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CITY OF SENATOBIA, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

CITY OF SENATOBIA, MISSISSIPPI

ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2014

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FRANK O. GIVENS, III
Certified Public Accountant

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Certified Public Accountant

INDEPENDENT AUDITORS' REPORT

Mayor and Board of Aldermen
City of Senatobia
Senatobia, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Senatobia, Mississippi as of and for the year ended September 30, 2014, 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 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 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Senatobia, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule with accompanying notes on pages 4-10 and 35-36 be presented to supplement the

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basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Senatobia, Mississippi's basic financial statements. The Schedule of Surety Bonds for Municipal Officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Surety Bonds for Municipal Officials has 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 it.

F.O. Givens & Co.
Certified Public Accountants
August 21, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CITY OF SENATOBIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

The discussion and analysis of the City of Senatobia's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2014. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the City's financial performance. Information contained in this selection is qualified by the more detailed information contained elsewhere in this city's financial statements, notes to financial statements and any accompanying materials.

The purpose of this discussion and analysis is twofold: 1) Comply with the Required Supplementary Information specified by the Governmental Accounting Standards Board's Statement 34 and 2) Give the reader a clear understanding of the financial activities that occurred during the fiscal year.

FINANCIAL HIGHLIGHTS

- The change in net position was a decrease of \$2,862,354 or approximately 20%.
- Total revenues on the government wide statements were \$9,658,844, compared to \$9,675,477 in the previous year. Property tax made up approximately 15% of total revenues.
- Total expenses on the government-wide financial statements were \$12,521,198, compared to \$11,886,189 in the previous year. This represents a 5% increase in expense.
- Governmental fund balances increased \$124,853, or approximately 10%, compared to a \$139,537 decrease in the prior year.
- Proprietary funds net position in the fund statements increased \$126,519, or approximately 1%, compared to a \$470,984 decrease in the prior year.
- Governmental activities capital assets, net of accumulated depreciation, decreased by \$3,456,907 compared to the prior year. The bulk of the decrease was due to the sale of the BMW building.
- Business-type activities capital assets, net of accumulated depreciation, decreased by \$383,425 compared to the prior year. The bulk of the decrease was due to current year depreciation expense.
- Total long-term debt decreased by \$1,012,293. The decrease was a result of debt principal payments being more than new long-term debt obligations.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City finances, in a manner similar to private-sector businesses. The government-wide financial statements consist of the statement of net position and the statement of activities. These statements are prepared on the accrual basis of accounting, which includes all assets and liabilities of the City, and can be found on pages 12 and 13 of this report.

The statement of net position presents information on all City assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF SENATOBIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

The statement of activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, library, and interest on long term debt. The business-type activities of the City include utility, hospital, and interest on long-term debt.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into two categories: governmental funds or proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Governmental funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash, which provides a detailed short-term view of the City's operations. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented with governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 15 and 17, respectively.

Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 14 through 17 of this report.

Proprietary funds are maintained to account for enterprise activities. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for utilities and hospital funds.

Fund financial statements for the proprietary funds provide the same type and basis of information as the business-type activities in the government-wide financial statements, only in more detail. The Utility Fund is considered to be a major fund of the City. Data from the other enterprise fund is combined into a single, aggregated presentation.

The proprietary funds financial statements can be found on pages 18 through 20 of this report.

GOVERNMENT WIDE FINANCIAL ANALYSIS

Net position may serve over time as an indicator of the City's financial position. For the City of Senatobia, net position exceeded liabilities by \$11,165,602 in the current year.

**CITY OF SENATOBIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

The largest portion of the City's net position can be found in its investments in capital assets (land, buildings, building improvements, equipment) less any related debt. The City uses these capital assets to provide services; therefore, these assets may not be available for future spending.

The City's financial position is a product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the City's net position for the fiscal years ended September 30, 2014 and 2013:

	2014		2013	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Other Assets	\$ 3,021,245	\$ 3,664,177	\$ 3,080,531	\$ 4,160,168
Capital Assets, Net	<u>\$28,825,274</u>	<u>\$10,910,913</u>	<u>\$32,282,181</u>	<u>\$11,294,338</u>
Total Assets	<u>\$31,846,519</u>	<u>\$14,575,090</u>	<u>\$35,362,712</u>	<u>\$15,454,506</u>
Other Liabilities	\$ 467,441	\$ 589,124	\$ 573,797	\$ 979,385
Long-term Debt Outstanding	<u>\$28,800,377</u>	<u>\$3,975,618</u>	<u>\$29,196,996</u>	<u>\$4,591,292</u>
Total Liabilities	<u>\$29,267,818</u>	<u>\$4,564,742</u>	<u>\$29,770,793</u>	<u>\$5,570,677</u>
Property Tax for Future Periods	<u>\$ 1,423,447</u>	<u>\$ _____ 0</u>	<u>\$ 1,447,792</u>	<u>\$ _____ 0</u>
Total Deferred Inflows	<u>\$ 1,423,447</u>	<u>\$ _____ 0</u>	<u>\$ 1,447,792</u>	<u>\$ _____ 0</u>
Invested in capital assets, net of related debt	\$ 143,228	\$ 6,956,169	\$3,203,516	\$6,720,015
Restricted	\$ 297,166	\$ 411,357	\$ 244,792	\$ 860,803
Unrestricted	<u>\$ 714,860</u>	<u>\$ 2,642,822</u>	<u>\$ 695,819</u>	<u>\$2,303,011</u>
Total Net Position	<u>\$1,155,254</u>	<u>\$10,010,348</u>	<u>\$4,124,127</u>	<u>\$9,883,829</u>

**CITY OF SENATOBIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Changes in Net Position- The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2014 and 2013.

