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FINANCIAL STATEMENTS
City of Saltillo, Mississippi

**For the Year Ended
September 30, 2014**

JUL 11 2015

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

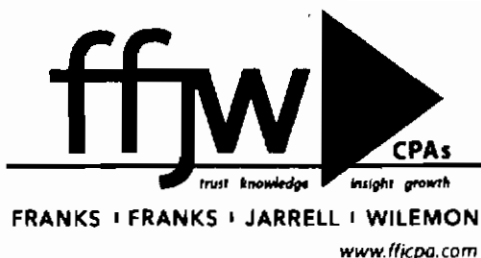
CITY OF SALTILLO, MISSISSIPPI

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P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners
Gary Franks, CPA
Greg Jarrell, CPA
Bryan Wilemon, CPA
Jonathan Hagood, CPA
Rudolph Franks, CPA (emeritus)

INDEPENDENT AUDITORS' REPORT

Mayor and Board of Aldermen
City of Saitillo
Saitillo, 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 City of Saitillo, Mississippi as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saitillo, Mississippi, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–11 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 City of Saltillo, Mississippi basic financial statements. Combining and individual 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. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, other supplemental information, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015 on our consideration of the City of Saltillo, Mississippi, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 City of Saltillo, Mississippi's internal control over financial reporting and compliance.

Franks, Franks, Jarrell & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
June 5, 2015

CITY OF SALTILLO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplemental Information for the Year Ended September 30, 2014

This section of the City of Saltillo's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2014. Please read it in conjunction with the City of Saltillo's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,415,900. Of this amount, \$2,339,866 may be used to meet the City of Saltillo's ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$7,351,003, of which \$2,201,807 was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Saltillo's governmental funds reported combined ending fund balances of \$1,267,541, an increase of \$131,162 in comparison to the prior year. Approximately 91% of the combined fund balances, \$1,150,887 is considered unassigned and is available for spending at the City of Saltillo's discretion.
- The City of Saltillo's total debt is \$4,283,320. New debt in the amount of \$714,000 was issued in the current fiscal year. Debt in the amount of \$260,382 was repaid during 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 types of statements that present different views of the City of Saltillo.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City of Saltillo's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City of Saltillo'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 Saltillo has three Governmental Fund types: the General Fund, Debt Service Fund, 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 and Sewer fund.

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-

CITY OF SALTILLO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 Saltillo's financial statements, including the portion of the City of Saltillo 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 Saltillo'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 and Sewer System. |
| Required financial statements | Statement of Net Position; Statement of Activities | Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances | Statement of Net Position; Statement of Revenues, Expenses, and Changes in Fund Net Position 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 SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Statements

The government-wide statements report information about the City of Saltillo as a whole using accounting methods similar to those used by private-sector companies. The statement of net position 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 Saltillo's net position and how they have changed. Net position—the difference between the City of Saltillo's assets and liabilities—is one way to measure the City of Saltillo's financial health, or position.

- Over time, increases or decreases in the city of Saltillo's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City of Saltillo, the reader should consider additional non-financial factors such as changes in the City of Saltillo's property tax base.
- *Governmental activities* –Most of the City of Saltillo's basic services are included here, such as the police, fire, public works, 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 Saltillo charges fees to customers to help cover the costs of certain services that it provides. The City of Saltillo's water and sewer system services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City of Saltillo'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 Saltillo 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 SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Saltillo has two types of funds:

- **Governmental funds**—most of the City of Saltillo'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 Saltillo'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 Saltillo utilizes three types of governmental funds: the General Fund, Debt Service Fund, and Special Revenue Fund.
- **Proprietary funds**—Services for which the City of Saltillo 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 fund—enterprise funds. The City of Saltillo'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 Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The City of Saltillo's assets exceeded liabilities by \$7,415,900 at the close of the most recent fiscal year.

