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AMERICAN INSTITUTE OF
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MISSISSIPPI SOCIETY OF
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To the Board of Aldermen and Mayor
Town of Renova
Renova, Mississippi

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Renova, Mississippi, as of and for the year ended September 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Renova's internal control over financial reporting (internal control) as a basis for designing our 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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies in internal control, such there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Town's internal control to be material weaknesses:

- Management did not prepare the financial statements and related notes. Internal control over financial reporting is generally enhanced when the financial statements and related disclosures are prepared by management. The Town has elected to have the financial statements and related disclosures notes prepared by the auditors subject management's review and approval.
- The Town of Renova's administrative staff is too small to provide for the segregation of normally incompatible financial functions. The most effective internal control should provide for adequate segregation of financial duties and internal review of financial statements and reports. The chances of errors or fraud may occur in amounts that would be material in relation to the financial statements are increased by this condition. This is a common condition in organizations of this size.

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- The Town maintains its financial records on the cash basis of accounting, as this basis more closely matches the accounting required for reporting on compliance with the Town's approved budget. However, for financial reporting purposes, the Town is required to convert its cash basis financial records to the accrual basis of accounting. As part of the conversion to the accrual basis, adjustments must be made for depreciation expense, changes in receivables and payables, reclassification of debt service expenditures, recognition of deferred tax revenues, and other matters. These adjustments are frequently significant and materially change the information reported in the financial statements from those recorded in the general ledger.

This communication is intended solely for the information and use of management, the Board of Aldermen, management, others within the organization, grantor agencies, and the Mississippi State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.



Cleveland, Mississippi
February 10, 2016

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February 10, 2016

To the Board of Aldermen
Town of Renova

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Renova for the year ended September 30, 2014, and have issued our report thereon dated February 10, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain other information related to our audit. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U S Generally Accepted Auditing Standards

As stated in our engagement letter dated January 15, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U S generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report in whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements was a whole.

In planning and performing our audit, we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. We have communicated any internal control related matters that are required to be communicated under professional standards.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Renova are described on Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2014. We noted no transactions entered into by the government during the year for which there is a lack of authoritative guidance

or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility the future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Governmental Activities and Major Governmental Funds:

The estimate of the allowance for property taxes that will not be collected and the estimate of the useful lives of fixed assets for calculation of depreciation expense for the general fund.

Business-type Activities and Major Proprietary Funds:

The estimate of the allowance for water bills that will not be collected and the estimate of the useful lives of fixed assets for calculation of depreciation expense for the water fund.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Recording depreciation expense in the general fund and water fund.
2. Recording the cash basis to accrual basis adjustments.
3. Reclassifying debt service payments from expenditures to liability reductions.
4. Recording transactions related to the grant projects.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 10, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We have communicated certain findings related to deficiencies in internal control in our letter to you and management dated February 10, 2016.

We also noted other matters involving internal controls we want to bring to your attention, which are described below.

We encourage you to continue improvement of the documentation supporting individual expenditures. This could include increasing the use of purchase orders to provide additional assurance that purchases have been properly approved. We also believe that given the significant increase in repair costs in the past year, the documentation related to services provided to the Town should be more detailed, especially in the area of repair services billed to the Water Department.

We also encourage you to continue to monitor the amount of water losses not billed to customers. These losses may be depriving the Town of revenue needed to keep the system in good operating condition and may increase the need to future rate increased to cover the losses. We believe that a loss percentage of 10-15% would be closer to what would be considered normal.

We noted that the checks used by the Town for a period of time were not pre-printed. The use of checks like this can make security over and accounting for unused checks more difficult.

We recommend that the Town adopt a computerized system to maintain its accounting records. We believe such a system, after proper setup would be easier to maintain and provide more accurate information.

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Other Matters

We applied certain limited procedures to the budgetary schedules contained on pages 22-24 of the audit report, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance of the RSI.

We were engaged to report on the tax reconciliation and schedule of surety bonds, which accompany the financial statements, but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statement themselves.

Restriction on Use

This information is intended solely for the use of the Board of Aldermen and management of Town of Renova and is not intended and should not be used by anyone other than these specified parties.

Sincerely,



Edmondson & Burchfield, PLLC

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TOWN OF RENOVA, MISSISSIPPI

Financial Statements

For the Fiscal Year Ended September 30, 2014

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TOWN OF RENOVA, MISSISSIPPI
Financial Statements
For the Fiscal Year Ended September 30, 2014

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
Town of Renova
Renova, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business –type activities, and each major fund of the Town of Renova, Mississippi as of and for the year ended September 30, 2014, 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.

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 includes 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 financial position of the governmental activities, the business-type activities and each major fund of the Town of Renova, Mississippi, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required supplementary information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 22 through 24 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 content. We have applied certain limited procedures to the this 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 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 Town of Renova, Mississippi's basic financial statements. The financial information listed as supplemental information in the table of contents on pages 25 and 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Renova, Mississippi.