	2014	2013
	<u>Amount</u>	<u>Amount</u>
Governmental Activities		
Revenues:		
Program revenues		
Charges for services	\$841,233	\$866,970
Operating Grants & Contributions	\$216,118	\$57,017
Capital Grants & Contributions	\$12,768	\$133,100
General revenues		
Property taxes	\$1,442,844	\$1,385,998
Transfers	\$296,397	\$300,000
Other	<u>\$1,844,961</u>	<u>\$2,952,965</u>
Total Revenues	\$4,654,321	\$5,696,050
Expenses:		
General Government	\$2,848,064	\$2,825,398
Public Safety	\$2,738,008	\$2,705,026
Public Works	\$1,330,927	\$1,275,730
Culture and Recreation	\$467,554	\$374,863
Library	\$117,859	\$100,248
Interest and other expense on long-term debt	<u>\$140,7482</u>	<u>\$154,513</u>
Total Expenses	<u>\$7,643,194</u>	<u>\$7,435,778</u>
Increase (Decrease) in Net Position	<u>\$(2,988,873)</u>	<u>\$(1,739,728)</u>

**CITY OF SENATOBIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	2014	2013
	<u>Amount</u>	<u>Amount</u>
Business-Type Activities		
Revenues:		
Program revenues		
Charges for services	\$5,156,967	\$4,673,028
Capital Grants & Contributions	\$ 0	\$95,000
General revenues		
Transfers	\$(296,397)	\$(300,000)
Other	<u>\$143,953</u>	<u>\$(488,601)</u>
Total Revenues	\$5,004,523	\$3,979,427
Expenses:		
Utility	\$4,805,318	\$4,249,280
Hospital	\$ 0	\$6,442
Interest on long-term debt	<u>\$72,686</u>	<u>\$194,689</u>
Total Expenses	<u>\$4,878,004</u>	<u>\$4,450,411</u>
 Increase (Decrease) in Net Position	 <u>\$ 126,519</u>	 <u>\$(470,984)</u>

Governmental Activities - The following table presents the cost of six major functional activities of the City: General Government, Public Safety, Public Works, Culture and Recreation, Library, and Interest on long-term liabilities. The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

	2014		2013	
	Total	Net	Total	Net
	<u>Costs</u>	<u>Costs</u>	<u>Costs</u>	<u>Costs</u>
General government	\$2,848,064	\$2,644,423	\$2,825,398	\$2,616,915
Public safety	\$2,738,008	\$2,487,511	\$2,705,026	\$2,607,134
Public works	\$1,330,927	\$828,004	\$1,275,730	\$652,228
Culture and recreation	\$467,554	\$354,496	\$374,863	\$247,653
Library	\$117,859	\$117,859	\$100,248	\$100,248
Interest on long-term Liabilities	\$140,782	\$140,782	\$154,513	\$154,513

**CITY OF SENATOBIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds - At the close of the fiscal year, the City's governmental funds reported a combined fund balance of \$1,332,375, an increase of \$124,853. The primary reason for this was an increase in revenues in 2014.

The General Fund is the principal operating fund of the City. The increase in the fund balance of the General Fund for the fiscal year was \$21,398. The primary reason for the increase was the 8% increase in revenues with expenses being held to a less than a 2% increase.

Business-type funds - The Enterprise Funds showed an increase in net position for the year of \$126,518, compared to a \$470,984 decrease in the prior year. The reason for the increase in the current year compared to the decrease in the prior year is due to the disposition of the Hospital Fund assets in the prior year.

The Utility Fund is reported as a major fund in the proprietary fund financial statements. The Utility Fund had an increase in net position of \$126,518 in the current year compared to a \$207,787 increase in the prior year. The major contributing factor for the decrease of the change in net position from physical year 2014 compared to 2013 was capital grants and contributions received in 2013 of \$95,000 not received in 2014.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Senatobia revised its annual operating budget to more closely reflect revenues and expenses. A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The City of Senatobia was proud to announce our community as the location for the third largest Economic Development project for the State of Mississippi for 2010. Twin Creeks Technologies, Inc., a San Jose, CA company, chose Senatobia as the site for their new \$185 million solar cell production facility. In exchange for the creation of 500+ new jobs in our community, the State of Mississippi provided \$50 million bond financing, a \$3 million Development Infrastructure Loan, and a \$1 million Development Infrastructure Grant for the use and benefit of this economic development project. The City of Senatobia entered into a 20 year lease and agreements with Twin Creeks Technologies, Inc. with the understanding that full repayment of the \$53 million provided by the State of Mississippi would be met. As of September 30, 2014, the plant had closed and there were no ongoing operations. The State of Mississippi has agreed to suspend any debt obligations until there is a new tenant. Unfortunately, the City's financial statements now reflect the assets and corresponding liabilities for this project, and the depreciation expense is having a significant impact on our overall financial position.

The City of Senatobia completed a long term lease agreement with BMW North America, and BMW North America exercised their option to purchase the leased facility in Senatobia. The terms of the lease contract were satisfied. This sale had a significant negative impact on our overall financial position. We hope that the building will be used for manufacturing purposes by the new owner.

The City of Senatobia Utility Fund delivered another solid performance for FYE 2014; however, our natural gas sales were not as strong as we'd anticipated due to milder winter temperatures. We continue to manage our water, sewer and natural gas systems in a manner that promotes operational efficiency and keeps us current with new regulations.

The City's millage rate was 27 mills for FY 2014, one of the lowest in the State of Mississippi for communities our size.

**CITY OF SENATOBIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

BUDGETARY HIGHLIGHTS

The City's fiscal operating budget for both the General funds and the Utility fund are prepared, presented, and adopted by the Board of Aldermen prior to September 15 of each year for the upcoming fiscal year of October 1 to September 30. The City strives to determine accurate projections for revenues and expenses based on historical data and a reasonable forecast for the upcoming 12-month period. Due to unforeseen events throughout the year, it is necessary for the City to amend its budget from time to time during the fiscal year. For the fiscal year ending September 30, 2014, the City of Senatobia did have a few revisions that were required. Other revisions were attributed to variations in tax revenues, fluctuations in the cost of natural gas, and the timing of payments for construction and improvement projects that span multiple fiscal years.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - As of September 30, 2014, Senatobia's total capital assets were \$60,721,814. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, and leased property under capital lease. This amount represents a decrease from the previous year of \$1,909,562. The majority of this decrease represents the disposition of the BMW building.

Total accumulated depreciation as of September 30, 2014, was \$20,985,627, including \$2,702,828 of depreciation expense for the year. The balance in total net capital assets was \$39,736,187 at year-end.

Additional information on the City's capital assets can be found in Note 4 on page 28 and 29 of this report.

Debt Administration - At September 30, 2014, Senatobia had \$32,775,995 in long-term debt outstanding. This includes general obligation bonds, revenue bonds, loans from Mississippi Development Authority, capital leases, and accrued vacation pay.

In the year ending September 30, 2014, Senatobia entered into a lease purchase agreement for \$177,500 to purchase a street sweeper.

The State of Mississippi limits the amount of debt a city can issue to generally 15% of taxable assessed value. The City's outstanding debt is currently at 2.99% of the latest property assessments, well below the debt limit.

Additional information on the City's long-term debt can be found in Note 6 on page 30 of this report.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

None that would have any financial impact on this audit report.