CITY OF SALTILLO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

A large portion, 67%, of the City's net position reflect 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. 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 Saltillo's Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|------------------------------------|--------------------|-------------------------------------|--------------------|--------------------|--------------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Current and Other Assets | \$ 1,562,079 | \$ 1,403,119 | \$ 1,218,020 | \$ 1,164,965 | \$ 2,780,099 | \$ 2,568,084 |
| Noncurrent Assets | <u>1,943,035</u> | <u>1,993,312</u> | <u>7,344,620</u> | <u>6,943,855</u> | <u>9,287,655</u> | <u>8,937,167</u> |
| Total Assets | 3,505,114 | 3,396,431 | 8,562,640 | 8,108,820 | 12,067,754 | 11,505,251 |
| Deferred Outflows | <u>0</u> | <u>20,113</u> | <u>0</u> | <u>20,063</u> | <u>0</u> | <u>40,176</u> |
| Total Deferred Outflows | 0 | 20,113 | 0 | 20,063 | 0 | 40,176 |
| Current and Other Liabilities | 161,646 | 181,795 | 393,676 | 373,192 | 555,322 | 554,987 |
| Long-Term Liabilities | <u>489,435</u> | <u>508,836</u> | <u>3,627,097</u> | <u>3,130,601</u> | <u>4,096,532</u> | <u>3,639,437</u> |
| Total Liabilities | 631,081 | 690,631 | 4,020,773 | 3,503,793 | 4,651,854 | 4,194,424 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 1,474,861 | 1,470,258 | 3,529,474 | 3,617,144 | 5,004,335 | 5,087,402 |
| Restricted | 71,699 | 61,794 | 0 | 0 | 71,699 | 61,794 |
| Unrestricted | <u>1,327,473</u> | <u>1,193,861</u> | <u>1,012,393</u> | <u>1,007,946</u> | <u>2,339,866</u> | <u>2,201,807</u> |
| Total Net Position | \$ 2,874,033 | \$ 2,725,913 | \$ 4,541,867 | \$ 4,625,090 | \$ 7,415,900 | \$ 7,351,003 |

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The \$2,339,866 of unrestricted net position provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net position of our business-type activities was \$1,012,393 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City of Saltillo generally can only use this net position to finance the continuing operations of the business type activities.

CITY OF SALTILLO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in net position. Approximately 22.14% of the City of Saltillo's revenue comes from property taxes, with 45.30% of all revenue coming from some type of tax. (See Table A-2.) Another 44.07% comes from fees charged for services and the balance is from intergovernmental revenue, investment earnings and other miscellaneous receipts.