The supplementary information contained on pages 25 and 26 are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Cleveland, Mississippi
February 10, 2016

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Town of Renova, Mississippi
Statement of Net Position
September 30, 2014

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 40,051.06	\$ 8,615.13	\$ 48,666.19
Investments			
Restricted		11,000.00	11,000.00
Other		26,165.20	26,165.20
Receivables(net)	141,253.65	26,283.80	167,537.45
Due from other funds	5,934.92	-	5,934.92
Capital assets			
Land	44,000.00	-	44,000.00
Other capital assets, net of depreciation	382,560.12	1,200,012.98	1,582,573.10
Other	-	305.00	305.00
Total assets	<u>\$ 613,799.75</u>	<u>\$ 1,272,382.11</u>	<u>\$ 1,886,181.86</u>
Liabilities			
Accounts payable and accrued expenses	1,923.16	15,030.35	16,953.51
Accrued interest payable	430.79	205.52	636.31
Customer deposits	-	5,065.00	5,065.00
Deferred revenue	112,270.47	-	112,270.47
Due to other funds	-	5,934.92	5,934.92
Long-term liabilities			-
Due within one year	10,245.61	6,346.14	16,591.75
Due in more than one year	133,215.10	33,593.79	166,808.89
Total liabilities	<u>258,085.13</u>	<u>66,175.72</u>	<u>324,260.85</u>
Net Position			
Net investment in capital assets	283,099.41	1,160,073.05	1,443,172.46
Restricted for:			
Fire protection	7,756.73	-	7,756.73
Revenue bond retirement	-	11,000.00	11,000.00
Unrestricted	<u>64,858.48</u>	<u>35,133.34</u>	<u>99,991.82</u>
Total net position	<u>\$ 355,714.62</u>	<u>\$ 1,206,206.39</u>	<u>\$ 1,561,921.01</u>

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

Town of Renova, Mississippi
Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 140,332.00	\$ 2,251.66	-	308,966.40	\$ 170,886.06	\$ -	\$ 170,886.06
Public safety	-	-	-	-	-	-	-
Public works	40,780.04	-	-	9,962.40	(30,817.64)	-	(30,817.64)
Culture and recreation	300.00	-	-	-	(300.00)	-	(300.00)
Interest on long-term debt	5,281.93	-	-	-	(5,281.93)	-	(5,281.93)
Total governmental activities	186,693.97	2,251.66	-	318,928.80	134,486.49	-	134,486.49
Business-type activities:							
Water & sewer	289,907.74	221,772.10	-	-	-	(68,135.64)	(68,135.64)
Total business-type activities	289,907.74	221,772.10	-	-	-	(68,135.64)	(68,135.64)
Total primary government	\$ 476,601.71	\$ 224,023.76	\$ -	\$ 318,928.80	134,486.49	(68,135.64)	66,350.85
General revenues:							
Taxes:							
Property taxes, levied for general purposes					105,278.46	-	105,278.46
Franchise taxes					15,167.97	-	15,167.97
Intergovernmental revenues					44,515.93	-	44,515.93
Interest					39.24	166.95	206.19
Transfers (net)					(293,630.63)	293,630.63	-
Miscellaneous					3,795.00	-	3,795.00
Total general revenues and transfers					(124,834.03)	293,797.58	168,963.55
Change in net assets					9,652.46	225,661.94	235,314.40
Net position-beginning					346,062.16	980,544.45	1,326,606.61
Net position-ending					\$ 355,714.62	\$ 1,206,206.39	\$ 1,561,921.01

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

Town of Renova, Mississippi
Balance Sheet
Governmental Funds
September 30, 2014

	General	Special Revenue	Total Governmental Funds
Assets			
Cash and other deposits	\$ 32,294.33	\$ 7,756.73	\$ 40,051.06
Receivables			
Taxes	147,181.09	-	147,181.09
Allowance for uncollectibles	(13,346.37)	-	(13,346.37)
Franchise Fees	2,312.89	-	2,312.89
Intergovernmental	5,106.04	-	5,106.04
Due from other funds	5,934.92	-	5,934.92
	<u>\$ 179,482.90</u>	<u>\$ 7,756.73</u>	<u>\$ 187,239.63</u>
Total assets			
	<u>\$ 179,482.90</u>	<u>\$ 7,756.73</u>	<u>\$ 187,239.63</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,353.95	\$ -	\$ 2,353.95
Due to other funds	-	-	-
Deferred revenue	131,992.88	-	131,992.88
	<u>134,346.83</u>	<u>-</u>	<u>134,346.83</u>
Total liabilities			
	<u>134,346.83</u>	<u>-</u>	<u>134,346.83</u>
Fund balance			
Restricted for:			
Fire protection	-	7,756.73	7,756.73
Unassigned	45,136.07	-	45,136.07
	<u>45,136.07</u>	<u>7,756.73</u>	<u>52,892.80</u>
Total equity and other credits			
	<u>45,136.07</u>	<u>7,756.73</u>	<u>52,892.80</u>
Total liabilities, equity, and other credits	<u>\$ 179,482.90</u>	<u>\$ 7,756.73</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			426,560.12
Some liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds			(143,460.71)
Deferred revenues are recognized in the funds when they are considered measureable and available under the modified accrual basis			19,722.41
Net assets of governmental activities			<u>\$ 355,714.62</u>

