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# City of Farmington, Ms

PO Box 2796  
Corinth, MS 38835-2796

*"The historical past is glorious, the present is heartening, and the future is bright."*

Dale Fortenberry  
Mayor

Debora Jackson, Municipal Clerk  
Keith Little, Chief of Police

Aldermen  
Joel Cottrell  
Lowell E. Gann  
William Hebert  
Jeff Patterson  
Johnny Potts

June 24, 2015

Office of the State Auditor  
501 N. West Street Suite 801  
Jackson, MS 39201

Department of Technical Assistance

Accompanying this letter are two copies of the annual audit of the City of Farmington, Mississippi, for the fiscal year ended September 30, 2015.

Sincerely,

Debora Jackson  
Municipal Clerk

Enc: 2

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**TOWN OF FARMINGTON, MISSISSIPPI  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
YEAR ENDED SEPTEMBER 30, 2015**

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**JUN 27 2016**

**Town of Farmington, Mississippi**  
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Locations in Corinth, MS & Booneville, MS

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106 South First Street  
Post Office Box 540  
Booneville, Mississippi 38829  
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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members  
of the Board of Aldermen  
Town of Farmington, Mississippi

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### Report on the Financial Statements

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 Town of Farmington, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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 Town of Farmington, Mississippi, as of September 30, 2015, 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, budgetary comparison information, the Schedule of the Town's Proportionate Share of the Net Pension Liability, and the Schedule of Town Contributions on pages 3 through 8 and 32 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Farmington, Mississippi's 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 them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2016, on our consideration of the Town of Farmington, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Farmington, Mississippi's internal control over financial reporting and compliance.

*Brawner, Vanstoy & Co., P.A.*

Booneville, Mississippi  
June 23, 2016

**Town of Farmington, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015**

This Discussion and Analysis of the Town of Farmington's financial performance provides an overall review of the Town's financial activities for the year ended September 30, 2015. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Town's financial performance.

**Financial Highlights**

Key financial highlights for 2015 were as follows:

Total net position decreased \$335,235 or 8.66% from 2014.

Overall, the book value of capital assets increased by \$99,828 from 2014.

The Town also recorded a net pension liability of \$336,058.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Town of Farmington as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole Town, presenting both an aggregate view of the Town's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the Town's most significant funds with all other non-major funds presented in total in one column.

**Reporting the Town of Farmington as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains information about the funds used by the Town to provide services to our citizens, the view of the Town as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Town's net position and the changes in that position. This change in position is important because it tells the reader whether, for the Town as a whole, the financial position of the Town has improved or diminished. However, in evaluating the overall position of the Town, non-financial information such as changes in the Town's tax base and the condition of the Town's capital assets will also need to be evaluated.

Town of Farmington, Mississippi  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2015**

In the Statement of Net Position and the Statement of Activities, all of the Town's activities are reported as Governmental Activities and Business Type Activities, which include all of the Town's services including police, fire, administration, sewer, and all other departments. The Town of Farmington has no component units.

### **Reporting the Town of Farmington's Most Significant Funds**

#### **Fund Financial Statements**

The analysis of the Town's major funds begins on page 11. Fund financial reports provide detailed information about the Town's major funds. Based on restrictions on the use of monies, the Town has established many funds, which account for the multitude of services provided to the Town's residents. However, these fund financial statements focus on the Town's most significant funds. In the case of the Town of Farmington, the Town's major fund is the General Fund.

#### **Governmental Funds**

Most of the Town's basic services are reported in this fund type, which shows the money flowing in and out of those funds and then the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. These fund statements provide a detailed short-term view of the general government operations and the basic service it provides. This information also helps you determine whether there are more or fewer financial resources available to be used in the near future to finance the Town's programs. The differences between governmental activities and governmental funds are described in reconciliations adjacent to the fund financial statements.

#### **Proprietary Funds**

When the customers are charged for the provided services, these services are generally reported as proprietary funds. These funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows.

#### **The Town of Farmington as a Whole**

Recall that the Statement of Net Position looks at the Town as a whole. Table 1 provides a summary of the Town's net position for 2015 compared to 2014.

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**Town of Farmington, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015**

	Government Wide						Increase (Decrease)	Percentage Change
	Governmental Activities		Business-Type Activities		Totals			
	2015	2014	2015	2014	2015	2014		
Current and other assets	\$ 617,390	\$ 542,487	\$ 146,497	\$ 332,209	\$ 763,887	\$ 874,696	\$ (110,809)	-12.67%
Capital assets	314,613	332,493	5,572,338	5,454,630	5,886,951	5,787,123	99,828	1.73%
Total Assets	932,003	874,980	5,718,835	5,786,839	6,650,838	6,661,819	(10,981)	-0.16%
Deferred Outflows of Resources	50,453	-	9,611	-	60,064	-	60,064	100.00%
Long-term debt	297,213	21,318	2,591,877	2,351,043	2,889,090	2,372,361	516,729	21.78%
Other Liabilities	17,770	138,732	116,642	277,944	134,412	416,676	(282,264)	-67.74%
Total Liabilities	314,983	160,050	2,708,519	2,628,987	3,023,502	2,789,037	234,465	8.41%
Deferred Inflows of Resources	148,643	-	1,210	-	149,853	-	149,853	100.00%
Net Position								
Net Investment in Capital Assets	299,689	311,175	3,034,230	3,103,588	3,333,919	3,414,763	(80,844)	-2.37%
Restricted	234	234	-	-	234	234	-	0.00%
Unrestricted	218,907	403,521	(15,513)	54,264	203,394	457,785	(254,391)	-55.57%
Total Net Position	\$ 518,830	\$ 714,930	\$ 3,018,717	\$ 3,157,852	\$ 3,537,547	\$ 3,872,782	\$ (335,235)	-8.66%

The Town's total assets decreased \$10,981 during 2015 with business-type activities showing a decrease of \$68,004 and governmental activities showing an increase of \$57,023. The major changes were \$99,828 increase in capital assets; and a \$8,312 increase in cash, and \$150,791 decrease in Intergovernmental Receivables.