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 Saltillo's Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|------------------------------------|----------------------------|-------------------------------------|----------------------------|----------------------------|----------------------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 308,240 | \$ 244,470 | \$ 1,332,348 | \$ 1,290,155 | \$ 1,640,588 | \$ 1,534,625 |
| Operating Grants & Contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Grants & Contributions | 232,568 | 0 | 0 | 0 | 232,568 | 0 |
| General Revenues: | | | | | | |
| Property Taxes | 824,208 | 809,640 | 0 | 0 | 824,208 | 809,640 |
| Other Taxes | 862,206 | 890,227 | 0 | 0 | 862,206 | 890,227 |
| Intergovernmental Revenues | 92,785 | 151,459 | 0 | 0 | 92,785 | 151,459 |
| Investment Income | 3,363 | 3,411 | 3,322 | 4,534 | 6,685 | 7,945 |
| Other | <u>63,540</u> | <u>48,809</u> | <u>0</u> | <u>0</u> | <u>37,861</u> | <u>88,139</u> |
| Total Revenues | 2,386,910 | 2,148,016 | 1,335,670 | 1,294,689 | 3,722,580 | 3,442,705 |
| Expenses | | | | | | |
| General Government | 501,497 | 478,415 | 0 | 0 | 501,497 | 478,415 |
| Public Safety | 1,009,307 | 950,143 | 0 | 0 | 1,009,307 | 950,143 |
| Public Works | 186,181 | 175,304 | 0 | 0 | 186,181 | 175,304 |
| Culture & Recreation | 327,264 | 319,114 | 0 | 0 | 327,264 | 319,114 |
| Interest on Long-Term Debt | 20,708 | 31,807 | 0 | 0 | 20,708 | 31,807 |
| Water and Sewer System | <u>0</u> | <u>0</u> | <u>1,248,544</u> | <u>1,179,219</u> | <u>1,248,544</u> | <u>1,179,219</u> |
| Total Expenses | <u>2,044,957</u> | <u>1,954,783</u> | <u>1,248,544</u> | <u>1,179,219</u> | <u>3,293,501</u> | <u>3,134,002</u> |
| Excess (Deficit) of Revenue Over Expenses | 341,953 | 193,233 | 87,126 | 115,470 | 429,079 | 308,703 |
| Transfers | <u>(194)</u> | <u>109,732</u> | <u>194</u> | <u>(109,732)</u> | <u>0</u> | <u>0</u> |
| Increase (Decrease) in Net Position | 341,759 | 302,965 | 87,320 | 5,738 | 429,079 | 308,703 |
| Net Position--Beginning, as previously stated | 2,725,913 | 2,422,948 | 4,625,090 | 4,619,352 | 7,351,003 | 7,042,300 |
| Prior Period Adjustment | <u>(193,639)</u> | <u>0</u> | <u>(170,543)</u> | <u>0</u> | <u>(364,182)</u> | <u>0</u> |
| Net Position--Beginning, as restated | <u>2,532,274</u> | <u>2,422,948</u> | <u>4,454,547</u> | <u>4,619,352</u> | <u>6,986,821</u> | <u>7,042,300</u> |
| Net Position--Ending | \$ <u>2,874,033</u> | \$ <u>2,725,913</u> | \$ <u>4,541,867</u> | \$ <u>4,625,090</u> | \$ <u>7,415,900</u> | \$ <u>7,351,003</u> |

CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the City's net position by \$341,759, thereby accounting for 80 percent of the total growth in the net position of the City. Key elements of this increase are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are property taxes (35%), other taxes (36%) and charges for services (13%).

The largest expense categories for the City's governmental activities are public safety (49%) and general government (25 %).

Business-type Activities

Business-type activities increased the City's net position by \$87,320.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$1,332,348 for water and sewer.

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, unassigned 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, unassigned fund balance of the general fund was \$1,150,887. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total fund balance represents 62% of total fund expenditures. The fund balance of the City's general fund increased by \$125,536 during the current fiscal year.

Special Revenue Funds—The special revenue funds are 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 \$47,972, which will be used for future expenditures.

Debt Service Fund—The debt service fund has a total fund balance of \$19,448, all of which is restricted to the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$2,919.

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 position of the proprietary funds at the end of the current fiscal year totaled \$4,541,867.

CITY OF SALTILLO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

The City's 2013-2014 general fund operating budget decreased by approximately \$82,414 during the current fiscal year. This decrease was primarily related to a decrease in expenditures that are directly related to personnel services in the police department.

The City's tax millage for the 2014 fiscal year remained constant with no change.

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, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounted to \$9,287,655, net of accumulated depreciation of \$5,771,849. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3
City of Saltillo's Capital assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$ 244,915 | \$ 244,915 | \$ 0 | \$ 0 | \$ 244,915 | \$ 244,915 |
| Plant, Buildings, & Improvements | 1,539,184 | 1,498,802 | 11,119,444 | 10,401,148 | 12,658,628 | 11,899,950 |
| Machinery & Equipment | 1,555,899 | 1,340,140 | 565,083 | 457,878 | 2,120,782 | 1,798,018 |
| Infrastructure | 35,179 | 35,179 | 0 | 0 | 35,179 | 35,179 |
| Construction in Progress | 0 | 0 | 0 | 0 | 0 | 0 |
| Accumulated Depreciation | (1,431,942) | (1,299,250) | (4,339,907) | (4,065,651) | (5,771,849) | (5,364,901) |
| Total | \$ 1,943,035 | \$ 1,819,786 | \$ 7,344,620 | \$ 6,793,375 | \$ 9,287,655 | \$ 8,613,161 |

Long-term Debt—At year-end, the City had \$4,283,320 in bonds and notes outstanding. More detailed information about the City of Saltillo's long-term liabilities is presented in the notes to the financial statements.

CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-4
City of Saltillo's Outstanding Debt

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|----------------------------|-------------|-----------------------------|--------------|--------------|--------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| General Obligation Bonds | \$ 392,000 | \$ 428,750 | \$ 408,000 | \$ 446,250 | \$ 800,000 | \$ 875,000 |
| CAP Loans | 76,174 | 94,304 | 308,639 | 332,479 | 384,813 | 426,783 |
| Promissory Notes | 0 | 0 | 1,113,715 | 410,750 | 1,113,715 | 410,750 |
| DEQ Loan | 0 | 0 | 1,984,792 | 2,117,169 | 1,984,792 | 2,117,169 |
| Total | \$ 468,174 | \$ 523,054 | \$ 3,815,146 | \$ 3,306,648 | \$ 4,283,320 | \$ 3,829,702 |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2015 budget. The total budgeted appropriations for the City general fund operations is \$2,471,957. This budget reflects an increase of approximately \$535,860.

CONTACTING THE CITY OF SALTILLO 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 Saltillo 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 Saltillo's Finance Department, P.O. Box 1426 Saltillo, MS 38866.

CITY OF SALTILLO, MISSISSIPPI
STATEMENT OF NET POSITION - GOVERNMENT-WIDE
September 30, 2014

| | Primary Government | | |
|----------------------------------|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS: | | | |
| Cash on Deposit | \$ 1,275,003 | \$ 464,703 | \$ 1,739,706 |
| Investments | - | 525,493 | 525,493 |
| Due From Other Governments | 95,774 | - | 95,774 |
| Accounts Receivable, net | 693 | 156,772 | 157,465 |
| Court Fines Receivable, net | 162,721 | - | 162,721 |
| Property Taxes Receivable | 27,888 | - | 27,888 |
| Due From Other Funds | | 71,052 | 71,052 |
| Capital Assets: | | | |
| Land | 244,915 | - | 244,915 |
| Plant, Buildings, & Improvements | 1,539,184 | 11,119,444 | 12,658,628 |
| Machinery & Equipment | 1,555,699 | 565,083 | 2,120,782 |
| Infrastructure | 35,179 | - | 35,179 |
| Construction In Progress | - | - | - |
| Accumulated Depreciation | (1,431,942) | (4,339,907) | (5,771,849) |
| TOTAL ASSETS | \$ 3,505,114 | \$ 8,562,640 | \$ 12,067,754 |

See accompanying notes to financial statements.

CITY OF SALTILLO, MISSISSIPPI
STATEMENT OF NET POSITION - GOVERNMENT-WIDE
September 30, 2014

| | Primary Government | | |
|---------------------------------------|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>LIABILITIES:</u> | | | |
| Accounts Payable and Accrued Expenses | \$ 32,877 | \$ 7,264 | \$ 40,141 |
| Accrued Interest Payable | - | 20,111 | 20,111 |
| Accrued Compensated Absences | 58,978 | 29,509 | 88,487 |
| Due to Other Funds | 71,052 | - | 71,052 |
| Customer Deposits | - | 148,743 | 148,743 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 57,717 | 217,558 | 275,275 |
| Due in More Than One Year | 410,457 | 3,597,588 | 4,008,045 |
| TOTAL LIABILITIES | 631,081 | 4,020,773 | 4,651,854 |
| <u>NET POSITION:</u> | | | |
| Net Investment in Capital Assets | 1,474,861 | 3,529,474 | 5,004,335 |
| Restricted for: | | | |
| Special Revenue | 52,251 | - | 52,251 |
| Debt Service | 19,448 | - | 19,448 |
| Capital Projects | - | - | - |
| Unrestricted | 1,327,473 | 1,012,393 | 2,339,866 |
| TOTAL NET POSITION | \$ 2,874,033 | \$ 4,541,867 | \$ 7,415,900 |

See accompanying notes to financial statements.