CONTACT:

If you have any questions concerning this report, please contact:

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City of Senatobia
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Senatobia, MS 38668
Telephone: 662-562-4474
Email: Acallicott@cityofsenatobia.com

BASIC FINANCIAL STATEMENTS

CITY OF SENATOBIA, MISSISSIPPI
Statement of Net Position
September 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,169,542	\$ 1,812,251	\$ 2,981,793
Accounts receivable, net of allowance for doubtful accounts of \$36,252	-	374,494	374,494
Intergovernmental receivable	362,903	-	362,903
Franchise tax receivable	65,714	-	65,714
Property taxes receivable	1,423,447	-	1,423,447
Interest receivable	2,641	1,439	4,080
Prepaid expense	46,429	38,253	84,682
Internal balances	(300,168)	300,168	-
Inventory	-	637,301	637,301
Restricted assets:			
Cash in bank	250,737	2,282	253,019
Customer deposits	-	370,822	370,822
Bond issue costs, net	-	127,167	127,167
Capital assets, net of accumulated depreciation	<u>28,825,274</u>	<u>10,910,913</u>	<u>39,736,187</u>
Total Assets	<u>\$ 31,846,519</u>	<u>\$ 14,575,090</u>	<u>\$ 46,421,609</u>
<u>LIABILITIES</u>			
Accounts payable	261,924	191,905	453,829
Accrued expenses	205,517	26,397	231,914
Customer deposits	-	370,822	370,822
Long-term liabilities			
Due within one year:			
Capital debt	1,999,684	620,000	2,619,684
Due in more than one year:			
Capital debt	26,682,362	3,334,744	30,017,106
Non-capital debt	<u>118,331</u>	<u>20,874</u>	<u>139,205</u>
Total Liabilities	<u>29,267,818</u>	<u>4,564,742</u>	<u>33,832,560</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property tax for future reporting periods	<u>1,423,447</u>	<u>-</u>	<u>1,423,447</u>
Total Deferred Inflows of Resources	<u>1,423,447</u>	<u>-</u>	<u>1,423,447</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	143,228	6,956,169	7,099,397
Restricted for:			
Expendable:			
General Government	30,053	-	30,053
Public safety	24,721	-	24,721
Debt service	195,963	2,282	198,245
Customer deposits	-	370,822	370,822
Nonexpendable:			
Prepaid	46,429	38,253	84,682
Unrestricted	<u>714,860</u>	<u>2,642,822</u>	<u>3,357,682</u>
Total Net Position	<u>\$ 1,155,254</u>	<u>\$ 10,010,348</u>	<u>\$ 11,165,602</u>

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

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CITY OF SENATOBIA, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2014

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	2,848,064	203,641	\$ -	\$ -	\$ (2,644,423)	\$ -	\$ (2,644,423)
Public safety	2,738,008	37,379	213,118	-	(2,487,511)	-	(2,487,511)
Public works	1,330,927	491,075	-	11,848	(828,004)	-	(828,004)
Culture and recreation	467,554	109,138	3,000	920	(354,496)	-	(354,496)
Library	117,859	-	-	-	(117,859)	-	(117,859)
Interest on long-term debt	140,782	-	-	-	(140,782)	-	(140,782)
Total governmental activities	<u>7,643,194</u>	<u>841,233</u>	<u>216,118</u>	<u>12,768</u>	<u>(6,573,075)</u>	<u>-</u>	<u>(6,573,075)</u>
Business-Type Activities							
Utility	4,805,318	5,156,967	-	-	-	351,649	351,649
Hospital	-	-	-	-	-	-	-
Interest on long-term debt	72,686	-	-	-	-	(72,686)	(72,686)
Total business-type activities	<u>4,878,004</u>	<u>5,156,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,963</u>	<u>278,963</u>
Total government	<u>\$ 12,521,198</u>	<u>\$ 5,998,200</u>	<u>\$ 216,118</u>	<u>\$ 12,768</u>	<u>(6,573,075)</u>	<u>278,963</u>	<u>(6,294,112)</u>
					General Revenue:		
					1,442,844	-	1,442,844
					315,374	-	315,374
					2,165,954	-	2,165,954
					228,416	-	228,416
					312,342	-	312,342
					3,046	140,651	143,697
					250,588	3,302	253,890
					(1,430,759)	-	(1,430,759)
					296,397	(296,397)	-
					<u>3,584,202</u>	<u>(152,444)</u>	<u>3,431,758</u>
					(2,988,873)	126,519	(2,862,354)
					4,144,127	9,883,829	14,027,956
					<u>\$ 1,155,254</u>	<u>\$ 10,010,348</u>	<u>\$ 11,165,602</u>

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

CITY OF SENATOBIA, MISSISSIPPI
Balance Sheet
Governmental Funds
September 30, 2014

	<u>General Fund</u>	<u>Twin Creeks Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 975,197	\$ 91,728	\$ 102,617	\$ 1,169,542
Due from other funds	-	4,889	3,325	8,214
Intergovernmental receivable	359,535	-	3,368	362,903
Franchise tax receivable	65,714	-	-	65,714
Property tax receivable	1,189,369	-	234,078	1,423,447
Interest receivable	2,641	-	-	2,641
Prepaid expenses	46,429	-	-	46,429
Restricted cash	54,774	-	195,963	250,737
	<u>\$ 2,693,659</u>	<u>\$ 96,617</u>	<u>\$ 539,351</u>	<u>\$ 3,329,627</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 257,035	\$ 4,889	-	\$ 261,924
Accrued expenses	3,499	-	-	3,499
Due to other funds	308,382	-	-	308,382
	<u>568,916</u>	<u>4,889</u>	<u>-</u>	<u>573,805</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	1,189,369	-	234,078	1,423,447
	<u>1,189,369</u>	<u>-</u>	<u>234,078</u>	<u>1,423,447</u>
<u>FUND BALANCES</u>				
Nonspendable:				
Prepaid expenses	46,429	-	-	46,429
Restricted:				
General government	30,053	-	-	30,053
Public safety	24,721	-	-	24,721
Debt service	-	-	195,963	195,963
Assigned:				
General government	-	91,728	-	91,728
Public Safety	154,609	-	-	154,609
Public Works	-	-	102,617	102,617
Unassigned	679,562	-	6,693	686,255
	<u>935,374</u>	<u>91,728</u>	<u>305,273</u>	<u>1,332,375</u>
Total Fund Balances	<u>\$ 2,693,659</u>	<u>\$ 96,617</u>	<u>\$ 539,351</u>	<u>\$ 3,329,627</u>
Total Liabilities and Fund Balances	<u>\$ 2,693,659</u>	<u>\$ 96,617</u>	<u>\$ 539,351</u>	<u>\$ 3,329,627</u>