The Town's total liabilities increased \$234,465, mainly due to the addition of net pension liability.

The Town's net position decreased \$335,235 due mainly to a prior period adjustment for the net pension liability.

**Town of Farmington, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015**

Table 2 shows the Changes in Net Position for the September 30, 2015 year end. A comparative analysis of government-wide data is as follows:

(Table 2)  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals		Increase (Decrease)	Percentage Change
	2015	2014	2015	2014	2015	2014		
<b>Program Revenues:</b>								
Charges for services	\$ 55,912	\$ 34,787	\$ 335,543	\$ 316,593	\$ 391,455	\$ 351,380	\$ 40,075	11.41%
<b>General revenues:</b>								
Property taxes	159,056	158,812	-	-	159,056	158,812	244	0.15%
Other taxes and other	152,228	163,105	-	150,000	152,228	313,105	(160,877)	-51.38%
Total revenues	<u>367,196</u>	<u>356,704</u>	<u>335,543</u>	<u>466,593</u>	<u>702,739</u>	<u>823,297</u>	<u>(120,558)</u>	<u>-14.64%</u>
<b>Program Expenses:</b>								
General government	144,569	149,592	-	-	144,569	149,592	(5,023)	-3.36%
Public safety	137,687	147,300	-	-	137,687	147,300	(9,613)	-6.53%
Public works	23,824	23,934	-	-	23,824	23,934	(110)	-0.46%
Pension Expense	31,309	-	-	-	31,309	-	31,309	100.00%
Interest on long-term debt	506	523	-	-	506	523	(17)	-3.25%
Sewer system	-	-	431,745	398,195	431,745	398,195	33,550	8.43%
Total program expenses	<u>337,895</u>	<u>321,349</u>	<u>431,745</u>	<u>398,195</u>	<u>769,640</u>	<u>719,544</u>	<u>50,096</u>	<u>6.96%</u>
Increase (decrease) in net position	\$ <u>29,301</u>	\$ <u>35,355</u>	\$ <u>(96,202)</u>	\$ <u>68,398</u>	\$ <u>(66,901)</u>	\$ <u>103,753</u>	\$ <u>(170,654)</u>	<u>-164.48%</u>

The decrease in Net Position identified in Table 2 was due to decrease in capital grants in the sewer fund during 2015.

**Town of Farmington, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015**

Major expense activities, under the accrual basis of accounting, include: General Government expenses accounting for 18.78% of total program expenses; public safety expenses accounting for 17.89%; and sewer system accounting for 56.10%. The Town is committed to providing the basic services that our residents expect.

**The Town's Funds**

Information about the Town's major governmental funds begins on page 11. These funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$362,378 and expenditures of \$315,387.

The fund balance of the general fund remained relatively constant, increasing by \$48,934.

**General Fund Budgeting Highlights**

The Town's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

All recommendations for a budget change come from the Town Clerk to the Board of Aldermen for Review. The Town does not allow budget changes that modify line items within departments without Board approval.

With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments. For the General Fund, original budgeted revenues and final budgeted revenues were \$327,000, actual revenue collections were \$363,170. The major factor contributing to the increase of actual revenues over budgeted amounts was increased revenues for the category of fines and franchise taxes.

**Capital assets and debt administration**

**Capital Assets.**

As of September 30, 2015, the Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities was \$314,613 and \$5,572,338, respectively. The governmental activities decreased \$17,880 and business-type activities increased \$117,708. The decrease was due to the depreciation in governmental activities and the increase was due to additions to the sewer system.

Additional information of the Town's capital assets can be found in Note 5 on pages 27-28 of this report.

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**Town of Farmington, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015**

**Debt Administration.**

At September 30, 2015, the Town had \$14,924 of long-term debt outstanding and \$2,538,109 of revenue bonds and notes payable outstanding with \$79,315 due within one year. The Town also has a net pension liability of \$336,058.

Additional information of the Town's long-term debt can be found in Note 6 on pages 28-30 of this report.

**Contacting the Town's Finance Department**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Debora Jackson, Town Clerk, at 662-665-9647.