CITY OF SALTILLO, MISSISSIPPI
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - GOVERNMENT-WIDE
For the Fiscal Year Ended September 30, 2014

| FUNCTIONS/ PROGRAMS | PROGRAM REVENUES | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|---------------------|------------------------|--|--|--|-----------------------------|-----------------------|
| | Expenses | Charge for Services | Operating Grants and Contributions | Capital Grants and Contributions | PRIMARY GOVERNMENT | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| PRIMARY GOVERNMENT | | | | | | | |
| Government Activities: | | | | | | | |
| General Government | \$ 501,497 | \$ 27,166 | \$ - | \$ - | \$ (474,331) | \$ - | \$ (474,331) |
| Public Safety | 1,009,307 | 144,868 | - | 224,668 | (639,771) | - | (639,771) |
| Public Works | 186,181 | - | - | 2,500 | (183,681) | - | (183,681) |
| Culture and Recreation | 327,264 | 136,206 | - | 5,400 | (185,658) | - | (185,658) |
| Capital Projects | - | - | - | - | - | - | - |
| Interest on Long-Term Debt | 20,708 | - | - | - | (20,708) | - | (20,708) |
| TOTAL GOVERNMENTAL ACTIVITIES | 2,044,957 | 308,240 | - | 232,568 | (1,504,149) | - | (1,504,149) |
| Business-Type Activities: | | | | | | | |
| Water & Sewer System | 1,248,544 | 1,332,348 | - | - | - | 83,804 | 83,804 |
| TOTAL BUSINESS-TYPE ACTIVITIES | 1,248,544 | 1,332,348 | - | - | - | 83,804 | 83,804 |
| TOTAL PRIMARY GOVERNMENT | \$ 3,293,501 | \$ 1,640,588 | \$ - | \$ 232,568 | \$ (1,504,149) | \$ 83,804 | \$ (1,420,345) |
| GENERAL REVENUES: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes, Levied for General Purposes | | | | | \$ 774,853 | \$ - | \$ 774,853 |
| Property Taxes, Levied for Specific Purposes | | | | | 49,355 | - | 49,355 |
| Sales Taxes | | | | | 656,127 | - | 656,127 |
| Licenses and Permits | | | | | 41,652 | - | 41,652 |
| Franchise Fees | | | | | 133,975 | - | 133,975 |
| In Lieu Taxes | | | | | 58,596 | - | 58,596 |
| Gasoline Taxes & Other Taxes | | | | | 13,508 | - | 13,508 |
| Homestead Reimbursement | | | | | 15,645 | - | 15,645 |
| Other Intergovernmental Revenues | | | | | 77,140 | - | 77,140 |
| Gain (Loss) on Disposal of Assets | | | | | (7,883) | (15) | (7,898) |
| Investment Earnings | | | | | 3,363 | 3,337 | 6,700 |
| Miscellaneous | | | | | 29,771 | - | 29,771 |
| Transfers | | | | | (194) | 194 | - |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | | 1,845,908 | 3,516 | 1,849,424 |
| CHANGE IN NET POSITION | | | | | 341,759 | 87,320 | 429,079 |
| NET POSITION--BEGINNING, as previously stated | | | | | 2,725,913 | 4,625,090 | 7,351,003 |
| PRIOR PERIOD ADJUSTMENT | | | | | (193,639) | (170,543) | (364,182) |
| NET POSITION--BEGINNING, as restated | | | | | 2,532,274 | 4,454,547 | 6,986,821 |
| NET POSITION--ENDING | | | | | \$ 2,874,033 | \$ 4,541,867 | \$ 7,415,900 |

See accompanying notes to financial statements.

