



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



**FINANCIAL STATEMENTS**  
**City of Nettleton, Mississippi**

**For the Year Ended  
September 30, 2010**

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

**RECEIVED**  
**OCT 2 4 2011**

**CITY OF NETTLETON  
TABLE OF CONTENTS  
September 30, 2010**

<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS .....</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS - OVERVIEW:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets .....	12
Statement of Activities and Changes in Net Assets .....	14
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statements of Net Assets .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets .....	18
General Fund Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Budget Basis.....	19
<b>Proprietary Funds:</b>	
Statement of Net Assets .....	20
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	21
Statement of Cash Flows .....	22
Notes to Financial Statements .....	23
<b>SUPPLEMENTAL INFORMATION:</b>	
<b>General Fund:</b>	
Comparative Balance Sheet .....	34
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance .....	35
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	38

**CITY OF NETTLETON**  
**TABLE OF CONTENTS**  
**September 30, 2010**

**SUPPLEMENTAL INFORMATION: - Continued**

**Non-Major Governmental Funds:**

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Special Revenue Funds .....	41
--	----

**OTHER SUPPLEMENTAL INFORMATION:**

Reconciliation of Original Ad Valorem Tax Rolls to Fund Collections .....	42
Schedule of Surety Bonds for Town Officials.....	43
Schedule of Long-Term Debt.....	44

**OTHER REPORTS:**

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	45
Independent Auditors' Report on Compliance with State Laws and Regulations .....	47
Schedule of Findings and Responses .....	48



**FRANKS,  
FRANKS &  
JARRELL, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 731

1202 N. GLOSTER STREET

TUPELO, MS 38802-0731

E-MAIL: [tooffice@ffjcpa.com](mailto:tooffice@ffjcpa.com)

PHONE 662.844.5226

FAX 662.844.5243

SHAREHOLDERS:

**RUDOLPH F. FRANKS**

**GARY M. FRANKS**

**P. GREG JARRELL**

**BRYON WILEMON**

**JONATHAN HAGOOD**

**MICHAEL LITTLE**

**JEREMY BISHOP**

**MARK THORNTON**

**LANE POLAND**

OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA & MSCPA

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Board of Aldermen  
City of Nettleton, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nettleton, Mississippi as of and for the year ended September 30, 2010, which collectively comprise the City of Nettleton's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Nettleton, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nettleton, Mississippi at September 30, 2010, and the respective changes in financial position and the cash flows, where appropriate, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2011, on our consideration of the City of Nettleton, Mississippi's internal control over financial reporting and on 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* and should be considered in assessing the results of our audit.

The management discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nettleton, Mississippi's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

FRANKS, FRANKS & JARRELL, P.A.  
January 13, 2011

# **CITY OF NETTLETON, MISSISSIPPI**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Required Supplemental Information for the Year Ended September 30, 2010**

This section of the City of Nettleton's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2010. Please read it in conjunction with the City of Nettleton financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The City has adopted the provisions of Governmental Auditing Standards Board Statement No. 34.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$4,195,148. Of this amount, \$719,847 may be used to meet the City of Nettleton ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$4,390,017, of which \$756,722 was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Nettleton governmental funds reported combined ending fund balances of \$193,522, a decrease of \$5,357 in comparison to the prior year. Approximately 98% of the combined fund balances, \$189,511 is considered unreserved and is available for spending at the City of Nettleton discretion.
- The City of Nettleton's total debt is \$814,364. No debt was issued in the current fiscal year.

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

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

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

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

Proprietary fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and include the Water & Sewer Fund, and Solid Waste Funds.

# CITY OF NETTLETON, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the City of Nettleton's financial statements, including the portion of the City of Nettleton they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

### Major Features of the City of Nettleton's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks and recreation	Activities the City operates similar to private businesses: Water & Sewer, and Solid Waste.
Required financial statements	Statement of net assets; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balances	Statement of net assets; statement of revenues, expenses, and changes in net assets' statement of net cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

# **CITY OF NETTLETON, MISSISSIPPI**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

#### **Government-wide Statements**

The government-wide statements report information about the City of Nettleton as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the City of Nettleton's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City of Nettleton, the reader should consider additional non-financial factors such as changes in the City of Nettleton's property tax base.
- *Governmental activities* –Most of the City of Nettleton's basic services are included here, such as the police, fire, public works, and parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City of Nettleton charges fees to customers to help it cover the costs of certain services it provides. The City of Nettleton's garbage pickup and water and sewer systems are included here.

#### **Fund Financial Statements**

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

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

# **CITY OF NETTLETON, MISSISSIPPI**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The City of Nettleton has two kinds of funds:

- **Governmental funds**—most of the City of Nettleton's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Nettleton's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City of Nettleton utilizes two types of governmental funds: the General Fund and Special Revenue Funds.
- **Proprietary funds**—Services for which the City of Nettleton charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary funds—enterprise funds. The City of Nettleton's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Balance Sheet, Statement of Revenues, Expenses and Changes in Retained Earnings, and Statement of Cash Flows are all required statements.

### **Government-wide Financial Analysis**

Net assets may serve over time as a useful indicator of a government's financial position. The City of Nettleton's assets exceeded liabilities by \$4,195,148 at the close of the most recent fiscal year. This is a \$194,869 decrease over last year's net assets of \$4,390,017. Tables A-1 and A-2 provide a summary of the City's net assets at September 30, 2010 and 2009.

# CITY OF NETTLETON, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

A large portion, 83% and 83%, of the City's net assets reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding for the years ended September 30, 2010 and 2009. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1

### City of Nettleton's Net Assets

	Governmental Activities	Business-Type Activities	Total 9/30/10	Total 9/30/09
Current & Other Assets	\$ 449,253	\$ 356,422	\$ 805,675	\$ 828,950
Noncurrent Assets	1,965,531	2,354,425	4,319,956	4,527,079
Total Assets	2,414,784	2,710,847	5,125,631	5,356,029
Current & Other Liabilities	43,046	119,532	162,578	151,688
Long-Term Liabilities	71,962	695,943	767,905	814,324
Total Liabilities	115,008	815,475	930,483	966,012
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,889,169	1,582,121	3,471,290	3,629,327
Restricted	4,011	0	4,011	3,968
Unrestricted	406,596	313,251	719,847	756,722
Total Net Assets	\$ 2,299,776	\$ 1,895,372	\$ 4,195,148	\$ 4,390,017

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The \$719,847 of unrestricted net assets provides excess funds to meet the government's ongoing obligations to citizens and creditors.

# CITY OF NETTLETON, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Unrestricted net assets of our business-type activities are \$313,251 of the total unrestricted net assets. These resources cannot be used to add to the net asset surplus in governmental activities. The City of Nettleton generally can only use these net assets to finance the continuing operations of the business type activities.