**Town of Farmington, Mississippi**  
**Statement of Net Position**  
**September 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and investments	\$ 275,916	\$ 59,997	\$ 335,913
Property tax receivable	142,291	-	142,291
Fines receivable, net of uncollectible, \$19,197	48,723	-	48,723
Accounts receivable, net of uncollectible, \$25,381	-	67,256	67,256
Other receivables	11,290	-	11,290
Internal balances	116,879	(116,879)	-
Intergovernmental receivables	5,609	-	5,609
Prepaid expenses	16,682	5,339	22,021
Restricted cash	-	130,784	130,784
<b>Total Current Assets</b>	<b>617,390</b>	<b>146,497</b>	<b>763,887</b>
Non-Current Assets:			
Capital assets-net			
Capital assets not being depreciated	40,100	44,711	84,811
Capital assets being depreciated, net of depreciation	274,513	5,527,627	5,802,140
<b>Total Non-Current Assets</b>	<b>314,613</b>	<b>5,572,338</b>	<b>5,886,951</b>
<b>Total Assets</b>	<b>932,003</b>	<b>5,718,835</b>	<b>6,650,838</b>
Deferred Outflows of Resources:			
Deferred Amounts - Pensions	50,453	9,611	60,064
<b><u>LIABILITIES</u></b>			
Accounts payable	9,382	24,665	34,047
Accrued expenses	8,388	558	8,946
Customer deposits	-	53,857	53,857
Accrued interest payable	-	37,562	37,562
Noncurrent liabilities:			
Due within one year	6,571	72,744	79,315
Due in more than one year	8,353	2,465,364	2,473,717
Net Pension Liability	282,289	53,769	336,058
<b>Total Liabilities</b>	<b>314,983</b>	<b>2,708,519</b>	<b>3,023,502</b>
Deferred In Flows of Resources			
Unavailable Revenue - property taxes	142,291	-	142,291
Deferred Amounts - Pensions	6,352	1,210	7,562
<b>Total Deferred In Flows of Resources</b>	<b>148,643</b>	<b>1,210</b>	<b>149,853</b>
<b><u>NET POSITION</u></b>			
Net Investment in capital assets	299,689	3,034,230	3,333,919
Restricted Net Position			
Debt Service	234	-	234
Unrestricted	218,907	(15,513)	203,394
<b>Total Net Position</b>	<b>\$ 518,830</b>	<b>\$ 3,018,717</b>	<b>\$ 3,537,547</b>

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

Town of Farmington, Mississippi  
Statement of Activities  
For The Year Ended September 30, 2015

Functions/Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:						
General government	\$ 144,569	-	-	(144,569)	-	(144,569)
Public safety	137,687	55,912	-	(81,775)	-	(81,775)
Public works	23,824	-	-	(23,824)	-	(23,824)
Interest on long-term liabilities	506	-	-	(506)	-	(506)
Pension Expense	31,309	-	-	(31,309)	-	(31,309)
<b>Total Governmental Activities</b>	<b>337,895</b>	<b>55,912</b>	<b>-</b>	<b>(281,983)</b>	<b>-</b>	<b>(281,983)</b>
<b>Business-type activity</b>						
Sewer system	431,745	335,543	-	-	(96,202)	(96,202)
<b>Total Primary Government</b>	<b>\$ 769,640</b>	<b>\$ 391,455</b>	<b>-</b>	<b>(281,983)</b>	<b>(96,202)</b>	<b>(378,185)</b>
General Revenues:						
Taxes:						
Property Taxes, General				159,056	-	159,056
Franchise Taxes				51,239	-	51,239
Intergovernmental Revenue				99,640	-	99,640
Unrestricted investment income				232	-	232
Miscellaneous				1,117	-	1,117
<b>Total General Revenues</b>				<b>311,284</b>	<b>-</b>	<b>311,284</b>
Change in Net Position						
Net Position - Beginning				29,301	(96,202)	(66,901)
Cumulative Effect Adjustment - GASB 68				714,930	3,157,852	3,872,782
Net Position - Beginning - as Restated				(225,401)	(42,933)	(268,334)
Net Position-Ending				<b>\$ 489,529</b>	<b>\$ 3,114,919</b>	<b>\$ 3,604,448</b>
				<b>\$ 518,830</b>	<b>\$ 3,018,717</b>	<b>\$ 3,537,547</b>

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

**Town of Farmington, Mississippi**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2015**

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 275,682	\$ 234	\$ 275,916
Taxes receivable	131,446	10,845	142,291
Fines receivable, net	48,723	-	48,723
Other receivable, net	11,290	-	11,290
Intergovernmental receivable	5,609	-	5,609
Due from other funds	116,879	-	116,879
<b>Total assets</b>	<b>\$ 589,629</b>	<b>\$ 11,079</b>	<b>\$ 600,708</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 9,382	\$ -	\$ 9,382
Accrued expenses	8,388	-	8,388
<b>Total Liabilities</b>	<b>17,770</b>	<b>-</b>	<b>17,770</b>
 Deferred Inflows of Resources			
Unavailable revenue - property taxes	131,446	10,845	142,291
Unavailable revenue - fines	48,723	-	48,723
<b>Total Deferred Inflows of Resources</b>	<b>180,169</b>	<b>10,845</b>	<b>191,014</b>
 Fund balances:			
Restricted for:			
Debt Service	-	234	234
Unassigned	391,690	-	391,690
<b>Total Fund Balances</b>	<b>391,690</b>	<b>234</b>	<b>391,924</b>
<b>Total liabilities and fund balances</b>	<b>\$ 589,629</b>	<b>\$ 11,079</b>	<b>\$ 600,708</b>

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

**Town of Farmington, Mississippi**  
**Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of**  
**Net Position**  
**September 30, 2015**