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

Town of Renova, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2014

	General	Special Revenue	Total Governmental Funds
Revenues:			
Taxes	\$ 102,120.44	\$ -	\$ 102,120.44
Licenses and permits	17,419.63	-	17,419.63
Intergovernmental	44,515.93	-	44,515.93
Interest earned	26.61	12.63	39.24
Grants	318,928.80	-	318,928.80
Miscellaneous	3,795.00	-	3,795.00
Total revenues	<u>486,806.41</u>	<u>12.63</u>	<u>486,819.04</u>
Expenditures:			
Current:			
General government	113,554.36	-	113,554.36
Public safety	-	-	-
Recreation	300.00	-	300.00
Public works	40,780.04	-	40,780.04
Debt Service			
Principal	9,997.43	-	9,997.43
Interest and other charges	5,281.93	-	5,281.93
Capital Outlay	1,644.00	-	1,644.00
Total expenditures	<u>171,557.76</u>	<u>-</u>	<u>171,557.76</u>
Excess(deficiency) of revenues over(under) expenditures	<u>315,248.65</u>	<u>12.63</u>	<u>315,261.28</u>
Other financing sources (uses)			
Proceeds from long-term debt	-	-	-
Operating transfers in	15,335.77	-	15,335.77
Operating transfers out	(308,966.40)	-	(308,966.40)
Total other financing sources (uses)	<u>(293,630.63)</u>	<u>-</u>	<u>(293,630.63)</u>
Net change in fund balances	21,618.02	12.63	21,630.65
Fund balance, October 1	<u>23,518.05</u>	<u>7,744.10</u>	<u>31,262.15</u>
Fund balance, September 30	<u>\$ 45,136.07</u>	<u>\$ 7,756.73</u>	<u>\$ 52,892.80</u>

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

Town of Renova, Mississippi
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended September 30, 2014

Net changes in fund balances - total governmental funds \$ 21,630.65

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation (\$25,133.64) exceeded purchases (\$ 0) in the current period. (25,133.64)

Revenues recorded on the governmental funds statements under the modified accrual basis when they are considered measureable and available. Revenues are recorded on the accrual basis in the government wide statements when they are earned regardless of when they are collected. 3,158.02

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets 9,997.43

Change in net assets of governmental activities \$ 9,652.46

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

Town of Renova, Mississippi
Statement of Net Position
Proprietary Fund
September 30, 2014

	<u>Water and Sewer Enterprise Fund</u>
Assets	
Current assets:	
Cash and other deposits	\$ 8,615.13
Investments	26,165.20
Restricted investments	11,000.00
Receivables, net	26,283.80
Other	<u>305.00</u>
Total current assets	<u>72,369.13</u>
Noncurrent assets:	
Capital assets	
Property and equipment	2,300,389.34
Less accumulated depreciation	<u>(1,100,376.36)</u>
Total noncurrent assets	<u>1,200,012.98</u>
Total assets	<u>\$ 1,272,382.11</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 15,030.35
Interest payable	205.52
Customer deposits	5,065.00
Due to other funds	5,934.92
Bonds payable	<u>6,346.14</u>
Total current liabilities	<u>32,581.93</u>
Noncurrent liabilities:	
Bonds payable	<u>33,593.79</u>
Total noncurrent liabilities	<u>33,593.79</u>
Total liabilities	<u>66,175.72</u>
Net position	
Net investment in capital assets	1,160,073.05
Restricted for revenue bond retirement	11,000.00
Unrestricted	<u>35,133.34</u>
Total net position	<u>\$ 1,206,206.39</u>

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

Town of Renova, Mississippi
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended September 30, 2014

	Water and Sewer Enterprise Fund
Operating revenues:	
Charges for sales and services	<u>\$ 221,772.10</u>
Operating expenses:	
Personal services	25,188.48
Supplies	5,793.07
Other services and charges	186,381.78
Depreciation	<u>69,499.27</u>
Total operating expense	<u>286,862.60</u>
Operating income (loss)	(65,090.50)
Non-operating revenues (expenses)	
Interest revenue	166.95
Interest expense	<u>(3,045.14)</u>
Total non-operating revenues (expenses)	<u>(2,878.19)</u>
Net income (loss) before contributions and transfers	(67,968.69)
Capital contributions	-
Transfers in (out)	<u>293,630.63</u>
Change in net position	225,661.94
Total net position, beginning of period	<u>980,544.45</u>
Total net position, end of period	<u><u>\$ 1,206,206.39</u></u>

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

Town of Renova, Mississippi
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2014

	<u>Water and Sewer Enterprise Fund</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 217,495.42
Payments to suppliers	(191,553.10)
Payments to employees	(25,188.48)
Net cash provided by operating activities	<u>\$ 753.84</u>
Cash Flows from Noncapital Financing Activities:	
Operating transfers	<u>(15,335.77)</u>
Cash Flows from Capital and Related Financing Activities:	
Repayments of debt	(5,912.43)
Capital Grant proceeds	(308,966.40)
Purchase of fixed assets	308,966.40
Interest paid on long-term debt	(3,075.57)
Net Cash Used for Capital and Related Financing Activities	<u>(8,988.00)</u>
Cash Flows from Investing Activities	
Purchase of certificate of deposit	(147.92)
Interest earned on operating funds	166.95
Net Cash Provided (Used) by Investing Activities	<u>19.03</u>
Net increase (decrease) in Cash and Cash Equivalents	(23,550.90)
Cash and Cash Equivalents, October 1	32,166.03
Cash and Cash Equivalents, September 30	<u>\$ 8,615.13</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (65,090.50)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	69,499.27
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(4,081.68)
(Increase) decrease in other receivables	(295.00)
Increase (decrease) in accounts payable	621.75
Increase (decrease) in water deposits	100.00
Net Cash Provided by Operating Activities	<u>\$ 753.84</u>

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

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

The Town of Renova, Mississippi is incorporated under the laws of the State of Mississippi and operates under a Code Charter form of government. The Town's major operations include public works and general administration services. In addition, the Town owns and operates a water system.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

Reporting Entity

The accompanying financial statements present the activities of the Town of Renova (the Town). The Town has no component units for which it is financially accountable.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Fiduciary funds are not included in these statements.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category-governmental and proprietary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Principal operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other expenses are classified as non-operating in the financial statements.