**Changes in net assets.** Approximately 18.78 percent of the City of Nettleton's revenue comes from property taxes, with 43.45 percent of all revenue coming from some type of tax. (See Table A-2.) This compares to 19.82 percent and 46.15 percent for the fiscal year ended September 30, 2009. Another 46.12 percent comes from fees charged for services, and 4.26 percent is from operating and capital grants and contributions and the remainder is from investment earnings and miscellaneous.

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2  
Changes in The City of Nettleton's Net Assets

	Governmental Activities	Business-Type Activities	Total 9/30/10	Total 9/30/09
<b>Revenues</b>				
Program Revenues:				
Charges for Services	\$ 85,417	\$ 501,163	\$ 586,580	\$ 532,935
Operating Grants & Contributions	10,187	0	10,187	23,810
Capital Grants & Contributions	44,029	0	44,029	10,000
General Revenues:				
Property Taxes	238,924	0	238,924	245,060
Other Taxes	313,677	0	313,677	325,750
Capital Grants Unrestricted	1,002	0	1,002	1,007
Investment Income	2,059	1,998	4,057	9,098
Other	73,465	0	73,465	89,023
<b>Total Revenues</b>	<b>768,760</b>	<b>503,161</b>	<b>1,271,921</b>	<b>1,236,683</b>
<b>Expenses</b>				
General Government	252,779	0	252,779	263,540
Public Safety	367,558	0	367,558	413,404
Public Works	204,709	0	204,709	220,040
Urban & Economic Development	33,750	0	33,750	10,000
Culture & Recreation	19,292	0	19,292	18,422
Debt Service	3,998	0	3,998	4,158
Water & Sewer	0	487,593	487,593	454,971
Solid Waste Management	0	97,111	97,111	96,744
<b>Total Expenses</b>	<b>882,086</b>	<b>584,704</b>	<b>1,466,790</b>	<b>1,481,279</b>
Excess of Revenue Over Expenses	(113,326)	(81,543)	(194,869)	(244,596)
Transfers	30,000	(30,000)	0	0
Increase (Decrease) in Net Assets	(83,326)	(111,543)	(194,869)	(244,596)
Net Assets—Beginning	2,383,102	2,006,915	4,390,017	4,634,613
<b>Net Assets—Ending</b>	<b>\$ 2,299,776</b>	<b>\$ 1,895,372</b>	<b>\$ 4,195,148</b>	<b>\$ 4,390,017</b>

# **CITY OF NETTLETON, MISSISSIPPI**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

#### **Governmental Activities**

Governmental activities decreased the City's net assets by \$83,326.

The cost of all governmental activities this year was \$882,086. However, the amount taxpayers paid for these activities through city taxes (property taxes) was only \$238,924.

The largest funding sources for the City's governmental activities, as a percent of total revenues, are property taxes (31%), other taxes (41%), and charges for services (11%).

The largest expense category for the City's governmental activities is public safety (42%).

#### **Business-type Activities**

Business-type activities decreased the City's net assets by \$111,543.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$386,713 for water and sewer and \$114,450 for solid waste management.

#### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**—The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

**General Fund**—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$189,511, which comprised the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, reserved and unreserved, to total fund expenditures. Total fund balance represents 24.81% of total fund expenditures. The fund balance of the City's general fund decreased by \$5,400 during the current fiscal year.

**Special Revenue Fund**—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$4,011, which will be used for future expenditures.

# CITY OF NETTLETON, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

**Proprietary Funds**—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the proprietary funds at the end of the current fiscal year totaled \$1,895,372. Changes in net assets, which totaled \$111,543, were as follows: the water & sewer fund decreased by \$116,882 and the solid waste management fund increased by \$5,339.

### Budgetary Highlights

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the governmental funds.

Comparing the FY 2010 original budget General Fund amount of \$749,978 to the final budget amount of \$776,401 shows a net increase of \$26,423. Differences between the original budget and the final budget were mainly related to an increase in amounts being budgeted for supplies and capital expenditures related to public safety, public works, and culture and recreation.

The City's tax millage for the 2009 fiscal year remained 31.00 mills.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets**—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010 and 2009, amounted to \$4,285,654 and \$4,489,919, net of accumulated depreciation of \$3,440,108 and \$3,204,539. This investment in capital assets includes land, buildings, improvements other than buildings, and machinery & equipment.

Table A-3  
City of Nettleton's Capital assets

	Governmental Activities	Business-Type Activities	Total 9/30/10	Total 9/30/09
Land	\$ 118,238	\$ 29,360	\$ 147,598	\$ 147,598
Plant, Buildings, & Improvements	840,357	3,944,188	4,784,545	4,771,310
Machinery & Equipment	1,062,100	502,414	1,564,514	1,546,445
Infrastructure	1,229,105		1,229,105	1,229,105
Accumulated Depreciation	(1,284,269)	(2,155,839)	(3,440,108)	(3,204,539)
Total	\$ 1,965,531	\$ 2,320,123	\$ 4,285,654	\$ 4,489,919

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

## CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

This year, major capital asset additions and deletions included:

- Various building improvements and new trees for the General Government
- A new lawnmower for the Public Works department
- Two new handheld meters for the Water and Sewer department
- Portable radios, a radar, antenna, and other miscellaneous items for the Public Safety departments

**Long-term Debt**—At year-end, the city had \$814,364 in bonds and notes outstanding. More detailed information about the City of Nettleton's long-term liabilities is presented in the notes to the financial statements.

Table A-4  
City of Nettleton's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total 9/30/10	Total 9/30/09
General Obligation Bonds	\$ 76,362	\$ 633,638	\$ 710,000	\$ 750,000
CAP Loans	0	104,364	104,364	110,592
Promissory Notes	0	0	0	0
Total	\$ 76,362	\$ 738,002	\$ 814,364	\$ 860,592

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors and expected grant related capital projects when establishing the fiscal year 2011 budget. The total budgeted appropriations for the City operations are \$1,948,725.

## CONTACTING THE CITY OF NETTLETON FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Nettleton finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Nettleton's Finance Department, P.O. Box 1301 Nettleton, MS 38858.