**CITY OF SALTILLO, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014**

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| <u>ASSETS:</u> | | | |
| Cash on Deposit | \$ 1,208,276 | \$ 66,727 | \$ 1,275,003 |
| Accounts Receivable | - | 693 | 693 |
| Due From Other Governments | 95,774 | - | 95,774 |
| Due From Other Funds | - | - | - |
| Prepaid Expenses | - | - | - |
| Lease Receivable | - | - | - |
| TOTAL ASSETS | \$ 1,304,050 | \$ 67,420 | \$ 1,371,470 |
| <u>LIABILITIES AND FUND BALANCES:</u> | | | |
| <u>Liabilities:</u> | | | |
| Accounts Payable and Accrued Expenses | \$ 32,877 | \$ - | \$ 32,877 |
| Due to Other Funds | 71,052 | - | 71,052 |
| TOTAL LIABILITIES | 103,929 | - | 103,929 |
| <u>FUND BALANCES:</u> | | | |
| Nonspendable: | | | |
| Unemployment Trust Fund | - | 4,861 | 4,861 |
| Restricted for: | | | |
| Fire Insurance Rebate | - | 43,111 | 43,111 |
| Police/Narcotics Grant | 2,851 | - | 2,851 |
| WCRK MIT Grant | 1,428 | - | 1,428 |
| Debt Service | - | 19,448 | 19,448 |
| Committed to: | | | |
| Cemetery | 44,955 | - | 44,955 |
| Unassigned | 1,150,887 | - | 1,150,887 |
| TOTAL FUND BALANCES | 1,200,121 | 67,420 | 1,267,541 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,304,050 | \$ 67,420 | \$ 1,371,470 |

See accompanying notes to financial statements.

**CITY OF SALTILLO, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2014**

| | |
|---|----------------------------|
| TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ 1,267,541 |
| Amounts reported for Governmental Activities in the Statement of Net Position 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. | 1,943,035 |
| Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. | (468,174) |
| 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. | 27,888 |
| Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. | (58,978) |
| Accrual of court fine revenues to qualify as financial resources. | <u>162,721</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ <u><u>2,874,033</u></u> |

See accompanying notes to financial statements.

CITY OF SALTILLO, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2014

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|
| REVENUES: | | | |
| General Property Taxes | \$ 773,234 | \$ 49,355 | \$ 822,589 |
| Sales and Use Taxes | 656,127 | - | 656,127 |
| Licenses and Permits | 41,652 | - | 41,652 |
| In Lieu of Taxes | 58,596 | - | 58,596 |
| Franchise Fees | 133,975 | - | 133,975 |
| Charges for Services | 9,000 | - | 9,000 |
| Intergovernmental Revenues | 70,241 | 36,052 | 106,293 |
| Recreation Use Fees | 127,206 | - | 127,206 |
| Rentals | 27,166 | - | 27,166 |
| Fines and Forfeits | 104,482 | - | 104,482 |
| Interest Revenues | 3,355 | 8 | 3,363 |
| Miscellaneous Revenues | 29,771 | - | 29,771 |
| TOTAL REVENUES | 2,034,805 | 85,415 | 2,120,220 |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | 499,614 | - | 499,614 |
| Public Safety | 908,295 | 7,638 | 915,933 |
| Public Works | 222,170 | - | 222,170 |
| Culture and Recreation | 281,491 | - | 281,491 |
| Capital Projects | - | - | - |
| Debt Service | 19,877 | 55,711 | 75,588 |
| TOTAL EXPENDITURES | 1,931,447 | 63,349 | 1,994,796 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 103,358 | 22,066 | 125,424 |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from Sale of Capital Assets | 5,932 | - | 5,932 |
| Transfers (to) from Other Funds | 16,246 | (16,440) | (194) |
| TOTAL OTHER FINANCING SOURCES (USES) | 22,178 | (16,440) | 5,738 |
| NET CHANGE IN FUND BALANCES | 125,536 | 5,626 | 131,162 |
| FUND BALANCES - Beginning, as previously stated | 1,025,144 | 61,794 | 1,086,938 |
| PRIOR PERIOD ADJUSTMENT | 49,441 | - | 49,441 |
| FUND BALANCES - Beginning, as restated | 1,074,585 | 61,794 | 1,136,379 |
| FUND BALANCES - Ending | \$ 1,200,121 | \$ 67,420 | \$ 1,267,541 |