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

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CITY OF SENATOBIA , MISSISSIPPI
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2014

Total Fund Balance - Governmental Funds \$ 1,332,375

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. These assets consist of:

Land	1,236,302	
Buildings and improvements	19,032,113	
Equipment and vehicles	16,115,954	
Infrastructure	5,767,030	
Construction in progress	13,219	
Accumulated depreciation	<u>(13,339,344)</u>	
		28,825,274

Some liabilities are not due and payable in the current period and
therefore are not reported in the funds. Those liabilities consist of:

Notes payable	(26,600,960)	
Leases payable	(502,230)	
General obligation and revenue bonds	(1,578,856)	
Compensated absences	(118,331)	
Accrued interest	<u>(202,018)</u>	
		<u>(29,002,395)</u>

Net Position of Governmental Activities \$ 1,155,254

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

CITY OF SENATOBIA, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Year Ended September 30, 2014

	<u>General Fund</u>	<u>Twin Creeks Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
General property taxes	\$ 1,216,395	\$ -	\$ 226,449	\$ 1,442,844
Licenses and permits	59,645	-	-	59,645
Intergovernmental	2,525,825	-	-	2,525,825
Charges for services	943,305	-	-	943,305
Franchise taxes	228,416	-	-	228,416
Interest	2,689	-	357	3,046
Miscellaneous	174,022	76,566	-	250,588
Total Revenues	<u>5,150,297</u>	<u>76,566</u>	<u>226,806</u>	<u>5,453,669</u>
<u>EXPENDITURES</u>				
General government	879,784	123,153	5,125	1,008,062
Public safety	2,709,192	-	-	2,709,192
Public works	1,266,019	-	30,906	1,296,925
Culture and recreation	442,217	-	-	442,217
Library	100,492	-	-	100,492
Debt service:				
Principal	206,041	-	368,078	574,119
Interest	12,639	-	74,705	87,344
Total Expenditures	<u>5,616,384</u>	<u>123,153</u>	<u>478,814</u>	<u>6,218,351</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(466,087)</u>	<u>(46,587)</u>	<u>(252,008)</u>	<u>(764,682)</u>
<u>OTHER FINANCIAL SOURCES</u>				
Rents	148,025	-	164,317	312,342
Grant revenue	10,824	-	11,848	22,672
Sale of assets	77,021	-	-	77,021
Interfund transfers	74,115	41,818	184,067	300,000
Lease proceeds	177,500	-	-	177,500
Total Other Financing Sources	<u>487,485</u>	<u>41,818</u>	<u>360,232</u>	<u>889,535</u>
Net Change in Fund Balances	21,398	(4,769)	108,224	124,853
Fund Balance - Beginning of Year	913,976	96,497	197,049	1,207,522
Fund Balance - End of Year	<u>\$ 935,374</u>	<u>\$ 91,728</u>	<u>\$ 305,273</u>	<u>\$ 1,332,375</u>

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

CITY OF SENATOBIA, MISSISSIPPI
Reconciliation of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
For the Year Ended September 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	124,853
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$2,271,196) exceeded capital outlays (\$325,671).</p>		(1,945,525)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayments (\$574,119) in the current period exceeded proceeds (\$177,500).</p>		396,619
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:</p>		
Accrued Interest Expense		(53,438)
Transfer of Capital Asset to Utility Department		(3,602)
Sale of capital assets		(1,507,780)
		(1,507,780)
Change in Net Position of Governmental Activities	\$	(2,988,873)

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

CITY OF SENATOBIA, MISSISSIPPI
Statement of Net Position
Proprietary Funds
September 30, 2014

	<u>Utility Fund</u>	<u>Hospital Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 1,812,251	\$ -	\$ 1,812,251
Accounts receivable, net of allowance for doubtful accounts of \$48,147	374,494	-	374,494
Inventory	637,301	-	637,301
Interest receivable	1,439	-	1,439
Due from other funds	300,168	-	300,168
Prepaid Expenses	38,253	-	38,253
Total Current Assets	3,163,906	-	3,163,906
Noncurrent Assets			
Restricted assets:			
Cash	-	2,282	2,282
Cash - customer deposits	370,822	-	370,822
Bond issue cost, net	127,167	-	127,167
Capital assets, net of accumulated depreciation	10,910,913	-	10,910,913
Total Noncurrent Assets	11,408,902	2,282	11,411,184
Total Assets	\$ 14,572,808	\$ 2,282	\$ 14,575,090
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities			
Accounts payable	\$ 191,905	\$ -	\$ 191,905
Accrued expenses	26,397	-	26,397
Total Current Liabilities	218,302	-	218,302
Current Liabilities Payable from Restricted Assets			
Customer deposits	370,822	-	370,822
Escrow deposits payable	-	-	-
Long-term liabilities due within one year: Bonds payable	620,000	-	620,000
Total current liabilities payable from restricted assets	990,822	-	990,822
Long-term liabilities due in more than one year:			
Bonds Payable	3,334,744	-	3,334,744
Compensated Absences	20,874	-	20,874
Total Long-term Liabilities	3,355,618	-	3,355,618
Total Liabilities	4,564,742	-	4,564,742
Net Position			
Invested in capital assets, net of related debt	6,956,169	-	6,956,169
Restricted for:			
Debt service	370,822	2,282	373,104
Prepaid expenses	38,253	-	38,253
Unrestricted	2,642,822	-	2,642,822
Total Net Position	10,008,066	2,282	10,010,348
Total Liabilities and Net Position	\$ 14,572,808	\$ 2,282	\$ 14,575,090

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

CITY OF SENATOBIA, MISSISSIPPI
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2014

	<u>Utility Fund</u>	<u>Hospital Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Charges for services	\$ 5,156,967	\$ -	\$ 5,156,967
Total Operating Revenues	<u>5,156,967</u>	<u>-</u>	<u>5,156,967</u>
<u>OPERATING EXPENSES</u>			
Cost of Sales	2,504,844	-	2,504,844
Personnel	648,162	-	648,162
Depreciation and amortization	451,200	-	451,200
Material and supplies	146,468	-	146,468
Professional services	609,577	-	609,577
Other	445,067	-	445,067
Total Operating Expenses	<u>4,805,318</u>	<u>-</u>	<u>4,805,318</u>
Operating Income	<u>351,649</u>	<u>-</u>	<u>351,649</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	140,650	1	140,651
Interest expense	(72,686)	-	(72,686)
Miscellaneous revenue	3,302	-	3,302
Net Nonoperating Revenue(Expenses)	<u>71,266</u>	<u>1</u>	<u>71,267</u>
Net Income (Loss) Before Transfers	422,915	1	422,916
Interfund transfers	(296,397)	-	(296,397)
Change in Net Position	<u>126,518</u>	<u>1</u>	<u>126,519</u>
Net Position - Beginning of Year	<u>9,881,548</u>	<u>2,281</u>	<u>9,883,829</u>
Net Position - End of Year	<u>\$ 10,008,066</u>	<u>\$ 2,282</u>	<u>\$ 10,010,348</u>

