,062</b>	<b>(1,605,743)</b>	<b>-</b>	<b>(1,605,743)</b>
<b>Business-type Activities:</b>							
Water and sewer	1,397,024	728,847	-	372,762	-	(295,415)	(295,415)
Garbage collection	207,705	234,180	-	-	-	26,475	26,475
<b>Total Business-type Activities</b>	<b>1,604,729</b>	<b>963,027</b>	<b>-</b>	<b>372,762</b>	<b>-</b>	<b>(268,940)</b>	<b>(268,940)</b>
<b>Total Government</b>	<b>\$ 3,406,715</b>	<b>\$ 973,594</b>	<b>\$ 27,614</b>	<b>\$ 530,824</b>	<b>(1,605,743)</b>	<b>(268,940)</b>	<b>(1,874,683)</b>
<b>General Receipts:</b>							
Property taxes					648,048	-	648,048
Sales tax					551,831	-	551,831
Licenses and permits					144,886	-	144,886
Grants and contributions not restricted to specific programs					65,425	-	65,425
Unrestricted gifts and donations					455	-	455
Unrestricted interest income					5,798	12,630	18,428
Miscellaneous					115,396	-	115,396
Proceeds from loan					-	475,793	475,793
<b>Total General Revenues</b>					<b>1,531,839</b>	<b>488,423</b>	<b>2,020,262</b>
<b>Changes in Net Position</b>					<b>(73,904)</b>	<b>219,483</b>	<b>145,579</b>
<b>Net Position - Beginning</b>					<b>674,857</b>	<b>1,188,592</b>	<b>1,863,449</b>
<b>Net Position - Ending</b>					<b>\$ 600,953</b>	<b>\$ 1,408,075</b>	<b>\$ 2,009,028</b>

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



**CITY OF QUITMAN, MISSISSIPPI**  
**Statement of Cash Basis Assets and Fund Balances**  
**Governmental Funds**  
**September 30, 2018**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 509,249	\$ 91,704	\$ 600,953
Total Assets	<u>\$ 509,249</u>	<u>\$ 91,704</u>	<u>\$ 600,953</u>
<b>FUND BALANCES</b>			
Restricted for:			
Public safety	-	49,416	49,416
Debt service	-	16,196	16,196
Unemployment compensation	-	26,092	26,092
Unassigned	509,249	-	509,249
Total Fund Balances	<u>509,249</u>	<u>91,704</u>	<u>600,953</u>
Total Fund Balances	<u>\$ 509,249</u>	<u>\$ 91,704</u>	<u>\$ 600,953</u>

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

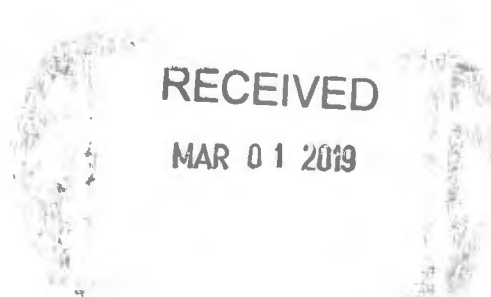
**CITY OF QUITMAN, MISSISSIPPI**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2018**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>RECEIPTS</b>			
Property taxes	\$ 648,048	\$ -	\$ 648,048
Sales tax	551,831	-	551,831
Licenses, commissions and other revenue	155,452	-	155,452
Fines and forfeitures	35,082	-	35,082
Intergovernmental receipts	233,131	17,970	251,101
Interest income	4,947	851	5,798
Miscellaneous receipts	69,946	10,824	80,770
Total Receipts	<u>1,698,437</u>	<u>29,645</u>	<u>1,728,082</u>
<b>DISBURSEMENTS</b>			
Current:			
General government	419,349	-	419,349
Public safety	647,718	24,724	672,442
Public works	497,150	-	497,150
Culture and recreation	209,831	-	209,831
Debt service:			
Principal	3,214	-	3,214
Total Disbursements	<u>1,777,262</u>	<u>24,724</u>	<u>1,801,986</u>
Excess (Deficiency) of Receipts over (under) Disbursement	<u>(78,825)</u>	<u>4,921</u>	<u>(73,904)</u>
<b>OTHER CASH SOURCES (USES)</b>			
Transfers in	-	7,470	7,470
Transfers out	(7,470)	-	(7,470)
Total Other Financing Sources and Uses	<u>(7,470)</u>	<u>7,470</u>	<u>-</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>(86,295)</u>	<u>12,391</u>	<u>(73,904)</u>
Fund Balances - Beginning	595,544	79,313	674,857
Fund Balances - Ending	<u>\$ 509,249</u>	<u>\$ 91,704</u>	<u>\$ 600,953</u>