**CITY OF NETTLETON, MISSISSIPPI**  
**STATEMENT OF NET ASSETS - GOVERNMENT-WIDE**  
**September 30, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS:</u></b>			
Current Assets:			
Cash on Deposit	\$ 196,005	\$ 294,232	\$ 490,237
Money Market, CD's	1,226		1,226
Due From Other Governments	24,161		24,161
Accounts Receivable, net of allowance \$20,761		62,190	62,190
Court Fines Receivable	97,793		97,793
Property Taxes Receivable	119,292		119,292
Other Receivable	10,776		10,776
<b>TOTAL CURRENT ASSETS</b>	<b>449,253</b>	<b>356,422</b>	<b>805,675</b>
Noncurrent Assets:			
Bond Issue Costs, net of amortization \$22,865		34,302	34,302
Capital Assets:			
Land	118,238	29,360	147,598
Infrastructure	1,229,105		1,229,105
Plant, Buildings and Improvements	840,357	3,944,188	4,784,545
Machinery and Equipment	1,062,100	502,414	1,564,514
Accumulated Depreciation	(1,284,269)	(2,155,839)	(3,440,108)
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,965,531</b>	<b>2,354,425</b>	<b>4,319,956</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,414,784</b>	<b>\$ 2,710,847</b>	<b>\$ 5,125,631</b>

**CITY OF NETTLETON, MISSISSIPPI**  
**STATEMENT OF NET ASSETS - GOVERNMENT-WIDE**  
**September 30, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>LIABILITIES:</u></b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 18,575	\$ 25,271	\$ 43,846
Current Maturities of Long-Term Debt			
General Obligation Bonds	4,400	35,600	40,000
Notes Payable		6,459	6,459
Customer Deposits		42,696	42,696
Accrued Compensated Absences	20,071	9,506	29,577
<b>TOTAL CURRENT LIABILITIES</b>	<b>43,046</b>	<b>119,532</b>	<b>162,578</b>
Noncurrent Liabilities:			
General Obligation Bonds, net of current maturities	71,962	598,038	670,000
Notes Payable, net of current maturities		97,905	97,905
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>71,962</b>	<b>695,943</b>	<b>767,905</b>
<b>TOTAL LIABILITIES</b>	<b>115,008</b>	<b>815,475</b>	<b>930,483</b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	1,889,169	1,582,121	3,471,290
Restricted for:			
Special Revenue Projects	4,011		4,011
Unrestricted	406,596	313,251	719,847
<b>TOTAL NET ASSETS</b>	<b>2,299,776</b>	<b>1,895,372</b>	<b>4,195,148</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,414,784</b>	<b>\$ 2,710,847</b>	<b>\$ 5,125,631</b>

See accompanying notes to the financial statements.

**CITY OF NETTLETON, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - GOVERNMENT-WIDE**  
**For the Year Ended September 30, 2010**

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES					Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	PRIMARY GOVERNMENT	
						Governmental Activities	Business-Type Activities
<b>PRIMARY GOVERNMENT</b>							
Government Activities:							
General Government	\$ 252,779	\$ 22,410	\$ 10,187	\$ -	\$ 22,410	\$ (230,369)	\$ (230,369)
Public Safety	367,558	63,007			73,194	(294,364)	(294,364)
Public Works	204,709				-	(204,709)	(204,709)
Urban and Economic Development	33,750			33,750	33,750	-	-
Culture and Recreation	19,292			10,279	10,279	(9,013)	(9,013)
Debt Service	3,998				-	(3,998)	(3,998)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>882,086</b>	<b>85,417</b>	<b>10,187</b>	<b>44,029</b>	<b>139,633</b>	<b>(742,453)</b>	<b>(742,453)</b>
Business-Type Activities:							
Water and Sewer	487,593	386,713			386,713	(100,880)	(100,880)
Solid Waste Management	97,111	114,450			114,450	17,339	17,339
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>584,704</b>	<b>501,163</b>	<b>-</b>	<b>-</b>	<b>501,163</b>	<b>(83,541)</b>	<b>(83,541)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,466,790</b>	<b>\$ 586,580</b>	<b>\$ 10,187</b>	<b>\$ 44,029</b>	<b>\$ 640,796</b>	<b>\$ (742,453)</b>	<b>\$ (825,994)</b>

**GENERAL REVENUES:**

Taxes:							
Property Taxes, Levied for General Purposes					\$ 238,924	\$ 238,924	
Sales Taxes					250,911	250,911	
County Pro Rata Taxes					13,745	13,745	
Licenses and Permits					52,395	52,395	
In Lieu Taxes					34,519	34,519	
Gasoline Taxes & Other Taxes					5,191	5,191	
Homestead Reimbursement					9,311	9,311	
Grants and Contributions not Restricted to Specific Programs					1,002	1,002	
Investment Earnings					2,059	1,998	4,057
Miscellaneous					21,070		21,070
Transfers					30,000	(30,000)	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>659,127</b>	<b>(28,002)</b>	<b>631,125</b>
<b>CHANGE IN NET ASSETS</b>					<b>(83,326)</b>	<b>(111,543)</b>	<b>(194,869)</b>
<b>NET ASSETS--BEGINNING</b>					<b>2,383,102</b>	<b>2,006,915</b>	<b>4,390,017</b>
<b>NET ASSETS--ENDING</b>					<b>\$ 2,299,776</b>	<b>\$ 1,895,372</b>	<b>\$ 4,195,148</b>

See accompanying notes to the financial statements.

**CITY OF NETTLETON, MISSISSIPPI**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2010**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS:</u></b>			
Cash on Deposit	\$ 191,994	\$ 4,011	\$ 196,005
Money Market, CD's	1,226		1,226
Due From Other Governments	24,161		24,161
Other Receivables	10,776		10,776
<b>TOTAL ASSETS</b>	<b>\$ 228,157</b>	<b>\$ 4,011</b>	<b>\$ 232,168</b>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable and Accrued Expenses	\$ 18,575	\$	\$ 18,575
Accrued Compensated Absences	20,071		20,071
<b>TOTAL LIABILITIES</b>	<b>38,646</b>	<b>-</b>	<b>38,646</b>
<b><u>FUND BALANCES:</u></b>			
Restricted for:			
Special Revenue Funds		4,011	4,011
Undesignated	189,511		189,511
<b>TOTAL FUND BALANCES</b>	<b>189,511</b>	<b>4,011</b>	<b>193,522</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 228,157</b>	<b>\$ 4,011</b>	<b>\$ 232,168</b>

See accompanying notes to the financial statements.

**CITY OF NETTLETON, MISSISSIPPI**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**For the Year Ended September 30, 2010**

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 193,522
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	1,965,531
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(76,362)
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.	119,292
Accrual of court fine revenues to qualify as financial resources.	97,793
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,299,776</u>

See accompanying notes to the financial statements.

**CITY OF NETTLETON, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2010**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
General Property Taxes	\$ 241,715	\$	\$ 241,715
Sales and Use Taxes	250,911		250,911
Licenses and Permits	52,395		52,395
In Lieu of Taxes	34,519		34,519
Penalties and Interest	5,094		5,094
Intergovernmental Revenues	39,436		39,436
Rentals	22,410		22,410
Fines and Forfeitures	55,110		55,110
Interest Revenues	2,016	43	2,059
Grant Income	10,279	33,750	44,029
Miscellaneous Revenues	15,976		15,976
<b>TOTAL REVENUES</b>	<b>729,861</b>	<b>33,793</b>	<b>763,654</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	242,975		242,975
Public Safety	335,447	1,615	337,062
Public Works	157,700		157,700
Culture and Recreation	19,126		19,126
Urban and Economic Development		33,750	33,750
Debt Service	8,398		8,398
<b>TOTAL EXPENDITURES</b>	<b>763,646</b>	<b>35,365</b>	<b>799,011</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(33,785)</b>	<b>(1,572)</b>	<b>(35,357)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to Other Funds	(3,115)		(3,115)
Transfers from Other Funds	31,500	1,615	33,115
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>28,385</b>	<b>1,615</b>	<b>30,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(5,400)</b>	<b>43</b>	<b>(5,357)</b>
<b>FUND BALANCES - Beginning</b>	<b>194,911</b>	<b>3,968</b>	<b>198,879</b>
<b>FUND BALANCES - Ending</b>	<b>\$ 189,511</b>	<b>\$ 4,011</b>	<b>\$ 193,522</b>

See accompanying notes to the financial statements.