Total fund balance, governmental funds	\$ 391,924
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets of \$608,827, net of accumulated depreciation of \$294,214, are not financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	314,613
Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position: Fines Receivable	48,723
Deferred outflows and inflows related to pensions are applicable to future periods and therefore, are not reported in Governmental Funds Balance Sheet:	
Deferred outflows of resources related to defined benefit pension plan	50,453
Deferred inflows of resources related to defined benefit pension plan	(6,352)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Net Pension Liability	(282,289)
Other Loans Payable	(14,924)
Prepaid expenses are not financial resources, and, therefore, are not reported in the funds.	16,682
Net Position of Governmental Activities in the Statement of Net Position	\$ 518,830

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

**Town of Farmington, Mississippi**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>			
Ad valorem taxes	\$ 159,056	\$ -	\$ 159,056
Fines and Forfeitures	51,094	-	51,094
Intergovernmental revenues	99,640	-	99,640
Investment earnings	232	-	232
Miscellaneous	1,117	-	1,117
Franchise fees	51,239	-	51,239
<b>Total Revenues</b>	<b>362,378</b>	<b>-</b>	<b>362,378</b>
<u>Expenditures</u>			
General government	145,702	-	145,702
Public safety	138,961	-	138,961
Public works	23,824	-	23,824
Debt Service:			
Principal	6,394	-	6,394
Interest and fiscal charges	506	-	506
<b>Total Expenditures</b>	<b>315,387</b>	<b>-</b>	<b>315,387</b>
<b>Excess (deficiency) of Revenues Over Expenditures</b>	<b>46,991</b>	<b>-</b>	<b>46,991</b>
<u>Other Financing Sources (Uses)</u>			
Compensation for loss of Capital Assets	1,943	-	1,943
<b>Total other Financing Sources</b>	<b>1,943</b>	<b>-</b>	<b>1,943</b>
<b>Net change in fund balances</b>	<b>48,934</b>	<b>-</b>	<b>48,934</b>
<b>Fund Balances - Beginning of Year</b>	<b>342,756</b>	<b>234</b>	<b>342,990</b>
<b>Fund Balances - End of Year</b>	<b>\$ 391,690</b>	<b>\$ 234</b>	<b>\$ 391,924</b>

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

**Town of Farmington, Mississippi**  
**Reconciliation fo the Statement fo Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Government-Wide Statement of Activities**  
**For the Year Ended September 30, 2015**

Net change in fund balances - total governmental funds:	\$	48,934
<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 Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation expense		(17,880)
<p>Revenues in the statement of activites that do not provide current financial resources are not reported as revenues in the funds. This includes an increase of \$4,818 in the Town's fines revenue.</p>		
		4,818
<p>The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt repayment of \$6,394 exceeded debt proceeds of \$0.</p>		
		6,394
<p>Pension Expense is reported in the Statement of Activities but does not provide or require the use of current financial resources. Therefore, pension expense is not reported as expenditures in governmental funds.</p>		
		(12,787)
<p>Some expenses reported in the statement of activities do require the use of current financial resources and are not reported as expenditures in governmental funds. These include:</p>		
Prepaid Insurance		<u>(178)</u>
Change in net assets of governmental activities	\$	<u><u>29,301</u></u>

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

**Town of Farmington, Mississippi**  
**Statement of Net Position**  
**Proprietary Fund**  
**September 30, 2015**

	Enterprise Fund Sewer System
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 59,997
Accounts receivable, net of uncollectible, \$25,381	67,256
Prepaid insurance	5,339
Total Current Assets	132,592
Noncurrent Assets:	
Restricted cash	130,784
Capital assets not being depreciated	44,711
Capital assets being depreciated, net of depreciation	5,527,627
Total noncurrent assets	5,703,122
Total Assets	5,835,714
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Deferred Amounts - Pensions	9,611
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts payable	24,665
Accrued Liabilities	558
Due to other funds	116,879
Customer deposits	53,857
Interest payable	37,562
Current maturities of long-term debt	72,744
Total current liabilities	306,265
Noncurrent Liabilities:	
Revenue bonds payable	1,860,993
Notes Payable	604,371
Net Pension Liability	53,769
Total noncurrent liabilities	2,519,133
Total Liabilities	2,825,398
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred Amounts - Pensions	1,210
<b><u>NET POSITION</u></b>	
Net investment in capital assets	3,034,230
Unrestricted	(15,513)
Total Net Position	\$ 3,018,717

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

**Town of Farmington, Mississippi**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund**  
**For The Year Ended September 30, 2015**

	Enterprise Fund Sewer System
<b><u>OPERATING REVENUES</u></b>	
Charges for services	\$ 335,543
Total operating revenues	335,543
<b><u>OPERATING EXPENSES</u></b>	
Personal services	25,452
Contractual services	161,223
Material and supplies	5,544
Depreciation expense	138,781
Pension Expense	5,964
Total operating expenses	336,964
Operating income (loss)	(1,421)
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>	
Interest expense	(94,781)
Total nonoperating revenue (expenses)	(94,781)
Change in net position	(96,202)
Total net position - Beginning	3,157,852
Cumulative Effect Adjustment - GASB 68	(42,933)
Total net position - Beginning - As Restated	3,114,919
Total net position - Ending	\$ 3,018,717

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

**Town of Farmington, Mississippi**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For The Year Ended September 30, 2015**