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Statement of Net Position - Cash Basis**  
**Proprietary Funds**  
**September 30, 2018**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Garbage Collection Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,121,696	\$ 91,122	\$ 1,212,818
Total Current Assets	1,121,696	91,122	1,212,818
Noncurrent assets:			
Restricted cash	195,257	-	195,257
Total Noncurrent Assets	195,257	-	195,257
Total Assets	1,316,953	91,122	1,408,075
 <b>NET POSITION</b>			
Restricted for:			
Public works	1,316,953	91,122	1,408,075
Total Net Position	\$ 1,316,953	\$ 91,122	\$ 1,408,075



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

**CITY OF QUITMAN, MISSISSIPPI**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2018**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Garbage Collection Fund</b>	<b>Total</b>
<b>Operating Receipts</b>			
Charges for sales and services	\$ 684,227	\$ 224,491	\$ 908,718
Other services	44,620	9,689	54,309
Total Operating Receipts	<u>728,847</u>	<u>234,180</u>	<u>963,027</u>
<b>Operating Disbursements</b>			
Personal services	255,681	139,156	394,837
Contractual services	554,010	12,056	566,066
Materials and supplies	547,032	41,979	589,011
Insurance premiums	40,301	14,514	54,815
Total Operating Disbursements	<u>1,397,024</u>	<u>207,705</u>	<u>1,604,729</u>
Operating Income (Loss)	<u>(668,177)</u>	<u>26,475</u>	<u>(641,702)</u>
<b>Nonoperating Receipts (Disbursements)</b>			
Interest income	11,990	640	12,630
Grant receipts	372,762	-	372,762
Proceeds from loan	475,793	-	475,793
Net Nonoperating Receipts (Disbursements)	<u>860,545</u>	<u>640</u>	<u>861,185</u>
Changes in Net Position	192,368	27,115	219,483
Net Position - Beginning	1,124,585	64,007	1,188,592
Net Position - Ending	<u>\$ 1,316,953</u>	<u>\$ 91,122</u>	<u>\$ 1,408,075</u>

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2018**

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

**A. Financial Reporting Entity.**

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

**B. Individual Component Unit Disclosures.**

**Blended Component Unit**

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit balances and transactions are blended with the balances and transactions of the primary government:

- Criminal Investigation Division

**C. Basis of Presentation.**

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

**Government-wide Financial Statements:**

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

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

**Fund Financial Statements:**

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

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**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2018**

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

The Government-wide, Governmental Funds, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented on a cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

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

The City reports the following major Governmental Fund:

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

The City reports the following major Enterprise Funds:

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

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

Additionally, the City reports the following funds:

**GOVERNMENTAL FUND TYPES**

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

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

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

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

**PROPRIETARY FUND TYPE**

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

**FIDUCIARY FUND TYPE**

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2018**

**E. Account Classifications.**

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

**F. Deposits and Investments.**

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

Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). All cash deposits are reported at carrying amount (cost) which reasonably estimates fair market value. Investments in governmental securities are stated at fair value. However, the City did not invest in any governmental securities during the fiscal year.

**G. Restricted Cash.**

The City requires new users of its water and sewer system to pay a meter deposit up front in order to use the City's water and sewer systems. The City is required to maintain these deposits in a separate bank account and return this deposit to the customer upon discontinuation of service. The City is also required by the Mississippi Development Authority to maintain deposits in a separate bank account that relate to its ongoing sewer rehabilitation project received from them.