**CITY OF NETTLETON, MISSISSIPPI**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT**  
**OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended September 30, 2010**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(5,357)
--	----	---------

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		26,749
--	--	--------

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(114,224)
---	--	-----------

Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds.		(2,791)
---	--	---------

Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds related to court fines.		7,897
---	--	-------

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

This amount represents bond proceeds and premiums.

This amount represents long-term debt repayments and issuance costs.

		-
		4,400

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	(83,326)
---	----	----------

See accompanying notes to the financial statements.

**CITY OF NETTLETON, MISSISSIPPI**  
**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-BUDGET AND ACTUAL -**  
**BUDGETARY BASIS**  
**For the Year Ended September 30, 2010**

	Budget			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES:				
General Property Taxes	\$ 234,580	\$ 237,589	\$ 242,188	\$ 4,599
Sales and Use Taxes	270,000	251,275	251,275	0
Licenses and Permits	52,420	50,449	51,048	599
In Lieu of Taxes	33,024	34,519	34,519	0
Penalties and Interest	3,244	5,079	5,094	15
Intergovernmental Revenues	40,375	39,816	39,436	(380)
Rentals	25,000	21,750	22,410	660
Fines and Forfeits	72,000	56,000	55,110	(890)
Interest Revenues	4,800	1,984	2,016	32
Grant Income	0	10,275	10,279	4
Miscellaneous Revenues	8,625	14,474	15,976	1,502
TOTAL REVENUES	744,068	723,210	729,351	6,141
EXPENDITURES:				
Current:				
General Government	245,800	244,496	242,975	1,521
Public Safety	322,380	343,598	335,447	8,151
Public Works	160,200	158,054	157,700	354
Culture and Recreation	13,200	21,855	19,126	2,729
Debt Service	8,398	8,398	8,398	0
TOTAL EXPENDITURES	749,978	776,401	763,646	12,755
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,910)	(53,191)	(34,295)	18,896
OTHER FINANCING SOURCES (USES):				
Transfers (to) from Other Funds	30,000	30,000	28,385	(1,615)
TOTAL OTHER FINANCING SOURCES (USES)	30,000	30,000	28,385	(1,615)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ 24,090	\$ (23,191)	\$ (5,910)	\$ 17,281

See accompanying notes to the financial statements.

**CITY OF NETTLETON, MISSISSIPPI**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2010**

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTAL
<b>ASSETS:</b>			
<u>Current:</u>			
Cash	\$ 17,248	\$ 276,984	\$ 294,232
Accounts Receivables, Net of Provision for Bad Debts of \$20,761	21,088	41,102	62,190
<b>Total Current Assets</b>	<b>38,336</b>	<b>318,086</b>	<b>356,422</b>
<u>Noncurrent Assets:</u>			
<u>Fixed Assets:</u>			
Land		29,360	29,360
Water & Sewer System		3,944,188	3,944,188
Machinery & Equipment	37,730	464,684	502,414
Accumulated Depreciation	(33,957)	(2,121,882)	(2,155,839)
<b>Total Noncurrent Assets</b>	<b>3,773</b>	<b>2,316,350</b>	<b>2,320,123</b>
<u>Other:</u>			
Bond Issue Cost, Net of Accum. Amortization of \$22,865		34,302	34,302
<b>Total Other Assets</b>		<b>34,302</b>	<b>34,302</b>
<b>Total Assets</b>	<b>\$ 42,109</b>	<b>\$ 2,668,738</b>	<b>\$ 2,710,847</b>
<b>LIABILITIES:</b>			
<u>Current Liabilities:</u>			
Current Maturities of Long-term Debt	\$	\$ 42,059	\$ 42,059
Accounts Payable & Accrued Expenses	9,126	16,145	25,271
Accrued Compensated Absences		9,506	9,506
Customer Deposits		42,696	42,696
<b>Total Current Liabilities</b>	<b>9,126</b>	<b>110,406</b>	<b>119,532</b>
<u>Noncurrent Liabilities:</u>			
Long-Term Debt, Less Current Maturities		695,943	695,943
<b>Total Noncurrent Liabilities</b>		<b>695,943</b>	<b>695,943</b>
<b>Total Liabilities</b>	<b>9,126</b>	<b>806,349</b>	<b>815,475</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	3,773	1,578,348	1,582,121
Unrestricted	29,210	284,041	313,251
<b>Total Net Assets</b>	<b>32,983</b>	<b>1,862,389</b>	<b>1,895,372</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 42,109</b>	<b>\$ 2,668,738</b>	<b>\$ 2,710,847</b>

See accompanying notes to the financial statements.

**CITY OF NETTLETON, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET ASSETS - PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2010**

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTAL
<b><u>OPERATING REVENUE:</u></b>			
Charges For Services	\$ 114,450	\$ 386,713	\$ 501,163
Total Operating Revenue	114,450	386,713	501,163
<b><u>OPERATING EXPENSES:</u></b>			
Operations	97,111	265,698	362,809
Maintenance		63,800	63,800
Depreciation and Amortization		124,203	124,203
Total Operating Expenses	97,111	453,701	550,812
Net Operating Income (Loss)	17,339	(66,988)	(49,649)
<b><u>NON-OPERATING INCOME (EXPENSES):</u></b>			
Interest Income		1,998	1,998
Interest Expense		(33,892)	(33,892)
Net Non-Operating Income (Loss)	0	(31,894)	(31,894)
Income (Loss) Before Operating Transfers	17,339	(98,882)	(81,543)
Operating Transfers In (Out)	(12,000)	(18,000)	(30,000)
Change in Net Assets	5,339	(116,882)	(111,543)
TOTAL NET ASSETS - BEGINNING	27,644	1,979,271	2,006,915
TOTAL NET ASSETS - ENDING	\$ 32,983	\$ 1,862,389	\$ 1,895,372

See accompanying notes to the financial statements.