The Town reports the following major governmental funds:

General Fund – This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than debt service or capital projects) that are restricted or committed to specific expenditure purposes. The Town's only special revenue fund is used to account for funds received from the State of Mississippi which are restricted for fire protection.

The Town reports the following major enterprise fund:

Water & Sewer Enterprise Fund – This fund accounts for the operation and maintenance of the Town's water and sewer system.

Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, includes property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Internal activity is eliminated in these financial statements.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there may be restricted, committed, assigned or unassigned fund balances available to finance the program. It is the Town's policy to first apply restricted amounts, followed by committed, assigned, and then by unassigned fund balances.

Assets, Liabilities, and Net Assets

Deposits and Investments

The Town is allowed, by statute, to invest excess funds 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, when such county or municipal bonds have been properly approved; or in interest-bearing accounts with any financial institution approved for the deposit of state funds; or in any type of investment permitted by state laws. The Town has no additional formally adopted deposit or investment policies.

For accounting purposes, certificates of deposit and interest-bearing accounts are classified as cash and other deposits. These certificates are considered nonparticipating investment contracts and are carried at cost.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Town deposits excess funds in financial institutions selected by the board. State statutes specify how these depositories are to be selected.

Cash consists of amounts on deposit in demand accounts and savings accounts. Cash and other deposits are valued at cost.

Various restrictions on these deposits are imposed by state statutes. These restrictions are summarized as follows:

All deposits with financial institutions must be collateralized in an amount at least equal to 105% of the amount not insured by any successors to such insurance corporations.

For the purposes of the statement of cash flows, the Town considers certificates of deposit to be cash equivalents if they have a maturity of three months or less when acquired.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property Tax Calendar

Property taxes attach an enforceable lien on the property as of January 1. Taxes are levied as of January 1 and are payable on or before February 1 of the succeeding year. The Town bills and collects its own property taxes except for the personal auto taxes that are collected and remitted to the Town by the Bolivar County Tax Collector. The millage rate for the Town for 2013 taxes was 32.5 mills. The entire millage was allocated to the general fund. The distribution of taxes to funds was in accordance with prescribed tax levies, and uncollected taxes were properly handled.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003 are not reported in the financial statements since the Town has adopted the option not to record these assets per the provisions of GASB Statement 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets are depreciated using the straight line method over the following useful estimated lives in years:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & improvements	20-30
Office Equipment	5
Other Equipment	5
Water & Sewer System	20-40

Budgets

Budgets are adopted on a basis consistent with the cash basis of accounting. Annual appropriated budgets are adopted for the general, special revenue and proprietary funds. All annual appropriations lapse at fiscal year end. The Mississippi Code Ann. (1972) prescribes cash basis reporting of revenue for budgets and budgeting of expenditures to be disbursed within thirty days after year end.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

Restricted Assets

Certain resources set aside for repayment of enterprise revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The "Bond Cushion" account is used to pay maturing principal and accruing interest, or both, only whenever and to the extent that funds otherwise provided are insufficient for that purpose. No funds paid into the cushion fund shall be used to prepay the principal unless such prepayment is for the balance of the principal amount of the bond.

The "Bond Depreciation" account is used for the purpose of paying the cost of replacing such parts of the Water and Sewer System as may need replacement in order to keep the system operating in an economical and efficient manner; provided, however, that in the event the funds otherwise established for the payment of principal and interest on the bond should be insufficient for any purpose, funds from the Depreciation fund can be used to pay such accruing interest and to provide for the payment of principal. The "Bond Contingent" account is used for the purpose of paying the cost of unforeseen contingencies arising in the operation and maintenance of the Water and Sewer System including the construction of reasonable and proper improvements, betterments and extensions; provided, however, that in the event the funds otherwise established for the payment of principal and interest on the bond should be insufficient for any purpose, funds from the Contingent fund can be used to pay such accruing interest and to provide for the payment of principal.

Compensated Absences

The Town did not provide paid vacation or sick leave at the balance sheet date..

Defining Operating Revenues and Expenses

The Town's proprietary fund distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses of the Town's water system consist of charges for services and the cost of providing those services, including depreciation and excluding interest costs. All other revenues and expenses are reported as non-operating.

Contributed capital is recorded in the proprietary fund which has received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of retained earnings not appropriate for expenditure or legally segregated for a specific future use.

Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three categories:

- Invested in capital assets, net of related debt-consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position-consist of net assets that are restricted by the Town's creditors or by the State through restrictions on shared revenues.
- Unrestricted-all other net assets are reported in this category.

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Note 1 Summary of Significant Accounting Policies (continued)

Fund Balances in Fund Financial Statements

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

Governmental fund balance is classified as non-spendable, restricted, committed, assigned, or unassigned. The following are descriptions of the various fund classifications.

Non-spendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in spendable form (such as inventories, prepaid amounts, or long-term portion of loans or notes receivable) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

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

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned fund balance includes amounts that are constrained by the government's intention to be used for specific purposes, but which are neither restricted nor committed. Assignments are to be made by the governing body.