	Enterprise Fund Sewer System
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 334,363
Cash payments for goods and services	(162,817)
Cash payments to employees	(28,839)
Net cash provided (used) by operating activities	142,707
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Customer deposits	8,648
Net cash provided (used) by noncapital financing activities	8,648
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	
Principal payments on debt	(62,934)
Interest payment on debt	(94,781)
Payments for capital acquisitions	(431,326)
Proceeds from debt issuance	250,000
Capital Grants	150,000
Net cash provided (used) by capital & related financing activities	(189,041)
Net decrease in cash and cash equivalents	(37,686)
Cash and cash equivalents - beginning of year	228,467
Cash and cash equivalents - end of year	\$ 190,781
Reconciliation of operating income (loss) to	
net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,421)
Adjustments to reconcile operating income (loss)	
to cash provided (used) by operating activities:	
Depreciation	138,781
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,180)
Increase (decrease) in accounts payable and accrued liabilities	4,887
(Increase) decrease in prepaid insurance	(794)
Net Position Expense	2,434
Net cash provided (used) by operating activities	\$ 142,707
Classified as:	
Cash	\$ 59,997
Restricted Cash	130,784
	\$ 190,781

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

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

1. Summary of Significant Accounting Policies

The Town of Farmington, Mississippi was incorporated May 23, 1997. The Town operates under a Mayor-Aldermen form of government.

The accounting policies of the Town of Farmington conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the Mayor and Board of Aldermen.

B. Basis of Presentation

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

Government-Wide Financial Statements:

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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.

Fund Financial Statements:

Fund financial statements of the Town are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental and proprietary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

1. Summary of Significant Accounting Policies – Continued

B. Basis of Presentation - Continued

The Town reports the following major governmental funds:

General Fund -The general fund is the main operating fund of the Town. This fund is used to account for all activities of the general government for which a separate fund has not been established.

The Town reports the following major enterprise fund:

Sewer System-This fund accounts for the operating activities of the Town's sewer services.

C. Measurement Focus and 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 financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town's reporting entity does not apply private-sector guidance issued after November 30, 1989.

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 position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled 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 become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within sixty days after year end to pay liabilities of the current period. Expenditures are recorded 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.

**Town of Farmington, Mississippi  
Notes to Financial Statements  
Year Ended September 30, 2015**

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I. Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting – Continued

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

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

D. Cash and Investments

State law authorizes the Town 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.

Cash, for the purpose of the Statement of Net Position and Statement of Cash Flows, consists of demand deposit accounts and passbook savings accounts.

E. Receivables

In the government-wide statements, receivables consist of all revenue earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon estimates by management. Major receivable balances for the governmental activities include sales tax, property taxes, grants and police fines. Business-type activities report utilities earnings as their major receivables.

Receivables are reported net of allowances for uncollectible accounts, were applicable.

F. Interfund Transactions and Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payments are classified as "due from other funds" or "due to other funds" on the balance sheet.

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."

G. Inventories and Prepaid Items

Prepays are payments to vendors that benefit future reporting periods also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide financial statements.

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

1. Summary of Significant Accounting Policies - Continued

H. Capital Assets

Capital outlays are recorded as expenditures of the Governmental Funds and as assets in the government-wide financial statements, to the extent the Town's capitalization threshold is met. Depreciation is recorded on capital assets on a government-wide basis. Capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. As permitted by GASB Statement No. 34, the Town has elected to not report public domain (infrastructure) capital assets acquired prior to October 1, 2003.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary fund. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	-	N/A
Infrastructure	-	20/50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5/10 years
Furniture and equipment	5,000	3/7 years
Sewer System	-	50 years

I. Deferred Outflows/Inflows of Revenue

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has a deferred outflow which is presented as a deferred outflow of resources related to pension obligations.

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

1. Summary of Significant Accounting Policies - Continued

I. Deferred Outflows/Inflows of Revenue (continued)

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, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items that qualify for reporting in this category,

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

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Deferred inflows of resources related to pension obligations.

J. Long-term liabilities

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligations indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Equity Classifications

Government-Wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowing attributable to the acquisition, construction or improvement of those assets.

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

1. Summary of Significant Accounting Policies – Continued

K. Equity Classifications (continued)

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

Unrestricted net position – All other net position not meeting the definition of “restricted” or net investment in capital assets.

Governmental Financial Statements:

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Town Board of Alderman – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance.* This classification reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Town Board and Town Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. No amounts have been assigned as of September 30, 2015.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned-in order as needed.

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

1. Summary of Significant Accounting Policies – Continued

L. Property Tax Revenues

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the town. 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 the meeting in September, levies property taxes for the ensuing fiscal year, which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

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 collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

All ad valorem taxes are collected and remitted to the Town by the Alcorn County Tax Collector.

M. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the “available” criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences

The Town allows employees to accumulate up to 12 days sick leave per year. Earned vacation time is generally required to be used within one year of accrual. Sick leave is generally paid upon illness while in the employment of the Town. Any accumulated vacation that was not allowed to be taken due to work-related assignments is paid at the end of the year. Any unused sick leave is paid at the end of the year.

O. Budgets

Budgets are adopted on a basis consistent with state statutes. Revenues are budgeted on the cash basis. Expenditures are budgeted on the cash basis but include those made within 30 days after the fiscal year end.

Budget amendments are approved by the Board of Aldermen when made. Final budget amendments are to be made and approved no later than September 30 of the fiscal year.