**CITY OF NETTLETON, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES**  
**For the Year Ended September 30, 2010**

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTALS
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 114,141	\$ 382,768	\$ 496,909
Payments to Suppliers	(96,137)	(120,734)	(216,871)
Payments to Employees		(122,776)	(122,776)
Other Receipts (Payments)		(78,713)	(78,713)
Net Cash Provided (Used) by Operating Activities	18,004	60,545	78,549
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers In (Out)	(12,000)	(18,000)	(30,000)
Net Cash Provided (Used) by Noncapital Financing Activities	(12,000)	(18,000)	(30,000)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchases of Capital Assets		(4,555)	(4,555)
Principal Paid on Capital Debt		(41,828)	(41,828)
Interest Paid on Capital Debt		(33,892)	(33,892)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(80,275)	(80,275)
<b>Cash Flows From Investing Activities:</b>			
Interest and Dividends		1,998	1,998
Net Cash Provided (Used) by Investing Activities	0	1,998	1,998
Net Increase (Decrease) In Cash and Cash Equivalents	6,004	(35,732)	(29,728)
Cash and Cash Equivalents--Beginning	11,244	312,716	323,960
Cash and Cash Equivalents--Ending	\$ 17,248	\$ 276,984	\$ 294,232
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 17,339	\$ (66,988)	\$ (49,649)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense		124,203	124,203
Provision for Uncollectible Accounts		1,232	1,232
Change in Assets and Liabilities:			
Accounts Receivable	(309)	(7,788)	(8,097)
Accounts Payable	974	5,366	6,340
Accrued Compensated Absences		677	677
Customer Deposits		3,843	3,843
Net Cash Provided (Used) by Operating Activities	\$ 18,004	\$ 60,545	\$ 78,549

See accompanying notes to the financial statements.

**CITY OF NETTLETON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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

The City of Nettleton, Mississippi operates under the Home-Rule authority granted by the 1985 Mississippi Legislature. A mayor-board of aldermen form of government is used and the City provides the following services: public safety (police and fire), street maintenance, sanitation, water and sewer services and general administrative services.

**Government-Wide and Fund Financial Statements**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information on all nonfiduciary activities of the primary government and its component units. The statements distinguish between those activities of the City that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

**Fund Financial Statements**

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

**CITY OF NETTLETON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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

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

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

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

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

The City reports the following major governmental funds:

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

Additionally the City reports the following governmental fund types:

*Special Revenue Fund* – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes. All of the special revenue funds are non-major funds for 2010.

**CITY OF NETTLETON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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

The City reports the following major proprietary funds:

*The Water Fund* – This fund is used to account for the City's water treatment and distribution system. This fund is responsible for water delivery to the residents of the City of Nettleton.

*The Solid Waste Management Fund* – This fund is used to account for the City's garbage collection system. The fund is responsible for garbage collection to the residents of the City of Nettleton.

The City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

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

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

**CITY OF NETTLETON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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

Budgets and Budgetary Accounting

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

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

**CITY OF NETTLETON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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

Cash and Investments

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

Revenue Recognition - Property Taxes

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

General Obligation Enterprise Bonds

The enterprise funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements. Since the enterprise funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Enterprise Funds and have been reported on the balance sheets of the Enterprise Funds.

Although the general obligation enterprise bonds are reported on the balance sheets of the Enterprise Funds, they are backed by the full faith and credit of the City and are therefore a contingent liability to the general government.

Encumbrances

State law does not require that funds be available when goods or services are ordered, only when paid for. Due to this circumstance the City does not employ an encumbrance system.

Compensated Absences

The City's policy allows employees to accumulate unused sick leave up to 60 days. The City also allows employees to accumulate comp time. Upon termination, accumulated comp time will be paid to the employee up to 160 hours.

**CITY OF NETTLETON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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

Estimates

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

Cash and Cash Equivalents

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

Business Information

The City of Nettleton provides water and sewer services to customers located within the City limits of Nettleton, Mississippi as well as a limited number of customers outside the City limits. Credit is extended to all of these customers for services.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**NOTE 2 - PROPERTY TAXES**

Property taxes, except motor vehicles, attach as an enforceable lien on property as of January 1st. The City bills and collects its own property taxes, except motor vehicle taxes, and also collects taxes for the Separate School District. Motor vehicle taxes are collected by the County Tax Collector and remitted to the City. Taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year end.

**CITY OF NETTLETON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 3 - FIXED ASSETS**

The following is a summary of capital asset activity as of September 30, 2010:

Primary Government:

	<u>Balance</u> <u>10/01/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9/30/10</u>
Capital Assets, not being depreciated:				
Land	\$ 118,238	\$ 0	\$ 0	\$ 118,238
Capital Assets being depreciated:				
Infrastructure	1,229,105			1,229,105
Plant, Buildings, & Improvements	827,122	13,235		840,357
Machinery and Equipment	<u>1,048,586</u>	<u>13,514</u>		<u>1,062,100</u>
Total Capital Assets being depreciated	3,104,813	26,749	0	3,131,562
Less Accumulated Depreciation for:				
Infrastructure	(149,661)	(45,781)		(195,442)
Plant, Buildings, & Improvements	(161,908)	(21,436)		(183,344)
Machinery and Equipment	<u>(858,476)</u>	<u>(47,007)</u>		<u>(905,483)</u>
Total Accumulated Depreciation	(1,170,045)	(114,224)	0	(1,284,269)
Total Capital Assets, depreciated, net				
Governmental Activities	<u>1,934,768</u>	<u>(87,475)</u>	<u>0</u>	<u>1,847,293</u>
Capital Assets, net	<u>\$ 2,053,006</u>	<u>\$ (87,475)</u>	<u>\$ 0</u>	<u>\$ 1,965,531</u>

The City adopted a capitalization threshold of \$500 for general fixed assets and a threshold of \$5,000 for infrastructure assets effective for the current fiscal year. The City has retroactively applied these thresholds to all general fixed assets in service at September 30, 2004.

**CITY OF NETTLETON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 3 - FIXED ASSETS (continued)**

A summary of business-type capital asset activity at September 30, 2010 follows:

	<u>Balance 10/01/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 9/30/10</u>
Capital Assets, not being depreciated:				
Land	\$ 29,360	\$ 0	\$ 0	\$ 29,360
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	3,944,188			3,944,188
Machinery and Equipment	<u>497,859</u>	<u>4,555</u>	<u>0</u>	<u>502,414</u>
Total Capital Assets being depreciated	4,442,047	4,555	0	4,446,602
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(1,646,783)	(103,469)		(1,750,252)
Machinery and Equipment	<u>(387,711)</u>	<u>(17,876)</u>	<u>0</u>	<u>(405,587)</u>
Total Accumulated Depreciation	(2,034,494)	(121,345)	0	(2,155,839)
Total Capital Assets, depreciated, net Business-type Activities	<u>2,407,553</u>	<u>(116,790)</u>	<u>0</u>	<u>2,290,763</u>
Capital Assets, net	<u>\$ 2,436,913</u>	<u>\$ (116,790)</u>	<u>\$ 0</u>	<u>\$ 2,320,123</u>

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

Plant, building, and Improvements	5 – 40 Years
Machinery and Equipment	5 – 15 Years
Furniture and Fixtures	5 – 20 Years
Vehicles	5 – 10 Years

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

Governmental Activities:	
General Government	\$ 16,679
Public Safety	36,568
Public Works	54,221
Culture & Recreation	<u>6,756</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 114,224</u>

**CITY OF NETTLETON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 3 - FIXED ASSETS (continued)**

Business-type Activities:

Water and Sewer	\$ 121,345
Solid Waste	<u>0</u>
Total Depreciation Expense – Business-type Activities	<u>\$ 121,345</u>

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2010, consisted primarily of taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

An allowance for doubtful accounts has been recorded at September 30, 2010 in the amount of \$20,761.