Unassigned fund balance is the residual classification for the general fund. This classification represents the 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.

Interfund Transfers

The Town uses interfund transfers to provide resources for or to facilitate specific transactions.

Note 2 Legal Compliance – Budget

Prior to August 1, the Mayor or Town Clerk submits to the Board a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at Town Hall to obtain taxpayer comments. Prior to September 15, the budget is legally enacted through adoption by the Board of Aldermen. Any revisions that alter the total expenditures of the budget are amended by the Board of Aldermen.

Note 3 Deposits

Custodial credit risk for deposits is the risk that in the event of a bank's failure, the Town's deposits may not be returned. Since the Town's deposits are fully covered by deposit insurance, custodial credit risk is considered to be minimal.

As of September 30, 2014, the carrying amount of the Town's bank deposits was \$85,831.39 and the respective bank balances totaled \$86,688.65. All of the bank balance was insured through federal depository insurance and the State of Mississippi's collateral pool.

Note 4 Fair Value of Investments

The Town's investments consist of a certificate of deposit. This certificate is considered to be a nonparticipating investment contract and is reported at cost. Due to the relatively short maturity of this financial instrument,

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 4 Fair Value of Investments (continued)

cost is considered to approximate market value. This certificate of deposit, carried at cost of \$37,165.20, is covered by federal depository insurance and the State collateral pool and is reported in the Enterprise Fund. This certificate of deposit earned interest of \$147.92 this fiscal year.

Note 5 Receivables

Enterprise Receivables and Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services and are due the month after billing. The allowance amount is estimated using accounts receivable past due and collection experience.

Water Accounts	\$ 39,783.80
Allowance for uncollectibles	<u>(13,500.00)</u>
Net receivables	<u>\$ 26,283.80</u>

Governmental Receivables and Estimated Uncollectible Accounts

Property taxes	\$ 29,910.62
Property taxes-subsequent year	117,270.47
Franchise fees	2,312.89
Intergovernmental	<u>5,106.04</u>
	154,600.02
Allowance for uncollectibles	<u>(13,346.37)</u>
Net receivables	<u>\$ 141,253.65</u>

The Town does not believe that all delinquent property taxes will be collected within the next year.

Note 6 Intergovernmental Receivables

Amounts of intergovernmental receivables at September 30, 2014 include the following:

General Fund

State of Mississippi-Sales tax	<u>\$ 5,106.07</u>
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Note 7 Restricted Assets – Investments

A summary of restricted investment balances at September 30, 2014 follows:

Description	Certificate of Deposit
Bond Cushion Account	\$ 6,000.00
Bond Depreciation Account	2,500.00
Bond Contingent Account	<u>2,500.00</u>
	<u>\$ 11,000.00</u>

Amounts included as "reserved for revenue bond retirement" at September 30, 2014, represent the funds necessary to provide for adequate cumulative funding of reserves as required by respective debt instruments (Note 9). The reserve balances are equal to the restricted investment amount. The \$113,000.00 USDA-Rural Development Revenue Bond (#91-03) requires the Town to accumulate the reserve accounts.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 8 Capital Assets

Capital assets activity for the year ended September 30, 2014 was as follows:

	Balance 10/1/2013	Increases	Decreases	Balance 9/30/2014
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 44,000.00	\$ -	\$ -	\$ 44,000.00
Construction in progress	-	-	-	-
Total capital assets not being depreciated	44,000.00	-	-	44,000.00
<i>Capital assets being depreciated:</i>				
Buildings and improvements	414,651.11	-	-	414,651.11
Equipment	52,287.13	-	-	52,287.13
Total capital assets being depreciated	466,938.24	-	-	466,938.24
Less accumulated depreciation for:				
Buildings and improvements	27,443.85	19,825.04	-	47,268.89
Equipment	31,800.63	5,308.60	-	37,109.23
Total accumulated depreciation	59,244.48	25,133.64	-	84,378.12
Total capital assets being depreciated, net	407,693.76	(25,133.64)	-	382,560.12
Governmental activity capital assets, net	\$ 451,693.76	\$ (25,133.64)	\$ -	\$ 426,560.12

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 25,133.64

	Balance 10/1/2013	Increases	Decreases	Balance 9/30/2014
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 100,143.35	-	100,143.35	-
	-	-	-	\$ -
<i>Capital assets being depreciated:</i>				
Buildings and improvements	9,610.74	-	-	9,610.74
Water/sewer system	1,862,864.27	409,109.75	-	2,271,974.02
Equipment	18,804.58	-	-	18,804.58
Total capital assets being depreciated	1,891,279.59	409,109.75	-	2,300,389.34
Less accumulated depreciation for:				
Buildings and improvements	9,610.74	-	-	9,610.74
Water/sewer system	1,010,318.57	69,499.27	-	1,079,817.84
Equipment	10,947.78	-	-	10,947.78
Total accumulated depreciation	1,030,877.09	69,499.27	-	1,100,376.36
Total capital assets being depreciated, net	860,402.50	339,610.48	-	1,200,012.98
Business-type activity capital assets, net	\$ 860,402.50	\$ 339,610.48	\$ -	\$ 1,200,012.98

Depreciation expense was charged to functions as follows:

Business-type activities:	
Water & Sewer	\$ 69,499.27

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TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 9 Long-Term Obligations

Revenue Bonds. The Town issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding are as follows:

Water Revenue Bonds. USDA Rural Development #91-03. Water System Improvement Revenue Bond dated 5-23-86, maturity date 5-23-2021, payable in annual interest payments only on 5-23-87 and 5-23-88 and principal and interest of \$8,977.85 thereafter on the anniversary date, interest at 7.125 percent, payable to Rural Development. Outstanding balance at September 30, 2014 was \$39,939.93.