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

CITY OF SENATOBIA, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2014

	<u>Utility Fund</u>	<u>Hospital Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 5,153,695	\$ -	\$ 5,153,695
Cash payments for goods and services	(3,790,269)	-	(3,790,269)
Cash payments to employees	(644,255)	-	(644,255)
Net Cash Provided By (Used In) Operating Activities	<u>719,171</u>	<u>-</u>	<u>719,171</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Interfund Activity	(300,000)	-	(300,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(300,000)</u>	<u>-</u>	<u>(300,000)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Payments for capital acquisitions	(40,094)	-	(40,094)
Principal payments on debt	(605,000)	-	(605,000)
Interest payments on dcbt	(72,686)	-	(72,686)
Capital acquisitions reimbursements	3,302	-	3,302
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(714,478)</u>	<u>-</u>	<u>(714,478)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest on investments	118,536	1	118,537
Net Cash Provided By (Used In) Investing Activities	<u>118,536</u>	<u>1</u>	<u>118,537</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(176,771)	1	(176,770)
Cash and Cash Equivalents-Beginning of Year	1,989,022	2,281	1,991,303
Cash and Cash Equivalents-End of Year	<u>\$ 1,812,251</u>	<u>\$ 2,282</u>	<u>\$ 1,814,533</u>
Reconciliation of Operating Income to Net Cash Provided By (Used In)			
Operating Activities			
Operating Income	<u>\$ 351,649</u>	<u>\$ -</u>	<u>\$ 351,649</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	451,200	-	451,200
(Increase) decrease in customer receivables	(3,272)	-	(3,272)
Increase (decrease) in accounts payable	82,562	-	82,562
Increase (decrease) in accrued expenses	(97,657)	-	(97,657)
(Increase) decrease in Prepaid Expenses	(21,370)	-	(21,370)
(Increase) decrease in inventory	(43,941)	-	(43,941)
Total adjustments	<u>367,522</u>	<u>-</u>	<u>367,522</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 719,171</u>	<u>\$ -</u>	<u>\$ 719,171</u>

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

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CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Senatobia (“the City”) was incorporated in 1849. The City operates under the Board of Aldermen-Mayor form of government and provides the following services: public safety (police and fire), public works (streets and sanitation), culture, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Senatobia have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

B. Financial Reporting Entity

These financial statements present all the accounts of the City. There are no component units based upon the criteria set forth in generally accepted accounting principles.

C. Basis of Presentation

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Indirect expenses are allocated to general government.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Government Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund:

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2014

Twin Creeks Fund:

This fund is used to account for the accumulation of financial resources to be used for maintenance, debt obligations, and the future sale or lease of the former Twin Creeks Building.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental funds column of the fund financial statements.

Proprietary Funds

All proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Utility Fund:

The Utility Fund is used to account for the provision of gas, water, and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the gas, water, and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for gas, water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Hospital Fund:

Hospital Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on hospital long-term debt paid from rent collected from the hospital by the City. In addition, it is used to account for funds received and expended for the construction, renovation and improvement of the hospital.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they both become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2014

recognition of all other Government Fund revenues. Expenditures are recognized when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. Also, taxes held by the county tax collector at year end are recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

E. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year after which the City Clerk submits a budget of estimated expenditures and revenues to the Mayor and Board of Aldermen by August 1.

Upon receipt of the budget estimates, the Board of Aldermen holds a public hearing on the proposed budget. Information about the Budget Ordinance is then published in the official newspaper of the City.

At the September board meeting, the budget is legally enacted through passage of ordinance. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.

The actual receipts and disbursements are accumulated each month and compared to the budgeted amounts and reviewed by the Mayor and Board of Aldermen. Any revisions on the budget during the year are approved by the Board of Aldermen.

F. Cash and Cash Equivalents

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

G. Prepaid Expenses

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the nonspendable portion of prepaid expenses in the governmental funds has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

H. Inventories

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in/first-out method.

I. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2014

applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business type activities are reported in the government-wide financial statements as "internal balances."

J. Restricted Assets

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

K. Capital Assets and Depreciation

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

- Buildings - 20 to 50 years
- Improvements/infrastructure - 5 to 50 years
- Equipment - 2 to 15 years

L. Compensated Absences

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and proprietary funds financial statements. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured, for example, an employee resigns.

M. Fund Balances

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

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

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form such as inventories and prepaid amounts.

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.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the Board of Alderman, the City's highest level of decision-making authority. This formal action is a resolution approved by the board.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2014

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Mayor and Board of aldermen, but no official policy has been adopted.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the City's general policy to use restricted resources first, then committed, assigned, and unassigned.

N. Net Position

Net Position is the difference between assets and liabilities. Invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on its use by laws or regulations, contributors, creditors or grantors.

O. Deferred Inflows of Resources

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

Property tax for future reporting period/unavailable revenue-property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

P. Property Tax Revenues

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 on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of the original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date the original purchase occurs.

Q. Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2014

financial statements. Accordingly, actual results may differ from estimated amounts.

R. Recent Accounting Pronouncements

In April 2012, the GASB issued Statement No. 66, "Technical Corrections – 2012; and amendment of GASB Statement No. 10 and No. 62." This Statement removes the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. This Statement has no significant impact on the City's financial statements.

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25," the objective of which is to improve financial reporting by state and local governmental pension plans. Statement No. 67 replaces the requirement of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50, "Pension Disclosures" for pension plans administered through trust or equivalent arrangements that meet certain criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Management is currently evaluating the impact of the Statement.

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions, which is intended to improve the usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhance value for assessing accountability by requiring recognition of the entire net pension liability and more comprehensive measure of pension expense. The provisions of Statement No. 68 are effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of this statement on the financial statements.

On January 2013, the GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). This Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. This Statement has no significant impact on the City's financial statements.

In April 2013, the GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third party obligation holder under specified conditions. The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. The requirements for this Statement are effective for financial statements for reporting periods beginning after June 15, 2013. This Statement has no significant impact on the City's financial statements.