**NOTE 5 - LONG-TERM DEBT**

The following is a summary of bond transactions of the City for the year ended September 30, 2010:

	General Obligation Bonds Payable	Notes & Bonds Payable	Total
Bonds and Other Long-Term Debt at 10/1/09	\$ 750,000	\$ 110,592	\$ 860,592
Add: Bonds and Other Long-Term Debt Acquired	0	0	0
Less: Bonds and Other Long-Term Debt Retired	<u>40,000</u>	<u>6,228</u>	<u>46,228</u>
Bonds and Other Long-Term Debt at 9/30/10	<u>\$ 710,000</u>	<u>\$ 104,364</u>	<u>\$ 814,364</u>

Bonds and other long-term debt at September 30, 2010 are comprised of the following issues:

**General Obligation Bonds:**

\$970,000 Refunding Bonds due in annual installments of \$35,000 to \$70,000 through December 1, 2022; interest is variable (currently 2.7 percent) \$ 710,000

**CITY OF NETTLETON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 5 - LONG-TERM DEBT (continued)**

**Notes Payable:**

\$138,175 Note due in over a 20 year term through February 2024; interest at 3.00 percent \$ 104,364

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

The Annual requirements to amortize all debt outstanding as of September 30, 2010 including interest payments of \$272,899 are as follows:

Year Ending September 30	Governmental Funds Principal	Interest	Proprietary Funds Principal	Interest	Total Principal	Total Interest
2011	\$ 4,400	\$ 3,614	\$ 42,059	\$ 32,280	\$ 46,459	\$ 35,894
2012	4,950	3,425	46,705	30,551	51,655	33,976
2013	4,950	3,218	46,907	28,676	51,857	31,894
2014	4,950	3,005	47,116	26,949	52,066	29,954
2015	5,500	2,773	51,781	24,648	57,281	27,421
2016 - 2020	30,800	9,719	289,065	86,243	319,865	95,962
2021 - 2025	<u>20,812</u>	<u>1,785</u>	<u>214,369</u>	<u>15,993</u>	<u>235,181</u>	<u>17,778</u>
	<u>\$ 76,362</u>	<u>\$ 27,539</u>	<u>\$ 738,002</u>	<u>\$ 245,340</u>	<u>\$ 814,364</u>	<u>\$ 272,899</u>

**NOTE 6 - LITIGATION**

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

**NOTE 7 - DEFINED BENEFIT PENSION PLAN**

Plan Description - The City of Nettleton contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444 PERS.

**CITY OF NETTLETON, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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

Funding Policy - PERS members are required to contribute 9.00% of their annual covered salary and the City of Nettleton is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Nettleton's contributions to PERS for the years ending September 30, 2010, 2009, and 2008 were \$55,542, \$56,827, and \$54,888, respectively, equal to the required contributions for the year.

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

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "General Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis" are eliminated for budget purposes. In the current fiscal year accrued revenues were \$510 more than cash revenues.

**NOTE 9 - SUBSEQUENT EVENTS**

Date of Management Evaluation

Management has evaluated subsequent events through January 13, 2011, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**CITY OF NETTLETON, MISSISSIPPI**  
**COMPARATIVE BALANCE SHEET - GENERAL FUND**  
**September 30, 2010 and 2009**

	2010	2009
<b><u>ASSETS:</u></b>		
Cash	\$ 191,994	\$ 198,251
Money Market, CD's	1,226	1,209
Due From Other Governments	24,161	24,999
Other Receivable	<u>10,776</u>	<u>9,430</u>
Total Assets	\$ <u>228,157</u>	\$ <u>233,889</u>
<b><u>LIABILITIES:</u></b>		
Accounts Payable and Accrued Expenses	\$ 18,575	\$ 20,759
Accrued Compensated Absences	<u>20,071</u>	<u>18,219</u>
Total Liabilities	<u>38,646</u>	<u>38,978</u>
<b><u>FUND BALANCE:</u></b>		
Unreserved	<u>189,511</u>	<u>194,911</u>
Total Fund Balance	<u>189,511</u>	<u>194,911</u>
Total Liabilities and Fund Balance	\$ <u>228,157</u>	\$ <u>233,889</u>

**CITY OF NETTLETON, MISSISSIPPI**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - GENERAL FUND**  
**For the Years Ended September 30, 2010 and 2009**

	TOTALS	TOTALS
	2010	2009
<b><u>REVENUES:</u></b>		
Ad Valorem Taxes:		
Real & Personal	\$ 241,715	\$ 218,597
Penalties and Interest	5,094	3,185
Licenses and Permits	52,395	51,983
State of Mississippi:		
Sales Tax	250,911	261,700
Municipal Aid	1,002	1,007
Gasoline Tax	5,191	5,191
Homestead Reimbursement	9,311	9,798
In Lieu - TVA	23,141	22,272
Fire Protection Allocation	10,187	10,209
Grant Income	10,279	0
Monroe County:		
Pro Rata Tax	13,745	15,424
In Lieu - Other:		
Housing Authority	11,378	11,365
Fines and Forfeitures	55,110	67,763
Rentals	22,410	22,500
Interest	2,016	4,534
Miscellaneous Revenues	15,976	47,206
Total Revenues	\$ <u>729,861</u>	\$ <u>752,734</u>
<b><u>EXPENDITURES:</u></b>		
General Government:		
Personal Services	\$ 127,456	\$ 126,036
Supplies	29,543	27,246
Other Services and Charges	79,101	93,552
Capital Outlay	6,875	8,853
Total General Government	<u>242,975</u>	<u>255,687</u>

**CITY OF NETTLETON, MISSISSIPPI**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - GENERAL FUND**  
**For the Years Ended September 30, 2010 and 2009**

	TOTALS	TOTALS
	2010	2009
Public Safety:		
Police Department:		
Personnel Services	\$ 257,558	\$ 286,119
Supplies	28,914	36,144
Other Services and Charges	10,990	16,586
Capital Outlay	3,094	4,850
Total	300,556	343,699
Fire Department:		
Personnel Services	435	211
Supplies	18,244	10,182
Other Services and Charges	13,234	15,155
Capital Outlay	2,978	11,616
Total	34,891	37,164
Total Public Safety	335,447	380,863
Public Works:		
Street Department:		
Personnel Services	75,590	84,906
Supplies	25,615	24,739
Other Services and Charges	46,816	50,636
Capital Outlay	7,212	748
Total	155,233	161,029
Animal Control:		
Other Services and Charges	2,467	6,254
Total	2,467	6,254
Total Public Works	157,700	167,283

**CITY OF NETTLETON, MISSISSIPPI**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - GENERAL FUND**  
**For the Years Ended September 30, 2010 and 2009**