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

Interest expense of \$3,075.57 was incurred on this bond in this fiscal year. This entire amount was charged to expense in the Enterprise Fund.

General Obligation Bonds. The Town completed the issuance of \$150,000 in general obligation bonds to fund the construction of a multi-purpose building to provide a Town Hall, library, and fire station. These bonds were purchased in full by the USDA Rural Development. The bonds were formally issued September 30, 2011 and bear interest at 4%. The bonds are scheduled to be repaid in monthly installments of \$951.75 beginning October 1, 2013 and ending September 1, 2020. Outstanding principal balance at September 30, 2014 was \$129,238.39.

Interest expense of \$5,302.33 was incurred on this bond in this fiscal year. This entire amount was charged to expense in the General Fund.

Notes Payable. In a prior year the Town entered into a credit agreement with John Deere Financial to finance the acquisition of a piece of equipment. The note is secured by the equipment and is scheduled to be repaid in monthly installments of \$323.23 beginning June 9, 2013 and ending May 9, 2018. The stated interest rate on this note is 0%. This note is accounted for through the General Fund.

Debt service requirements on long term debt at September 30, 2014 are as follows:

Business-type activities:

Fiscal Year Ending September 30	Rural Development Bonds		
	Interest	Principal	Total
2015	2,641.86	6,346.14	8,988.00
2016	2,174.64	6,813.36	8,988.00
2017	1,673.02	7,314.98	8,988.00
2018	1,134.48	7,853.52	8,988.00
2019	556.27	8,431.73	8,988.00
2020	49.55	3,180.20	3,229.75
	<u>\$ 8,229.82</u>	<u>\$ 39,939.93</u>	<u>\$ 48,169.75</u>

Governmental-type activities:

Fiscal Year Ending September 30	John Deere Financial		
	Interest	Principal	Total
2015	-	3,878.76	3,878.76
2016	-	3,878.76	3,878.76
2017	-	3,878.76	3,878.76
2018	-	2,586.04	2,586.04
	<u>\$ -</u>	<u>\$ 14,222.32</u>	<u>\$ 14,222.32</u>

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 9 Long-Term Obligations (continued)

Fiscal Year Ending September 30	Rural Development Bonds		
	Interest	Principal	Total
2015	5,054.15	6,366.85	11,421.00
2016	4,794.76	6,626.24	11,421.00
2017	4,524.77	6,896.23	11,421.00
2018	4,243.81	7,177.19	11,421.00
2019	3,951.39	7,469.61	11,421.00
2020-2024	14,936.49	42,168.51	57,105.00
2025-2029	5,617.37	51,487.63	57,105.00
2030	3.53	1,046.13	1,049.66
	<u>\$ 43,126.27</u>	<u>\$ 129,238.39</u>	<u>\$ 172,364.66</u>

Long-term Obligation Activity:

Changes in long-term obligations for the year ended September 30, 2014 were as follows:

Business-type activities:

Water & Sewer:

Rural Development Bonds:

	Balance 10/1/2013	Increases	Decreases	Balance 9/30/2014	Due within One Year
#91-03	\$ 45,852.36	\$ -	\$ 5,912.43	\$ 39,939.93	\$6,346.14
Total	<u>\$ 45,852.36</u>	<u>\$ -</u>	<u>\$ 5,912.43</u>	<u>\$ 39,939.93</u>	<u>\$6,346.14</u>

Governmental-type activities:

General Government:

General Obligation Bonds:

	Balance 10/1/2013	Increases	Decreases	Balance 9/30/2014	Due within One Year
#97-04	\$135,357.06	\$ -	\$ 6,118.67	\$ 129,238.39	\$6,366.85
Total	<u>\$135,357.06</u>	<u>\$ -</u>	<u>\$ 6,118.67</u>	<u>\$ 129,238.39</u>	<u>\$6,366.85</u>

Other:

John Deere Financial	\$ 18,101.08	\$ -	\$ 3,878.76	\$ 14,222.32	\$3,878.78
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Note 10 Solid Waste Disposal

The Town has contracted with Resourceful Environmental Services, Inc. to provide residential garbage collection and disposal. The present monthly rate is \$2,107.60. The Town has adopted the Solid Waste Management Plan for Bolivar County, Mississippi.

Note 11 Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for these risks. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 12 Pension Plan - Public Employees Retirement System

Plan Description: Town of Renova contributes to the Public Employee's 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. Benefit provisions are established by State law 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 Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy: PERS members are required to contribute 9% of their annual covered salary, and the Town of Renova is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members are established by and may be amended only by the State of Mississippi Legislature. The Town of Renova's contributions to PERS for the years ended September 30, 2012, 2013 and 2014, were \$13,755.45, \$15,222.21, and \$16,518.72 respectively, equal to the required contributions for each year.

Note 13 Commitments and Contingencies

Amounts received or receivables from grantor agencies are subject to audit and adjustment by grantor agencies, principally, the federal and state governments. Any disallowed claims resulting from noncompliance or other acts including amounts already collected, may constitute a liability.