In November 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68." This Statement amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions in the Statement are required to be applied simultaneously with the provisions of Statement 68, which the City will implement in fiscal year 2015.

NOTE 2 – DEPOSITS AND INVESTMENTS

The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2014

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 Depository Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of a financial institution's failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. As of September 30, 2014, the City's bank balance was not exposed to eustodial credit risk.

As of September 30, 2014, the carrying amount of the City's deposits was \$3,605,136 and the bank balances totaled \$3,834,602. Of the bank balances, \$252,282 was insured by the FDIC and \$3,582,320 was covered by pooled and/or pledged collateral.

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.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of the following:

Description	Amount
Sales Tax	\$ 218,436
Interlocal Agreement	62,246
Ad Valorem Tax	82,221
Total	\$ <u>362,903</u>

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2014

NOTE 4 – CAPITAL ASSETS

	Balance at 9/30/13	Additions	Deletions	Transfers / Adjustments	Balance at 9/30/14
<u>GOVERNMENTAL ACTIVITIES</u>					
Capital assets, not being depreciated:					
Land	\$ 1,352,607	\$ -	\$ 116,305	\$ -	\$ 1,236,302
Construction in progress	282,539	20,446	-	(289,766)	13,219
Total capital assets, not being depreciated:	<u>1,635,146</u>	<u>20,446</u>	<u>116,305</u>	<u>(289,766)</u>	<u>1,249,521</u>
Capital assets, being depreciated:					
Buildings and improvements	20,924,118	7,995	1,900,000	-	19,032,113
Infrastructure	5,528,830	-	-	238,200	5,767,030
Equipment and vehicles	16,020,015	297,230	245,884	44,593	16,115,954
Total capital assets, being depreciated:	<u>42,472,963</u>	<u>305,225</u>	<u>2,145,884</u>	<u>282,793</u>	<u>40,915,097</u>
Less accumulated depreciation for:					
Buildings and improvements	5,928,898	467,495	570,000	-	5,826,393
Infrastructure	920,338	256,204	-	-	1,176,542
Equipment and vehicles	4,976,692	1,547,497	184,409	(3,371)	6,336,409
Total accumulated depreciation	<u>11,825,928</u>	<u>2,271,196</u>	<u>754,409</u>	<u>(3,371)</u>	<u>13,339,344</u>
Total capital assets, being depreciated, net	<u>30,647,035</u>	<u>(1,965,971)</u>	<u>1,391,475</u>	<u>286,164</u>	<u>27,575,753</u>
Governmental activities capital assets, net	<u>\$ 32,282,181</u>	<u>\$ (1,945,525)</u>	<u>\$ 1,507,780</u>	<u>\$ (3,602)</u>	<u>\$ 28,825,274</u>
<u>BUSINESS-TYPE ACTIVITIES</u>					
Capital assets, not being depreciated:					
Land	\$ 46,000	\$ -	\$ -	\$ -	\$ 46,000
Easements	18,291	-	-	-	18,291
Construction in progress	97,911	4,510	-	(90,192)	12,229
Total capital assets, not being depreciated:	<u>162,202</u>	<u>4,510</u>	<u>-</u>	<u>(90,192)</u>	<u>76,520</u>
Capital assets, being depreciated:					
Buildings	466,273	10,986	-	-	477,259
Infrastructure	17,193,285	-	-	90,192	17,283,477
Equipment and vehicles	701,507	29,108	17,649	6,974	719,940
Total capital assets, being depreciated:	<u>18,361,065</u>	<u>40,094</u>	<u>17,649</u>	<u>97,166</u>	<u>18,480,676</u>
Less accumulated depreciation for:					
Buildings	253,227	10,964	-	-	264,191
Infrastructure	6,335,111	400,618	-	-	6,735,729
Equipment and vehicles	640,591	20,050	17,649	3,371	646,363
Total accumulated depreciation	<u>7,228,929</u>	<u>431,632</u>	<u>17,649</u>	<u>3,371</u>	<u>7,646,283</u>
Total capital assets, being depreciated, net	<u>11,132,136</u>	<u>(391,538)</u>	<u>-</u>	<u>93,795</u>	<u>10,834,393</u>
Business-type activities capital assets, net	<u>\$ 11,294,338</u>	<u>\$ (387,028)</u>	<u>\$ -</u>	<u>\$ 3,603</u>	<u>\$ 10,910,913</u>

No interest was capitalized during the year due to immateriality. See long-term debt note for assets under capital leases.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2014

NOTE 4 –CAPITAL ASSETS (CONTINUED)

A summary of depreciation expense is as follows:

Governmental Activities Function	Depreciation Expense	Business Type Activities Function	Depreciation Expense
General Government	\$ 1,854,697	Utility	\$ 431,632
Public Safety	119,845	Hospital	-
Public Works	241,294		-
Culture and Recreation	37,993		-
Library	17,367		-
Total depreciation expense	<u>\$ 2,271,196</u>	Total depreciation expense	<u>\$ 431,632</u>

Commitment under construction contracts at September 30, 2014 are summarized as follows:

Project	Contract Amount	Remaining Balance	Fund
Sidewalk Project	\$ 272,904	\$ 272,904	Other Governmental Funds
Gas Relocation Project	516,297	516,297	Utility
Total	<u>789,201</u>	<u>789,201</u>	

NOTE 5 – INTERFUND TRANSFERS AND BALANCES

The following is a summary of interfund transactions and balances:

A. Due to/from other funds	Due to	Due from
Major funds:		
Utility Fund	\$ 300,168	\$ -
General Fund	-	300,168
Twin Creeks Fund	4,889	-
General Fund	-	4,889
Other Governmental Funds	3,325	-
General Fund	-	3,325
Total funds	<u>\$ 308,382</u>	<u>\$ 308,382</u>

These are for payment of monthly claims. All interfund balances are expected to be repaid within a year.