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

1. Summary of Significant Accounting Policies – Continued

P. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could vary from the estimates that were used.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee’s Retirement System of Mississippi (PERS) and additions to/deductions from PERS’ fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. Deposits and Investments

The collateral for public entities deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under the 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 the institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

At year end, the carrying amount of the Town’s deposits was \$466,697 and the bank balance was \$466,764.

**Custodial Credit Risk – Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the Town will not be able to recover deposits of collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institution’s trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. As of September 30, 2015, none of the Town’s bank balance of \$466,764 was exposed to custodial credit risk.

3. Balances and Transfers

A. The following is a summary of amounts due from/to other funds:

	Due From	Due To	Reason for Loan
Governmental Funds:			
Major Funds:			Temporary cash shortage
General Fund	\$ 116,879	\$ -	in Sewer Fund
	116,879	-	
Total Government Funds	116,879	-	
Proprietary Fund:			Temporary cash shortage
Sewer	-	116,879	in Sewer Fund
	-	116,879	
Total	\$ 116,879	\$ 116,879	

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

3. Balances and Transfers (continued)

B. Transfers and Payments

During the course of normal operations, the Town had numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and assets acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. The Governmental and business-type funds financial statements generally reflect such transactions as transfers.

4. Intergovernmental Receivables

Intergovernmental receivables at September 30, 2015 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Alcorn County Tax Collector	\$ 3,625
State Tax Commission Sales Tax	1,984
Total Governmental Activities	<u>\$ 5,609</u>

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**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

5. Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2015:

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Completed Construction	Balance Sept. 30, 2015
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 40,100	-	-	-	40,100
Total non-depreciable capital assets	40,100	-	-	-	40,100
<u>Depreciable capital assets:</u>					
Buildings	304,438	-	-	-	304,438
Mobile equipment	245,995	-	-	-	245,995
Furniture and equipment	18,294	-	-	-	18,294
Total depreciable capital assets	568,727	-	-	-	568,727
<u>Less accumulated depreciation for:</u>					
Buildings	73,307	6,089	-	-	79,396
Mobile equipment	190,439	11,016	-	-	201,455
Furniture and Equipment	12,588	775	-	-	13,363
Total accumulated depreciation	276,334	17,880	-	-	294,214
Total depreciable capital assets, net	292,393	(17,880)	-	-	274,513
Governmental Activities capital assets, net	\$ 332,493	(17,880)	-	-	314,613
<b>Business Type Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 40,000	-	-	-	40,000
Easements	4,711	-	-	-	4,711
Construction in Progress	201,868	219,032	-	(420,900)	-
Total non-depreciable capital assets	246,579	219,032	-	(420,900)	44,711
<u>Depreciable capital assets:</u>					
Sewer system	6,485,960	37,457	-	420,900	6,944,317
Total depreciable capital assets	6,485,960	37,457	-	420,900	6,944,317
<u>Less accumulated depreciation for:</u>					
Sewer system	1,277,909	138,781	-	-	1,416,690
Total accumulated depreciation	1,277,909	138,781	-	-	1,416,690
Total depreciable capital assets, net	5,208,051	(101,324)	-	420,900	5,527,627
Business Type Activities: Capital assets, net	\$ 5,454,630	117,708	-	-	5,572,338

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

5. Capital Assets - Continued

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 6,384
Public safety	11,496
Total governmental activities depreciation expense	\$ 17,880
Business Type Activities:	
Sewer System	\$ 138,781
Total business type activities	\$ 138,781

6 Long-Term Debt

Debt outstanding as of September 30, 2015, consists of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities:			
A. Loans Payable	\$ 14,924	2.75%	1/2018
Business-type Activities:			
A. Revenue Bonds:			
Sewer System Bond 2004	\$ 1,907,568	4.375%	4/2039
B. Loans Payable			
\$30,000 CAP Loan	\$ 20,994	2%	11/2028
\$387,465 SRF Loan	359,547	1.75%	9/2034
\$250,000 IRP Loan	250,000	2%	6/2041
	\$ 630,541		

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

6 Long-Term Debt (continued)

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Governmental Activities: Year Ending September 30,	Other Loans Payable	
	Principal	Interest
2016	\$ 6,571	\$ 329
2017	6,755	145
2018	1,598	12
	<u>\$ 14,924</u>	<u>\$ 486</u>

Business Type Activities: Year Ending September 30,	Sewer Revenue Bonds	
	Principal	Interest
2016	46,575	83,542
2017	48,613	81,505
2018	50,740	79,378
2019	52,959	77,158
2020	55,276	74,841
2021-2025	314,843	335,744
2026-2030	390,011	260,576
2031-2035	483,125	167,462
2036-2039	465,426	52,125
	<u>\$ 1,907,568</u>	<u>\$ 1,212,331</u>

Year Ending September 30,	Loans Payable	
	Principal	Interest
2016	\$ 26,169	\$ 11,758
2017	26,844	11,083
2018	27,340	10,587
2019	27,845	10,081
2020	28,348	9,579
2021-2025	149,846	39,788
2026-2030	160,790	25,470
2031-2035	122,679	11,247
2036-2040	60,680	3,714
	<u>\$ 630,541</u>	<u>\$ 133,307</u>