See accompanying notes to the financial statements.

CITY OF SALTILLO, 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 POSITION
For the Fiscal Year Ended September 30, 2014

| | | |
|--|----|---------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ | 131,162 |
|--|----|---------|

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 Position, 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. | | 80,785 |
|--|--|--------|

| | | |
|---|--|-----------|
| Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. | | (176,289) |
|---|--|-----------|

| | | |
|--|--|---------|
| Governmental Funds do not report contributed capital assets because they do not provide current financial resources. However, in the statement of activities the fair values of contributed capital assets is recorded as capital contributions. | | 232,568 |
|--|--|---------|

| | | |
|---|--|-------|
| 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. | | 1,619 |
|---|--|-------|

| | | |
|--|--|--------|
| Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received. | | 40,386 |
|--|--|--------|

| | | |
|--|--|----------|
| Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the remaining basis of the capital assets sold. | | (13,815) |
|--|--|----------|

| | | |
|---|--|---------|
| (Increase) decrease in accrual of compensated absences. | | (9,537) |
|---|--|---------|

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

| | | |
|--|--|--------|
| This amount represents long-term debt repayments and issuance costs. | | 54,880 |
|--|--|--------|

| | | |
|---|----|----------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u>341,759</u> |
|---|----|----------------|

See accompanying notes to financial statements.

CITY OF SALTILLO, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Fiscal Year Ended September 30, 2014

| | Budget | | | Variance with Final Budget (Unfavorable) |
|--|--------------------|------------------|-------------------|--|
| | Original | Final | Actual | |
| REVENUES: | | | | |
| General Property Taxes | \$ 748,000 | \$ 773,570 | \$ 773,578 | \$ 8 |
| Sales and Use Taxes | 735,000 | 645,467 | 659,927 | 14,460 |
| Licenses and Permits | 28,557 | 45,952 | 41,652 | (4,300) |
| In Lieu of Taxes | 65,069 | 58,596 | 58,596 | - |
| Franchise Fees | 127,556 | 132,113 | 132,115 | 2 |
| Charges for Services | - | 9,000 | 9,000 | - |
| Intergovernmental Revenues | 35,662 | 65,515 | 70,241 | 4,726 |
| Recreation Use Fees | 118,730 | 126,147 | 127,206 | 1,059 |
| Rentals | 21,860 | 25,119 | 27,166 | 2,047 |
| Fines and Forfeits | 90,700 | 104,862 | 104,482 | (380) |
| Interest Revenues | 3,000 | 3,146 | 3,355 | 209 |
| Miscellaneous Revenues | 1,000 | 24,371 | 29,771 | 5,400 |
| TOTAL REVENUES | 1,975,134 | 2,013,858 | 2,037,089 | 23,231 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 487,966 | 502,713 | 499,614 | 3,099 |
| Public Safety | 965,338 | 917,722 | 908,295 | 9,427 |
| Public Works | 242,295 | 210,418 | 222,170 | (11,752) |
| Culture and Recreation | 303,036 | 285,368 | 281,491 | 3,877 |
| Debt Service | 19,876 | 19,876 | 19,877 | (1) |
| TOTAL EXPENDITURES | 2,018,511 | 1,936,097 | 1,931,447 | 4,650 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (43,377) | 77,761 | 105,642 | 27,881 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from Sale of Capital Assets | - | 5,932 | 5,932 | - |
| Transfers (to) from Other Funds | 5,233 | 7,576 | 16,246 | 8,670 |
| TOTAL OTHER FINANCING SOURCES (USES) | 5,233 | 13,508 | 22,178 | 8,670 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES | \$ (38,144) | \$ 91,269 | \$ 127,820 | \$ 36,551 |

See accompanying notes to financial statements.