**H. Equity Classifications.**

Government-wide Financial Statements:

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

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

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

Net Position Flow Assumption:

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first.

Fund Financial Statements:

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

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

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2018**

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

**Fund Balance Flow Assumption:**

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first.

**I. Property Tax Receipts.**

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

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

The total millage rate of the City for January through December 2018 is 33.27 mills; 32.02 mills for general government operations, 1.0 mill for library operations and .25 mills for fire protection.

**Note 2: Change in Accounting Principle.**

Prior to October 1, 2017, the City's financial statements were presented using the accrual basis of accounting. For the fiscal year ended September 30, 2018, the basic financial statements are prepared on a cash basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

**Note 3: Deposits.**

The carrying amount of the City's total deposits with financial institutions at September 30, 2018, was \$2,009,028 and the bank balance was \$2,025,386. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer.

Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Companies (FDIC).

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party.



**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2018**

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

**Note 4: Interfund Transfers.**

The following is a summary of interfund transfers at September 30, 2018:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 7,470
Total		<u>\$ 7,470</u>

The principal purpose of the above transfers was to provide resources for debt service of the 2015 TIFF Series Limited Obligation Bonds.

**Note 5: Restricted Cash.**

The restricted cash account in the City's Water and Sewer fund represents customer meter deposits in the amount of \$97,115 and loan proceeds received from the Capital Improvements Loan program administered by the Mississippi Development Authority for a sewer rehabilitation project in the amount of \$98,142.

**Note 6: Claims and Judgements.**

**Workers' Compensation Benefits**

The City finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2018 to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**Note 7: Contingencies.**

Federal Grants – The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an agency audit may become a liability of the City. No provision for any liability that may result has been recognized in the City's financial statements.

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

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2018**

**Note 8: Related Organization.**

The City's Mayor and Board of Aldermen are responsible for appointing three members to the board of trustees of the Quitman Public Library, but the City's accountability for this organization does not extend beyond making the appointments. The City appropriated \$44,523 for an operating grant to the Quitman Public Library for the fiscal year 2018. This appropriation is funded by a 1 mill ad valorem millage rate on the citizens and businesses of the City.

**Note 9: Joint Venture.**

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

**Note 10: Defined Benefit Pension Plan.**

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

Funding Policy. At September 30, 2018, PERS members were required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The rate at September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2018, 2017 and 2016 were \$159,148, \$157,672 and \$155,584, respectively, equal to the required contributions for each year.

**Note 11: Subsequent Events.**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City evaluated the activity through January 4, 2019 (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On December 6, 2018, the Board of Aldermen authorized and approved an equipment lease-purchase not to exceed five years with an interest rate of 3.89% with Banco rp South Equipment Finance for the lease purchase of a Ramer Knuckleboom Trailer for \$56,796.

**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2018**

On December 6, 2018, the Board of Aldermen acknowledged that the City had received approval of a Small and Limited Population Grant from the state of Mississippi to be used in the development and of a work incubator program center.

**Note 12: Commitments.**

On February 6, 2018, the Board of Aldermen approved Suncoast Infrastructure, Inc. to complete a sewer rehabilitation project on the City's lagoon for a total cost of \$514,800. At year end the City had a remaining commitment on this project of \$109,238.

**Note 13: Tax Abatements.**

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

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

The City has a total of six ad valorem tax abatement agreements with three different industries as of September 30, 2018:

<u>Category</u>	<u>Percentag of Taxes Abated</u>	<u>Amount of Taxes Abated during the Year</u>
Construction and expansion of an existing facility	100%	\$ 27,850