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
<b>Governmental Activities</b>					
Police Car Loan	\$ 21,318	-	6,394	14,924	6,571
Total	<u>\$ 21,318</u>	<u>-</u>	<u>6,394</u>	<u>14,924</u>	<u>6,571</u>
<b>Business Type Activities:</b>					
<b>Sewer System</b>					
Revenue Bond	\$ 1,952,273	-	44,705	1,907,568	46,575
CAP Loan	22,374	250,000	251,380	20,994	1,410
SRF Loan	376,396	-	16,849	359,547	17,145
IRP Loan	-	250,000	-	250,000	7,613
Total	<u>\$ 2,351,043</u>	<u>500,000</u>	<u>312,934</u>	<u>2,538,109</u>	<u>72,743</u>

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**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

8. Commitments and Contingencies

Contingencies

The Town receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of Town management, such disallowances, if any, will not be significant to the Town's financial statements.

9. Litigation

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

10. Risk Management

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

11. Segment Information

The Town issues revenue bonds to support the Sewer System Fund. The fund financial statements report as a major fund, with revenue-supported debt, the Sewer Fund. Services provided by this fund are described in Note 1 C.

12. Defined Benefit Pension Plan

*General Information about the Pension Plan*

Plan Description

Town of Farmington, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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.

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

12. Defined Benefit Pension Plan (continued)

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011), are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employees' earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death benefits and disability benefits. A Cost-of-Living (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2015, PERS members are required to contribute 9.00% of the annual covered salary, and the Town is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Town's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014 and 2013 were \$22,051, \$22,070 and \$19,188, respectively, equaled contributions for each year.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2015, the Town reported a liability of \$336,058 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the Town's proportion was 0.002174 percent, which was a decrease of 0.000083% from its proportion measured as of June 30, 2014.

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

12. Defined Benefit Pension Plan (continued)

For the year ended September 30, 2015, the Town recognized pension expense of \$37,273. At September 30, 2015, The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,172	\$ -
Net difference between projected and actual earnings on pension plan investments	19,663	-
Changes of assumptions	28,950	-
Changes in the proportion and differences between the Town's contributions and proportionate share of contributions	-	7,562
Town contributions subsequent to the measurement date	6,279	-
	\$ 60,064	\$ 7,562

\$6,279 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,		
2016	\$	14,680
2017		14,680
2018		11,946
2019		4,917
2020		-
Thereafter		-
	\$	46,223

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

12. Defined Benefit Pension Plan (continued)

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

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability	\$ 442,955	\$ 336,058	\$ 247,353

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**Town of Farmington, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2015**

13. Subsequent Events

Events that occur after the balance sheet due date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. The Town has evaluated subsequent events through June 23, 2016, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

14. Cumulative Effect Adjustment

During the year ended September 30, 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date were implemented. GASB No. 68 requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. Cost-sharing employers are required to recognize the liability for its proportionate share of the net pension liability of all employers for benefits provided through the pension plan. GASB No. 71 amended GASB No. 68, to require a government to recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the state of the government's fiscal year.

Transition guidance in GASB No. 68 requires that accounting changes adopted to conform to the provisions of the Statement should be applied retroactively by restating financial statements, if practical, for all periods presented. If restatement is not practical, the cumulative effect of applying this Statement should be reported as a restatement of beginning net position for the earliest period presented. Based on the foregoing, the cumulative effect adjustment reflected in the financial statements for the year September 30, 2015, is comprised of the following components:

Beginning of year proportionate share of net pension liability	\$ 273,958
Beginning of year pension contributions made after beginning of year measurement date	(5,624)
	\$ 268,334

REQUIRED SUPPLEMENTARY INFORMATION

**Town of Farmington, Mississippi**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Year Ended September 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 154,500	\$ 154,500	\$ 158,510	\$ 4,010
Franchise taxes	44,000	44,000	51,239	7,239
Fines and forfeitures	20,000	20,000	51,094	31,094
Intergovernmental revenues	102,000	102,000	100,978	(1,022)
Miscellaneous	6,500	6,500	1,349	(5,151)
Total Revenues	<u>327,000</u>	<u>327,000</u>	<u>363,170</u>	<u>36,170</u>
<b>EXPENDITURES:</b>				
General government	164,900	164,900	144,964	19,936
Public safety	162,600	162,600	138,961	23,639
Public works	26,000	26,000	23,824	2,176
Debt service	6,900	6,900	6,900	-
Total Expenditures	<u>360,400</u>	<u>360,400</u>	<u>314,649</u>	<u>45,751</u>
Excess of Revenues Over (Under) Expenditures	<u>(33,400)</u>	<u>(33,400)</u>	<u>48,521</u>	<u>81,921</u>
<b>OTHER FINANCING SOURCES:</b>				
Compensation for loss of assets	-	-	1,943	1,943
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>1,943</u>	<u>1,943</u>
Net change in fund balances	(33,400)	(33,400)	50,464	83,864
Fund Balance - Beginning of Year	<u>342,756</u>	<u>342,756</u>	<u>342,756</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 309,356</u>	<u>\$ 309,356</u>	393,220	<u>\$ 83,864</u>
Adjustments to conform with GAAP:				
Revenue Accrual			(792)	
Expenditure Accual			(738)	
Fund Balance - End of Year (GAAP Basis)			<u>\$ 391,690</u>	

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

**Town of Farmington, Mississippi**  
**Schedule of Required Supplementary Information - Pension**  
**September 30, 2015**  
**Last 2 Fiscal Years\***

Schedule of the Town's Proportionate Share of the Net Pension Liability

	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability	0.002174%	0.002257%
Town's proportionate share of net pension liability	\$ 336,058	\$ 273,958
Town's covered-employee payroll	\$ 140,006	\$ 140,127
Town's proportionate share of the net pension as a percentage of its covered-employee payroll	240.03%	195.51%
Plan fiduciary net position as a percentage of the total pension liability	61.7040%	67.2077%

\*-The amounts presented for each fiscal year were determined as of 6/30.