The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Note 14 Financial Instruments

Off-Balance-Sheet Risk

The Town is not a party to any financial instruments which have off-balance-sheet risk of accounting loss.

Significant Group Concentrations of Credit Risk

The Town's exposure to credit risk arises from amounts held in certificates of deposit, demand deposit accounts, saving accounts, and from receivables. The maximum amount of loss from credit risk is the carrying value of those financial instruments.

The collateral requirements for bank deposits are set by state statutes and include FDIC insurance and pledges of certain state and federal securities as part of the State collateral pool. The receivables, including amounts due from individuals and the State of Mississippi are not collateralized.

Note 15 Due To/From Other Funds

As of September 30, 2014, inter-fund receivables and payables resulting from various inter-fund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund		
Due from Water & Sewer Fund	\$ 5,934.92	\$ -
Water & Sewer Proprietary Fund		
Due to General Fund	-	5,934.92
	<u>\$ 5,934.92</u>	<u>\$ 5,934.92</u>

TOWN OF RENOVA, MISSISSIPPI
Notes to Financial Statements

Note 15 Due To/From Other Funds (continued)

These balances are not expected to be repaid within the next fiscal year.

During this fiscal year, \$15,335.77 was transferred from the proprietary fund to the General Fund to provide funds to reimburse specific expenses and \$308,966.40 of grant funds was transferred from the General Fund to the proprietary fund to reimburse grant expenditures.

Note 16 Restricted Fund Balance-Governmental Funds

The restricted fund balance reported in the Special Revenue Fund represents the balance of funds received from the State of Mississippi which can only be expended for fire protection purposes.

Note 16 Subsequent Events

Subsequent events were evaluated through February 10, 2016 which is the date the financial statements were available to be issued.

Required Supplementary Information

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Required Supplementary Information
Town of Renova, Mississippi
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1	\$ 10,000.00	\$ 10,000.00	\$ 9,629.70	\$ (370.30)
Resources (inflows)				
Property taxes	107,400.00	107,400.00	102,573.44	(4,826.56)
Franchise taxes	16,000.00	16,000.00	15,329.08	(670.92)
Licenses and permits	1,425.00	1,425.00	2,251.66	826.66
Intergovernmental	47,200.00	47,200.00	45,109.30	(2,090.70)
Interest	100.00	100.00	26.61	(73.39)
Grants	-	-	415,615.90	415,615.90
Proceeds from long-term debt	-	-	-	0.00
Transfers from other funds	-	-	15,335.77	15,335.77
Miscellaneous	5,200.00	5,200.00	3,795.00	(1,405.00)
Amounts available for appropriation	<u>187,325.00</u>	<u>187,325.00</u>	<u>609,666.46</u>	<u>422,341.46</u>
Charges to appropriations (outflows)				
General government				
Legislative	18,000.00	18,000.00	18,000.00	-
Executive	24,236.00	24,236.00	22,945.28	1,290.72
Financial administration	53,965.00	54,965.00	53,976.01	988.99
Recreation	3,500.00	3,500.00	300.00	3,200.00
Public works				
Maintenance	21,192.00	21,192.00	75,478.19	(54,286.19)
Street lights	10,000.00	12,000.00	11,848.90	153.10
Public safety	3,600.00	3,600.00	-	3,600.00
Debt service	5,711.00	5,711.00	15,299.76	(9,588.76)
Nondepartmental				
Other	19,246.00	20,601.00	20,166.24	434.76
Capital expenditures	-	-	-	-
Transfer to other funds	-	-	359,359.75	(359,359.75)
Total charges to appropriations	<u>159,450.00</u>	<u>163,805.00</u>	<u>577,372.13</u>	<u>(413,567.13)</u>
Budgetary fund balance, September 30	<u>\$ 27,875.00</u>	<u>\$ 23,520.00</u>	<u>\$ 32,294.33</u>	<u>\$ 8,774.33</u>

Required Supplementary Information
Town of Renova, Mississippi
Budgetary Comparison Schedule-Special Revenue Fund
For the Fiscal Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, October 1	\$ 7,738.00	\$ 7,738.00	\$ 7,744.10	\$ 6.10
Resources (inflows)				
Intergovernmental	3,650.00	3,650.00	-	(3,650.00)
Interest	10.00	10.00	12.63	2.63
Amounts available for appropriation	<u>11,398.00</u>	<u>11,398.00</u>	<u>7,756.73</u>	<u>(3,641.27)</u>
Charges to appropriations (outflows)				
Public safety				
Other	-	-	-	-
Capital outlay	3,650.00	3,650.00	-	3,650.00
Total charges to appropriations	<u>3,650.00</u>	<u>3,650.00</u>	<u>-</u>	<u>3,650.00</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Budgetary fund balance, September 30	<u>\$ 7,748.00</u>	<u>\$ 7,748.00</u>	<u>\$ 7,756.73</u>	<u>\$ 8.73</u>

Required Supplementary Information
Town of Renova, Mississippi
Note to Budgetary Comparison Schedule