B. Transfers In/Out	Transfers In	Transfers Out
Major funds:		
General fund	\$ 300,000	\$ 229,488
Twin Creeks	41,818	-
Other governmental funds	184,067	-
Utility fund	3,603	300,000
Total funds	<u>\$ 529,488</u>	<u>\$ 529,488</u>

The principal purpose of interfund transfers was to provide funds to pay for debt service. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2014

NOTE 6 – LONG-TERM DEBT

Long-term activity for the year ended September 30, 2014 was as follows:

	Balance at 9/30/13	Additions	Deletions	Balance at 9/30/14	Amounts Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 1,085,000	\$ -	\$ 245,000	\$ 840,000	\$ 195,000
Revenue bonds payable	753,312	-	14,456	738,856	18,698
Loans payable	26,709,582	-	108,622	26,600,960	1,428,540
Leases payable	530,771	177,500	206,041	502,230	357,446
Compensated absences payable	118,331	-	-	118,331	-
Governmental activities long-term liabilities	\$ 29,196,996	\$ 177,500	\$ 574,119	\$ 28,800,377	\$ 1,999,684
Business-type activities:					
Revenue bonds payable	\$ 4,465,000	\$ -	\$ 605,000	3,860,000	\$ 620,000
Bond Premium	109,323	-	14,579	94,744	-
Compensated absences payable	16,969	3,905	-	20,874	-
Business-type activities long-term liabilities	\$ 4,591,292	\$ 3,905	\$ 619,579	\$ 3,975,618	\$ 620,000

General obligation bonds. General obligation bonds are direct obligations and pledge full faith and credit of the City. General obligation bonds outstanding at year end are as follows:

	Interest Rate	Maturity	Issued	Outstanding
2003 Road and Bridge	Various	2018	2,500,000	840,000
Total			\$ 2,500,000	\$ 840,000

Revenue Bonds. The City also issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

	Interest Rate	Maturity	Issued	Outstanding
2000 Urban Renewal	5.50%	2035	900,000	738,856
2012 Water, Sewer and Gas Refunding Bonds	2.00%	2021	5,105,000	3,860,000
Total			\$ 6,005,000	\$ 4,598,856

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2014

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Loans. The City also uses loans to finance its projects. Loans outstanding at year end are as follows:

	Rate	Maturity	Outstanding
Development Infrastructure Program - Twin Creeks	2.00%	2026	2,820,682
Twin Creeks Technologies - MMEIA Loan	0.00%	2032	23,780,278
Total			<u>\$ 26,600,960</u>

The aggregate maturities of general obligation bonds, revenue bonds, and loans for the years subsequent to September 30, 2014 are as follows:

Year(s) Ending	Governmental Fund		Enterprise Fund	
	Principal	Interest	Principal	Interest
September 30				
2015	\$ 1,642,238	\$ 119,940	\$ 620,000	\$ 77,200
2016	1,656,805	109,377	635,000	64,800
2017	1,671,500	98,255	645,000	52,100
2018	1,686,326	86,368	660,000	39,200
2019	1,466,290	70,110	670,000	26,000
2020-2024	7,427,861	289,318	630,000	19,000
2025-2029	7,319,397	143,149	-	-
Thereafter	5,309,399	87,881	-	-
Total	<u>\$ 28,179,816</u>	<u>\$ 1,004,398</u>	<u>\$ 3,860,000</u>	<u>\$ 278,300</u>

Capital Leases. The City has entered into equipment leases with BancorpSouth, Hancock Bank, and John Deere Financial. The leases with BancorpSouth are for two garbage trucks and a street sweeper for the City's sanitation department. The leases with John Deere Financial for a backhoe and Hancock Bank for a knuckleboom truck are for the street department. Asset values for these assets recorded on the Statement of Net Position Governmental Activities column is \$755,180 less accumulated depreciation of \$302,177, which nets to \$453,003. Depreciation expenses for these assets are recorded in the Statement of Activities' Public Works category. Future minimum capital lease payments for the year ended September 30, 2014 was as follows:

LEASES			
Year(s) Ending	Governmental Fund		
	Principal	Interest	
September 30			
2015	\$ 357,446	\$ 6,617	
2016	\$ 54,398	\$ 2,545	
2017	90,386	931	
Total	<u>\$ 502,230</u>	<u>\$ 10,093</u>	

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2014

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Legal Debt Margin – The City is subject to the limitations of indebtedness prescribed by Section 21-33-303, Mississippi Code 1972. No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bond indebtedness of such municipality, would exceed the 15% and 20% tests prescribed in Section 21-33-303. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of bond issues being excluded from the authorized debt limit tests. Presented in the schedule below are the calculations of the applicable statutory debt limitations and the resulting margin for further debt in the amount of \$6,215,772 as of September 30, 2014.

	15% Test	20% Test
Net Assessed Value as of September 30, 2014 (\$52,720,258) times applicable percentage	\$ 7,908,039	\$ 10,544,052
Present debt subject to debt limit as of September 30, 2014: Total bonds outstanding (exclude proprietary)	1,578,856	1,578,856
Margin for additional debt	\$ 6,329,183	\$ 8,965,196

During the year ended September 30, 2013 the City became aware Twin Creeks Technologies South East, LLC would not be able to fulfill the lease agreement entered into by both parties. The Twin Creeks Project was funded through MMEIA and DIP loans through the State of Mississippi, and the City of Senatobia's liability for the debt was expected to be retired with the Twin Creeks lease agreement revenues. The balance of the MMEIA debt totaled \$23,780,279 and the DIP debt totaled \$2,820,682 at September 30, 2013. The settlement and release agreement filed in Tate County Chancery Court during 2013 modified the debt repayment schedule to match any revenues generated from the Twin Creek Project's assets. At the report date the inflows of revenue are uncertain; therefore, an exact schedule of debt repayment is not available. The above schedules in this note include these debt obligations at the original repayment schedules due to the uncertainty of changes. The State of Mississippi and the City were also assigned certain rights to royalties and other legal claims that, if and when collected, will also be considered payments to reduce the outstanding liability.

NOTE 7 – SHORT-TERM DEBT

The City did not engage in any short-term debt activity in the current or prior fiscal year.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Senatobia 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. 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.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2014

Funding Policy

PERS members are required to contribute 9% of their annual covered salary and the City of Senatobia is required to contribute at an actuarially determined rate. At September 30, 2014, the current rate 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 City of Senatobia's contributions to PERS for the year ending September 30, 2014, 2013 and 2012 were \$421,681, \$397,589, and \$342,999 respectively, equal to the required contributions for each year.

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. This exposure is covered by purchase of commercial insurance.

NOTE 10 – LITIGATION

The City is subject to various legal proceedings in various stages of litigation, the outcome of which is not determinable at this time. Management of the City and its legal counsel do not anticipate that there will be a material effect on the financial statements as a result of the cases presently in progress.

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The exposure is covered by commercial insurance.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 21, 2015, which is the date the financial statements were available to be issued.

In October 2014, the City entered into a lease purchase agreement for a garbage truck in the amount of \$185,703 at 2.24% interest, to be repaid over 37 months.

In January 2015, the City entered into a lease purchase agreement for eight police cars in the amount of \$246,721 at 5.2% interest, to be repaid over 48 months.