Schedule of the Town Contributions

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 22,051	\$ 22,070
Contributions in relation to contractually required contribution	<u>(22,051)</u>	<u>(22,070)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
System's covered-employee payroll	\$ 140,006	\$ 140,127
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

**Town of Farmington, Mississippi**  
**Notes to Required Supplementary Information**  
**For the Year Ended September 30, 2015**

Note 1. Budgetary Comparison Schedule

A. Budgetary Information

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

The Town's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation

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

C. Budget/GAAP Reconciliation:

The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

NOTE 2. PENSION LIABILITY AND CONTRIBUTIONS

A. Changes in Benefit Terms

None identified during periods presented in the required supplementary information.

B. Changes in Assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-200 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-200 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015 assumed rate of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

C. Changes in Size or Composition of the Population Covered by the Benefit Terms

None identified during periods presented in the required supplementary information.

SUPPLEMENTARY INFORMATION

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**Town of Farmington, Mississippi**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2015**

	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Dale Fortenberry	Mayor	Brierfield Ins.	\$ 50,000
Deborah Holloway	Clerk	Brierfield Ins.	50,000
Anthony Holmes	Police Chief	Brierfield Ins.	50,000
Thomas Grisham	Alderman	Brierfield Ins.	50,000
Johnny Potts	Alderman	Brierfield Ins.	50,000
Lowell Gann	Alderman	Brierfield Ins.	50,000
William Hebert	Alderman	Brierfield Ins.	50,000
Jeff Patterson	Alderman	Brierfield Ins.	50,000
Michelle Cohoon-Loyd	Deputy Clerk	Old Republic Surety	50,000
Amanda Nicole Lee	Deputy Clerk	Brierfield Ins.	50,000

**Town of Farmington, Mississippi**  
**Schedule of Long-Term Debt**  
**Year Ended September 30, 2015**

	<u>Issue Date</u>	<u>Balance 10/1/2014</u>	<u>Additions (Retirements)</u>	<u>Balance 9/30/2015</u>
<b>Governmental Funds:</b>				
<u>Notes Payable</u>				
\$26,001 Police Car	1/7/2014	\$ 21,318	(6,394)	14,924
Total Governmental Funds		21,318	(6,394)	14,924
<b>Proprietary Funds:</b>				
<b>Enterprise:</b>				
<u>Revenue Bonds</u>				
2004 Sewer Revenue Bond	4/29/2004	1,952,273	(44,705)	1,907,568
<u>Notes Payable</u>				
CAP Loan	12/1/2008	22,374	(1,380)	20,994
SRF Loan	12/8/2013	376,396	(16,849)	359,547
IRP Loan	5/19/2015	-	250,000	250,000
Total Proprietary Funds		2,351,043	187,066	2,538,109
Total Debt		\$ 2,372,361	180,672	2,553,033



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

Honorable Mayor and Members  
of the Board of Aldermen  
Town of Farmington, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Farmington, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Farmington, Mississippi's basic financial statements and have issued our report thereon dated June 23, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such 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 as Findings 2015-001 and 2015-002.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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*.

### Town of Farmington, Mississippi's Response to Findings

The Town of Farmington, Mississippi's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town of Farmington, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

*Braun VanStony & Co., P.A.*

June 23, 2016  
Booneville, Mississippi



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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Members  
of the Board of Aldermen  
Town of Farmington, 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 Town of Farmington, Mississippi, as of and for the year ended September 30, 2015, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 23, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As required by the state legal compliance audit program recommended 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 financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information and use of the Mayor and Board of Aldermen, others within the organization State of Mississippi Department of Audit, and federal awarding agencies and pass-through entities 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.

*Brawner Vanstory & Co., P.A.*

June 23, 2016  
Booneville, Mississippi

**Town of Farmington, Mississippi**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2015**

**Findings Related to the Financial Statements**

Significant Deficiencies -- Material Weakness

2015-001      Finding

Due to limited personnel and the size of the town, there is a lack of segregation of duties.

Recommendation

Due to the size of the town and limited financial resources, a segregation of duties cannot be obtained. We, therefore, recommend that the mayor and board of aldermen continue to oversee the day to day operations of the town and continue to authorize all expenditures before they are made.

Response

The Mayor oversees everyday operations and the Board approves the claim docket at monthly Board meeting.

2015-002      Finding

During the course of the audit, it became necessary for the auditor to make adjusting entries to certain accounts to convert the Town's financial statements from the cash basis of accounting to the accrual basis of accounting.

Recommendation

We recommend that the Town make the necessary entries at the end of the fiscal year to convert from the cash basis of accounting to the accrual basis of accounting.

Response

The entries will be made at the end of the fiscal year or as they are needed prior to that time.