**Note A - Explanation of differences between Budgetary inflows
and outflows and GAAP revenues and expenditures**

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 609,666.46	\$ 7,756.73
Differences-budget to GAAP:		
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(9,626.70)	(7,744.10)
Revenues reported on cash basis for budgetary purposes are reported on accrual basis for financial reporting purposes.	(97,894.58)	-
Proceeds from long-term debt are inflows of budgetary resources, but are not revenues for financial reporting purposes	-	-
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(15,335.77)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	\$ 486,809.41	\$ 12.63
Uses/outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 577,372.13	\$ -
Differences-budget to GAAP:		
Expenditures reported on cash basis for budgetary purposes are reported on accrual basis for financial reporting purposes.	(46,454.62)	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(359,359.75)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	\$ 171,557.76	\$ -

Supplementary Information

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Town of Renova, Mississippi
Reconciliation of Original Ad Valorem Tax Rolls to Fund Collections
For the Year Ended September 30, 2014

Assessed Valuation & Millage:	Assessed Value	Tax	
Realty	\$ 2,699,791		
Personalty	67,358		
Personal-Auto (From County)	719,050		
Utilities	166,595		
Total assessed value	3,652,794		
Less: Assessment Changes	(69,642)		
Total Municipal at 32.5 Mills	\$ 3,583,152	116,452	
Collections Adjustments:			
Add: Municipal Homestead Reimbursement		6,239	
Prior Year Tax Collection		10,427	
Penalties and Interest		3,587	
Less: Homestead Exemption Credit		(13,660)	
Collector's Commission		(1,187)	
Total to be Accounted For:		\$ 121,859	
	Taxes	Homestead	Total
Collection Credits to Funds:			
Municipal General Fund	102,120	6,239	108,359
Balance Represented By:			
Unpaid Property Taxes			14,785
Unaccounted for			(1,285)
Total Accounted For:			\$ 121,859

Ad valorem tax assessments were not found to be within the limitations of Section 27-39-320 to 27-39-321 as follows:

Base - 2012	82,920	Taxes collected 13-14	102,120
10% increase	8,292	Collections for prior year taxes	(10,427)
New properties	4,148	Homestead exemption	-
	95,360	reimbursement	6,239
		Margin	(2,572)
			95,360

Town of Renova, Mississippi
Schedule of Surety Bonds for Town Officials
September 30, 2014

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Scheduled Bond-FHA</u>	<u>Blanket Bond</u>
Harvey L Green	Mayor	Ohio Casualty	\$35,000	\$50,000
Pamela Martin	Town Clerk	Ohio Casualty	\$35,000	\$50,000
Marcia Barnes	Secretary	Ohio Casualty	\$35,000	\$50,000
Tony Anderson	Alderman	Ohio Casualty	\$15,000	\$50,000
Juanita Green	Alderman	Ohio Casualty	\$15,000	\$50,000
Lenora Payne	Alderman	Ohio Casualty	\$15,000	\$50,000
Elbert Scott	Alderman	Ohio Casualty	\$15,000	\$50,000
Milton Hunt	Alderman	Ohio Casualty	\$15,000	\$50,000

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FOUNDER (1921-1995)
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FOUNDER (1949-1998)

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MISSISSIPPI SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH THE MISSISSIPPI STATE AUDITOR'S REQUIREMENTS
AND STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Aldermen
Town of Renova
Renova, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Renova, Mississippi as of and for the year ended September 30, 2014, which collectively comprise the Town of Renova's basic financial statements and have issued our report thereon dated February 10, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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 our procedures and our audit of the basic financial statements disclosed the following immaterial instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Finding:

Expenditures in the General Fund line items exceeded the municipal budget.

Recommendation:

The Town should take steps to ensure that expenditures will not exceed budgeted levels as required by Section 21-35-17.

Response:

The Town agrees with the recommendation and will take steps necessary to ensure sufficient information is available to prevent over-expenditures. Expenditures related to grants and debt service caused the over-expenditures.

2. Finding:

Section 21-33-10 sets out the requirements for revisions or corrections to assessment rolls by the governing authority of any municipality. The county assessments are not to be changed after the municipality adopts the portion of the county assessment roll containing the property located within the municipality without notification from the board of supervisors. The Town made changes to two tax assessments without such notification.

Recommendation:

The Town should not make revisions or corrections to the tax assessment roll except as described in Section 21-33-10.

Response:

The Town will not make any further revisions or corrections to tax assessment rolls except as described in Section 21-33-10.

3. **Finding:**
Sections 27-39-320 & 27-39-321 set limitations on the amount of increases allowed to ad-valorem tax assessments for any fiscal year. The ad-valorem tax collections for the year appear to have exceeded the 10% limitation in tax increases.

Recommendation:

The Town should evaluate proposed future tax increases to prevent excess collections and escrow the excess collections as prescribed by Sections 27-39-320 & 27-39-32

Response:

The Town will take the necessary steps to comply with limitations on ad-valorem tax assessments.

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



Cleveland, Mississippi
February 10, 2016

Harvey L. Green
Mayor

Pamela R. Martin
Town Clerk/Tax Collector



BOARD OF ALDERMEN
Tony G. Anderson
Juanita Green
Milton Hunt
Lenora Payne
Elbert G. Scott

February 29, 2016

Office of the State Auditor
P.O. Box 956
Jackson, MS 39205

Re: Annual Municipal Audit

Accompanying this letter is a copy of the annual audit of the Town of Renova, Mississippi, for the fiscal year ended September 30, 2014. In connection with this audit, a separate management letter was written to the town. Enclosed you will find a copy of this management letter along with the audit reports.

Sincerely,

Harvey L. Green
Mayor

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