	TOTALS	TOTALS
	2010	2009
Culture and Recreation:		
Personnel Services	\$ 0	\$ 4,000
Supplies	5,785	2,814
Other Services and Charges	6,751	5,291
Capital Outlay	<u>6,590</u>	<u>0</u>
Total Culture & Recreation	<u>19,126</u>	<u>12,105</u>
Debt Service:		
Principal Retired	4,400	4,400
Interest Expense	<u>3,998</u>	<u>4,158</u>
Total Debt Service	<u>8,398</u>	<u>8,558</u>
Total Expenditures	<u>763,646</u>	<u>824,496</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(33,785)</u>	<u>(71,762)</u>
Other Financing Sources (Uses):		
Sale of Land & Equipment	0	250
Transfers (to) from Other Funds	<u>28,385</u>	<u>24,000</u>
Total Other Financing Sources (Uses)	<u>28,385</u>	<u>24,250</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,400)	(47,512)
Fund Balance:		
October 1,	<u>194,911</u>	<u>242,423</u>
September 30,	\$ <u><u>189,511</u></u>	\$ <u><u>194,911</u></u>

**CITY OF NETTLETON, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended September 30, 2010**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>RECEIPTS:</u></b>			
Ad Valorem Taxes:			
Real & Personal	\$ 237,589	\$ 242,188	\$ 4,599
Penalties and Interest	5,079	5,094	15
Licenses and Permits	50,449	51,048	599
State of Mississippi:			
Sales Tax	251,275	251,275	0
Municipal Aid	1,002	1,002	0
Gasoline Tax	5,191	5,191	0
Homestead Reimbursement	9,173	9,311	138
In Lieu - TVA	23,141	23,141	0
Fire Protection Allocation	10,500	10,187	(313)
Grant Income	10,275	10,279	4
Monroe County:			
Pro Rate Tax	13,950	13,745	(205)
In Lieu - Other:			
Housing Authority	11,378	11,378	0
Fines and Forfeitures	56,000	55,110	(890)
Rentals	21,750	22,410	660
Interest	1,984	2,016	32
Miscellaneous Revenues	14,474	15,976	1,502
Total Receipts	723,210	729,351	6,141
<b><u>EXPENDITURES:</u></b>			
General Government:			
Personnel Services	127,615	127,456	159
Supplies	30,158	29,543	615
Other Services and Charges	79,654	79,101	553
Capital Outlay	7,069	6,875	194
Total	244,496	242,975	1,521

**CITY OF NETTLETON, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended September 30, 2010**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Public Safety:			
Police Department:			
Personnel Services	\$ 258,164	\$ 257,558	\$ 606
Supplies	33,042	28,914	4,128
Other Services and Charges	14,219	10,990	3,229
Capital Outlay	3,200	3,094	106
Total	308,625	300,556	8,069
Fire Department:			
Personnel Services	440	435	5
Supplies	18,250	18,244	6
Other Services and Charges	13,283	13,234	49
Capital Outlay	3,000	2,978	22
Total	34,973	34,891	82
Total Public Safety	343,598	335,447	8,151
Public Works:			
Street Department:			
Personnel Services	75,590	75,590	0
Supplies	25,985	25,615	370
Other Services and Charges	46,816	46,816	0
Capital Outlay	7,213	7,212	1
Total	155,604	155,233	371
Animal Control:			
Other Services and Charges	2,450	2,467	(17)
Total	2,450	2,467	(17)
Total Public Works	158,054	157,700	354

**CITY OF NETTLETON, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended September 30, 2010**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Culture and Recreation:			
Supplies	\$ 6,995	\$ 5,785	\$ 1,210
Other Services and Charges	8,270	6,751	1,519
Capital Outlay	6,590	6,590	0
Total Culture & Recreation	21,855	19,126	2,729
Debt Service:			
Principal Retired	4,400	4,400	0
Interest Expense	3,998	3,998	0
Total Debt Service	8,398	8,398	0
Total Expenditures	776,401	763,646	12,755
Excess (Deficiency) of Revenue Over (Under) Expenditures	(53,191)	(34,295)	18,896
Other Financing Sources (Uses):			
Proceeds from Issuance of Debt	0	0	0
Sale of Land & Equipment	0	0	0
Transfers (to) From Other Funds	30,000	28,385	(1,615)
Total Other Financing Sources (Uses)	30,000	28,385	(1,615)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(23,191)	(5,910)	17,281
Fund Balance:			
October 1,	194,911	194,911	0
(Non-GAAP Budgetary Basis)			
September 30,	\$ 171,720	189,001	\$ 17,281
Adjustments to GAAP Basis:			
Accrued Revenue		510	
Fund Balance (GAAP) September 30,		\$ 189,511	

**CITY OF NETTLETON, MISSISSIPPI**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**ALL NON-MAJOR SPECIAL REVENUE FUNDS**  
**Year Ended September 30, 2010**

	F.Y.E. 9/30/10		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Grant Income	\$ 255,000	\$ 33,750	\$ (221,250)
Interest	0	43	(43)
<b>TOTAL REVENUES</b>	<u>255,000</u>	<u>33,793</u>	<u>(221,293)</u>
<b>EXPENDITURES:</b>			
Public Safety:			
Personnel Services	5,000	1,615	3,385
Urban and Economic Development	<u>250,000</u>	<u>33,750</u>	<u>216,250</u>
<b>TOTAL EXPENDITURES</b>	<u>255,000</u>	<u>35,365</u>	<u>219,635</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	0	(1,572)	(1,658)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers From Other Funds	<u>1,615</u>	<u>1,615</u>	<u>0</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES</b>	1,615	43	(1,658)
<b>FUND BALANCE (NON-GAAP BUDGETARY BASIS) -</b>			
Beginning of Year	<u>3,968</u>	<u>3,968</u>	<u>0</u>
<b>FUND BALANCE (NON-GAAP BUDGETARY BASIS) -</b>			
End of Year	\$ <u>5,583</u>	4,011	\$ <u>(1,658)</u>
Adjustments to Generally Accepted Accounting Principles:			
Revenue Accruals		<u>0</u>	
<b>FUND BALANCE (GAAP BASIS) -</b>			
End of Year		\$ <u>4,011</u>	

OTHER SUPPLEMENTAL INFORMATION

**CITY OF NETTLETON, MISSISSIPPI**  
**RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS**  
**TO FUND COLLECTIONS**  
**For the Year Ended September 30, 2010**