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**OTHER INFORMATION**

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**CITY OF QUITMAN, MISSISSIPPI**  
**Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2018**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Property taxes	\$ 742,000	\$ 542,000	\$ 640,578	\$ 98,578
Licenses, commissions and other receipts	20,500	20,500	6,017	(14,483)
Fines and forfeitures	60,000	60,000	35,082	(24,918)
Intergovernmental receipts	819,740	819,740	766,958	(52,782)
Miscellaneous receipts	322,500	361,500	241,307	(120,193)
Total Revenues	<u>1,964,740</u>	<u>1,803,740</u>	<u>1,689,942</u>	<u>(113,798)</u>
<b>DISBURSEMENTS</b>				
Current:				
General government	496,125	497,179	410,105	87,074
Public safety	626,233	695,952	648,415	47,537
Public works	602,209	564,663	494,821	69,842
Culture and recreation	239,273	251,944	207,098	44,846
Economic development	25,000	25,000	-	25,000
Total Disbursements	<u>1,988,840</u>	<u>2,034,738</u>	<u>1,760,439</u>	<u>274,299</u>
Net Change in Fund Balance	(24,100)	(230,998)	(70,497)	160,501
Fund Balances - Beginning	503,355	385,247	347,613	(37,634)
Fund Balances - Ending	<u>\$ 479,255</u>	<u>\$ 154,249</u>	<u>\$ 277,116</u>	<u>\$ 122,867</u>



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

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**CITY OF QUITMAN, MISSISSIPPI**  
**Notes to the Budgetary Comparison Schedule**  
**For the Year Ended September 30, 2018**

**A. Budgetary Information.**

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

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

**B. Basis of Presentation.**

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

**C. Budget/GAAP Reconciliation.**

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

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

	General Fund
Budget (Cash Basis)	\$ (70,497)
Increase (Decrease)	
Net adjustment for disbursements paid within 30 days after year end	(15,798)
GAAP Basis	\$ (86,295)



**CITY OF QUITMAN, MISSISSIPPI**  
**Schedule of Investments - All Funds**  
**For the Year Ended September 30, 2018**

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Other Information</u>	<u>Investment Cost/Value</u>
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The City did not have any investments for the year ended September 30, 2018.

**CITY OF QUITMAN, MISSISSIPPI**  
**Schedule of Capital Assets**  
**For the Fiscal Year Ended September 30, 2018**

**Governmental Activities:**

	Balance October 1, 2017	Additions	Deletions	Completed Construction in Progress	Adjustments	Balance September 30, 2018
Land	\$ 402,881	\$ -	\$ -	\$ -	\$ -	\$ 402,881
Buildings	409,892	-	-	-	-	409,892
Improvements other than buildings	773,074	-	-	-	-	773,074
Mobile equipment	762,923	38,421	-	-	-	801,344
Furniture and equipment	300,836	-	-	-	-	300,836
<b>Total capital assets</b>	<b>\$ 2,649,606</b>	<b>\$ 38,421</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,688,027</b>

**Business-type Activities:**

	Balance October 1, # VALUE!	Additions	Deletions	Completed Construction in Progress	Adjustments	Balance September 30, # VALUE!
<b>Non-depreciable capital assets:</b>						
Land	\$ 18,591	\$ -	\$ -	\$ -	\$ -	\$ 18,591
Construction in progress	-	851,076	-	(445,513)	-	405,563
Machinery and equipment	4,263,969	-	-	445,513	-	4,709,482
Mobile equipment	300,115	21,285	-	-	-	321,400
<b>Total capital assets</b>	<b>\$ 4,582,675</b>	<b>\$ 872,361</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,455,036</b>

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**CITY OF QUITMAN, MISSISSIPPI**  
**Schedule of Long-term Debt**  
**For the Year Ended September 30, 2018**