In March 2015, the City entered into a lease purchase agreement for radio equipment in the amount of \$35,063 at 4.955% interest, to be paid over 36 months.

In July 2015, the City entered into a lease purchase agreement for a garbage truck in the amount of \$267,958 at 2.24% interest, to be repaid over 25 months.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SENATOBIA, MISSISSIPPI
Budgetary Comparison Schedule – General Fund
September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
REVENUES				
General property taxes	\$ 1,195,232	\$ 1,195,232	\$ 1,191,171	\$ (4,061)
Licenses and permits	43,400	43,400	59,645	16,245
Intergovernmental	2,270,673	2,270,673	2,477,490	206,817
Charges for services	889,872	889,872	905,048	15,176
Franchise Tax	187,000	187,000	223,838	36,838
Interest	5,550	5,550	2,689	(2,861)
Miscellaneous	129,000	129,000	174,022	45,022
Total revenues	4,720,727	4,720,727	5,033,903	313,176
EXPENDITURES				
General government	855,587	835,754	895,242	(59,488)
Public safety	2,542,765	2,581,605	2,708,772	(127,167)
Public works	1,673,191	1,172,377	1,264,899	(92,522)
Culture and recreation	386,775	368,068	442,094	(74,026)
Library	106,000	100,000	100,492	(492)
Debt service	170,177	170,177	162,718	7,459
Total expenditures	5,734,494	5,227,981	5,574,217	(346,236)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,013,767)	(507,254)	(540,314)	(33,060)
Other Financing Sources (Uses)				
Grant revenue	484,000	484,000	10,824	(473,176)
Rents	163,564	163,564	148,025	(15,539)
Sale of assets	1,000	1,000	77,021	76,021
Lease proceeds	-	-	177,500	177,500
Interfund transfers	79,613	79,613	74,115	(5,498)
Total Other Financing Sources (Uses)	728,177	728,177	487,485	(240,692)
Net change in fund balances	\$ (285,590)	\$ 220,923	(52,829)	\$ (273,752)
Fund Balance - Beginning of Year			913,976	
Fund Balance - End of Year			861,147	
Adjustments to conform with GAAP:				
Revenues			116,394	
Expenditures			(42,167)	
Fund Balance - End of Year (GAAP basis)			\$ 935,374	

The accompanying notes to the required supplementary information are an integral part of the Statement.

CITY OF SENATOBIA, MISSISSIPPI
Notes to the Required Supplementary Information
September 30, 2014

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 Mayor and Board of Aldermen, using historical and anticipated fiscal data and proposed budgets submitted by the various department managers for his or her respective department, prepare 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 Alderman 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 modified to include recognition of expenditures incurred before year end and paid within 30 days after year end as required by the State of Mississippi. This method is not consistent with U.S. generally accepted accounting principles.

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 only. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Excess of Budget Basis Expenditures Over Final Adopted Budget.

The City is in violation of Section 21-35-15, Miss. Code Ann. (1972), which states expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlay, election expenses, and payment of emergency warrants. The City incurred expenses that exceeded the budget estimates at the lowest level adopted. However, the City has no liability associated with these violations.

SUPPLEMENTARY INFORMATION

CITY OF SENATOBIA, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2014

Fidelity bonds in force at September 30, 2014 were as follows:

<u>Position</u>	<u>Amount of Bond</u>
Mayor	\$ 50,000
City Clerk	50,000
Deputy Clerk	50,000
City Clerk, Urban Renewal	61,000
Aldermen	100,000 each
Police Chief	50,000
All Personnel - Blanket	50,000

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FRANK O. GIVENS, III
Certified Public Accountant

W. BUFORD GIVENS
Certified Public Accountant

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

Mayor and Board of Aldermen
City of Senatobia
Senatobia, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Senatobia, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Senatobia, Mississippi's basic financial statements and have issued our report thereon dated August 21, 2015.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (2014-1 thru 2014-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Senatobia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Senatobia's Response to Findings

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

Purpose of this Report

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

F. O. Givens & Company
Senatobia, Mississippi
August 21, 2015

F. O. GIVENS & COMPANY

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

Honorable Mayor and Board of Aldermen
City of Senatobia, Mississippi

We have audited the financial statements of the City of Senatobia as of and for the year ended September 30, 2014, and have issued our report thereon dated August 21, 2015. 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 instances of noncompliance with state laws and regulations, our findings and recommendations and your responses are as follows:

Finding 1:

Expenses Over Budget

Section 21-35-15, Miss. Code Ann. (1972), states expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlay, election expenses, and payment of emergency warrants. The City incurred expenses that exceeded the budget estimates at the lowest level adopted.

Recommendation

The City should develop controls over expenditures to ensure proper compliance with budget code section. The final budget amendment should take into consideration any expenses incurred prior to year end and disbursed within 30 days thereafter.

Response

The City will ensure that expenditures do not exceed any budget estimates and will make budget amendments as needed.

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.

F.O. Givens & Co.
Certified Public Accountants
August 21, 2015

CITY OF SENATOBIA, MISSISSIPPI
Schedule of Findings and Responses
September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the general purpose financial statements. _____ Unqualified _____

2. Internal control over financial reporting:
 - a. Material weakness(es) identified? _____ Yes _____

 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ No _____

3. Material noncompliance relating to the general purpose financial statements? _____ No _____

Section 2: Financial Statement Findings

Material Weaknesses:

2014-1 Criteria:

Part of effective internal controls over financial reporting is the ability to adequately produce financial statements in accordance with generally accepted accounting principles.

Condition:

The City is not currently able to internally produce financial statements in accordance with generally accepted accounting principles.

Effect:

The City must incur the expense of outsourcing the preparation of its financial statements, related notes and required supplemental information.

Recommendation:

The City has hired someone who has the ability to learn and develop the skills needed to internally produce the financial statements. The City should continue investing in the training and development of this employee.

Response:

The City will continue to invest in the training and development of the employee hired to prepare financial statements.

CITY OF SENATOBIA, MISSISSIPPI
Schedule of Findings and Responses
September 30, 2014

2014-2 Criteria:

Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in liability and receivable accounts.

Condition:

The City has not designed internal control procedures to monitor and detect errors in utility receivable accounts.

Effect:

The external auditors discovered and proposed material adjustments to receivable accounts that were recorded by management.

Recommendation:

Management should develop internal control procedures to ensure that utility receivable accounts are reconciled and reviewed appropriately.

Response:

The City will implement controls to ensure utility receivable accounts are reconciled to subsidiary ledgers or other subsidiary information.

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