		MUNICIPAL	TOTAL
<b><u>ASSESSED VALUATION AND MILLAGE:</u></b>			
Realty	\$	6,042,560	
Personal & Public Utility		1,220,961	
Personal Auto		1,537,829	
Less: Exemption for over 65		<u>1,296,112</u>	
Total Municipal at 31.00 Mills	\$	<u>7,505,238</u>	\$ 232,662
<b><u>COLLECTION ADJUSTMENTS:</u></b>			
Add: Municipal Homestead Reimbursement			9,450
Prior Year Tax Collections			33,304
Heavy Truck Tags			10,606
Rail Car Tax			2,358
Mobile Home Reimbursement			1,522
Penalties from County on Tags			406
Less: Delinquent Taxes			(30,514)
Changes in Assessed Valuation			(608)
Collection Costs by County			<u>(2,407)</u>
<b>TOTAL TO BE ACCOUNTED FOR</b>			<b>\$ <u>256,779</u></b>
<b><u>COLLECTION CREDITS TO FUNDS:</u></b>			
		<u>TAXES</u>	<u>HOMESTEAD</u>
Municipal General Fund	\$	241,715	\$ 9,311
Total	\$	<u>241,715</u>	<u>\$ 9,311</u>
			<u>\$ 251,026</u>
Balance Represented By:			
Unaccounted For - Under Settled			\$ <u>5,753</u>
<b>TOTAL ACCOUNTED FOR</b>			<b>\$ <u>256,779</u></b>

**CITY OF NETTLETON, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS**  
**September 30, 2010**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
R.V. Adams	Mayor	Clyde C. Scott Insurance Agency	\$50,000
William M. Tapscott	City Clerk	Clyde C. Scott Insurance Agency	\$50,000
Dana Burcham	Deputy City Clerk	Clyde C. Scott Insurance Agency	\$50,000
Rickey Payne	Chief of Police	Western Surety Company	\$50,000
Kirk Lindsey	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Charles Morris	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Doug Brown	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Willie Bob Brandon	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Larry Guess	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Annie Inmon	Part-time Clerk	Clyde C. Scott Insurance Agency	\$50,000

**CITY OF NETTLETON, MISSISSIPPI**  
**SCHEDULE OF LONG-TERM DEBT**  
**For the Year Ended September 30, 2010**

<u>DEFINITION AND PURPOSE</u>	<u>BALANCE OUTSTANDING 10/01/09</u>	<u>TRANSACTIONS DURING THE FISCAL YEAR BORROWED</u>	<u>TRANSACTIONS DURING THE FISCAL YEAR REDEEMED</u>	<u>BALANCE OUTSTANDING 09/30/10</u>
Notes Payable:				
CAP Loan	\$ <u>110,592</u>	\$ <u>0</u>	\$ <u>(6,228)</u>	\$ <u>104,364</u>
TOTAL	\$ <u>110,592</u>	\$ <u>0</u>	\$ <u>(6,228)</u>	\$ <u>104,364</u>
Bonds Payable:				
Series 2002, Refunding Bonds	\$ <u>750,000</u>	\$ <u>0</u>	\$ <u>(40,000)</u>	\$ <u>710,000</u>
TOTAL	\$ <u>750,000</u>	\$ <u>0</u>	\$ <u>(40,000)</u>	\$ <u>710,000</u>

OTHER REPORTS



**FRANKS,  
FRANKS &  
JARRELL, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 731

1202 N. GLOSTER STREET

TUPELO, MS 38802-0731

E-MAIL: [toffice@ffjcpa.com](mailto:toffice@ffjcpa.com)

PHONE 662.844.5226

FAX 662.844.5243

SHAREHOLDERS:

RUDOLPH F. FRANKS

GARY M. FRANKS

P. GREG JARRELL

BRYON WILEMON

JONATHAN HAGOOD

MICHAEL LITTLE

JEREMY BISHOP

MARK THORNTON

LANE POLAND

OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA & MSCPA

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

Honorable Mayor and Board of Aldermen  
City of Nettleton, Mississippi

We have audited the general purpose financial statements of the City of Nettleton, Mississippi as of and for the year ended September 30, 2010, and have issued our report thereon dated January 13, 2011. 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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Nettleton, Mississippi's internal control over financial reporting as a basis for designing our audit procedures for the purpose expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Nettleton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Nettleton's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (finding no. 3).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses to be a significant deficiency (finding no. 2).

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Nettleton'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as findings numbers 1 and 2.

We noted certain matters that we reported to management of the City of Nettleton, Mississippi, in a separate letter dated January 13, 2011.

The City of Nettleton's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Nettleton's response and, accordingly, we express no opinion on it.

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

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

FRANKS, FRANKS & JARRELL, P.A.  
January 13, 2011



**FRANKS,  
FRANKS &  
JARRELL, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 731

1202 N. GLOSTER STREET

TUPELO, MS 38802-0731

E-MAIL: toffice@ffjcpa.com

PHONE 662.844.5226

FAX 662.844.5243

SHAREHOLDERS:

RUDOLPH F. FRANKS

GARY M. FRANKS

P. GREG JARRELL

BRYON WILEMON

JONATHAN HAGOOD

MICHAEL LITTLE

JEREMY BISHOP

MARK THORNTON

LANE POLAND

OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA & MSCPA

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

Mayor and Board of Alderman  
City of Nettleton, Mississippi

We have audited the financial statements of the City of Nettleton, Mississippi, as of and for the year ended September 30, 2010, and have issued our report thereon dated January 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are included in the schedule of findings and responses as findings 1 and 2 on page 48.

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

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

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

FRANKS, FRANKS & JARRELL, P.A.  
January 13, 2011

**CITY OF NETTLETON, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
September 30, 2010**

**FINANCIAL STATEMENT FINDINGS:**

**FINDING NO. 1**

**Criteria:** The City is required, by State statutes, to prepare a budget for all funds of the City and to monitor and modify the budget as necessary to ensure that all expenditures are within the budgeted amounts.

**Cause of Condition:** The City had a budget overage in one expenditure category for the year ended September 30, 2010.

**Recommendation:** The City should ensure that all expenditures are within the final amended budget amounts.

**Response:** The City will improve monthly monitoring of the budget to actual performance as well as improve communication to department heads when expenditures approach budget amounts.

**FINDING NO. 2**

**Criteria:** The City is to maintain adequate internal controls to ensure proper presentation of financial statement amounts and compliance with state laws and regulations concerning the collection of ad valorem taxes.

**Cause of Condition:** The City did not ensure that adequate internal controls were in place and followed regarding the collections of ad valorem taxes. The City had several receipts that were not signed and/or dated as taxes were collected. The City failed to collect penalty and interest or failed to charge penalty and interest amounts on several ad valorem taxes that were collected after the due date. The City failed to ensure that amounts due on various receipts were calculated properly calculated and collected.

**Recommendation:** The City should ensure that controls over collections of ad valorem taxes be designed and implemented to ensure adequate documentation and calculation of amounts collected.

**Response:** The City has taken necessary steps to ensure controls over ad valorem tax collections will be implemented and followed in the future.

**CITY OF NETTLETON, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
September 30, 2010**

**FINDING NO. 3**

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

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

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

**Response:** The City will analyze the accounting system and establish procedures that optimize all possibilities for segregation of duties.

*\* Findings 1 and 2 are considered noncompliance findings.  
\* Finding 2 is considered a significant deficiency.  
\* Finding 3 is considered a material weakness.*