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance October 1, 2017	Issued	Principal Payments	Balance September 30, 2018
<b>Governmental Activities:</b>							
<b>A. Limited Obligation Bonds:</b>							
TIFF Series 2015 - Citizens National Bank McDonalds/Dollar General	4/8/2015	3/1/2025	4.5875%	\$ 77,700	\$ -	\$ -	\$ 77,700
<b>B. Other Loans:</b>							
Mississippi Development Authority - Police Car Conversion	4/1/2016	4/1/2023	0.00%	19,285		3,214	16,071
Total Governmental Activities Debt				<u>\$ 96,985</u>	<u>\$ -</u>	<u>\$ 3,214</u>	<u>\$ 93,771</u>
<b>Business-type Activities:</b>							
<b>A. Other Loans:</b>							
Mississippi Development Authority - Automatic Meter Readers	8/7/2017	9/7/2033	2.00%	\$ -	\$ 442,993	\$ -	\$ 442,993
Mississippi Development Authority - Sewer Rehabilitation	10/16/2017	9/18/2034	2.00%	-	32,800	-	32,800
Total Business Activities Debt				<u>\$ -</u>	<u>\$ 475,793</u>	<u>\$ -</u>	<u>\$ 475,793</u>

**CITY OF QUITMAN, MISSISSIPPI**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2018**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond Amount</u>
William Fulton	Mayor	Old Republic Surety Company	50,000
Lisa Harris	City Clerk	Old Republic Surety Company	50,000
Joe Kramer	Police Clerk	Old Republic Surety Company	50,000
Lynnita Bartee/Peggy Long	Deputy City Clerk	Old Republic Surety Company	50,000
Dayona Mollett	Deputy City Clerk	Old Republic Surety Company	50,000
Dayona Mollett	Municipal Court Clerk	Old Republic Surety Company	50,000
Vakerri Cooks	Aldersperson	Old Republic Surety Company	50,000
Ronald Holloway	Alderman	Travelers Insurance Company	50,000
James H. Buchanan	Alderman	Travelers Insurance Company	50,000
Bridgett Peters	Aldersperson	Travelers Insurance Company	50,000
Harry Wheat	Alderman	Travelers Insurance Company	50,000



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**SPECIAL REPORT**

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

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American Institute of  
Certified Public Accountants*

*Member  
Mississippi Society of  
Certified Public Accountants*

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

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

We have audited the basic financial statements of the City of Quitman, Mississippi as of and for the year ended September 30, 2018 and have issued our report dated January 4, 2019. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instance of noncompliance with state laws and regulations. Our finding and recommendation and your response is as follows:

### I. Finding

The City did not complete an annual inventory of all fixed assets owned by the municipality.

#### Repeat Finding

Yes

#### Criteria

The Mississippi Municipal Audit and Accounting Guide requires municipalities to complete an annual inventory of all fixed assets owned by the municipality.

#### Condition

The City did not complete the required annual inventory of all fixed assets owned by the municipality.

#### Cause

Unknown

#### Effect

Without adequate control procedures in place over the inventory of capital assets, the risk increases that inaccurate information may be reported or the loss or misappropriation of public assets could occur.

Recommendation

The City should comply with requirements of the Mississippi Municipal Audit and Accounting Guide that require municipalities to complete an annual inventory of all fixed assets of the City.

Response of Responsible Official/Officials

We hope to have the inventory completed for the next fiscal year.

2. Finding

As a result of our audit procedures, we observed one instance where the City did not obtain the required quotes as required by Section 31-7-13, Miss. Code Ann. (1972).

Repeat Finding

No

Criteria

Section 31-7-13, Miss. Code Ann. (1972), requires that all purchases of commodities over \$5,000 but not more than \$50,000, exclusive of freight and shipping be made from the lowest and best bidder without publishing or advertisement of bids, provided at least two competitive written quotes have been obtained.

Condition

As a result of our audit procedures, we observed one instance where the City did not obtain the required quotes.

Cause

Unknown

Effect

Failure to comply with Mississippi Purchasing Laws could result in a loss or misappropriation of public funds.

Recommendation

The City should obtain at least two written quotes for all purchases of commodities between over \$5,000 but not more than \$50,000. These written quotes should be attached to the paid invoice packet.

Response of Responsible Official/Officials

This was an inadvertent oversight. We are now attaching the required quotes to the paid invoice packets.

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendations noted above.

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

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

*Stephen D. Myrick CPA LLC*

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

Quitman, Mississippi  
January 4, 2019