CITY OF SALTILLO, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2014

ASSETS:

Current Assets:

| | |
|---|------------------|
| Cash and Cash Equivalents | \$ 464,703 |
| Investments | 525,493 |
| Accounts Receivable, Net of Provision for Bad Debts | 156,772 |
| Due From Other Funds | 71,052 |
| Total Current Assets | <u>1,218,020</u> |

Noncurrent Assets:

| | |
|--------------------------------|--------------------|
| Water and Sewer System, | |
| Vehicles and Equipment | 11,684,527 |
| Less: Accumulated Depreciation | <u>(4,339,907)</u> |
| Net Noncurrent Assets | <u>7,344,620</u> |

| | |
|---------------------|----------------------------|
| TOTAL ASSETS | \$ <u>8,562,640</u> |
|---------------------|----------------------------|

LIABILITIES:

Current Liabilities:

| | |
|---------------------------------------|----------------|
| Accounts Payable and Accrued Expenses | \$ 7,264 |
| Accrued Interest Payable | 20,111 |
| Customer Deposits | 148,743 |
| Due to Other Funds | - |
| Notes and Bonds- Within One Year | <u>217,558</u> |
| Total Current Liabilities | <u>393,676</u> |

Noncurrent Liabilities:

| | |
|---------------------------------------|------------------|
| Notes and Bonds, Less Current Portion | 3,597,588 |
| Accrued Compensated Absences | <u>29,509</u> |
| Total Noncurrent Liabilities | <u>3,627,097</u> |

| | |
|--------------------------|-------------------------|
| TOTAL LIABILITIES | <u>4,020,773</u> |
|--------------------------|-------------------------|

NET POSITION:

| | |
|----------------------------------|----------------------------|
| Net Investment in Capital Assets | 3,529,474 |
| Unrestricted | <u>1,012,393</u> |
| TOTAL NET POSITION | \$ <u>4,541,867</u> |

See accompanying notes to financial statements.

CITY OF SALTILLO, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2014

OPERATING REVENUES

| | |
|-------------------------------|------------------|
| Charges for Services | \$ 1,184,699 |
| Service Charges and Penalties | 52,173 |
| Other Receipts | 95,476 |
| Total Operating Revenues | <u>1,332,348</u> |

OPERATING EXPENSES

| | |
|-------------------------------|------------------|
| Personnel Services | 391,949 |
| Contractual Services | 35,666 |
| Supplies | 133,826 |
| Depreciation and Amortization | 297,921 |
| Other Services | 286,311 |
| Total Operating Expenses | <u>1,145,673</u> |

| | |
|----------------------|----------------|
| Net Operating Income | <u>186,675</u> |
|----------------------|----------------|

NON-OPERATING REVENUES (EXPENSES)

| | |
|---|------------------|
| Gain (Loss) on Disposal of Fixed Assets | (15) |
| Bad Debt Expense | 3,678 |
| Interest Income | 3,337 |
| Interest and Fiscal Charges | <u>(106,549)</u> |

| | |
|---|-----------------|
| Total Non-Operating Revenues (Expenses) | <u>(99,549)</u> |
|---|-----------------|

| | |
|--|---------------|
| Income (Loss) before Operating Transfers | <u>87,126</u> |
|--|---------------|

TRANSFERS (TO) FROM OTHER FUNDS

| | |
|--------------------------------|------------|
| Transfer (to) from Other Funds | <u>194</u> |
|--------------------------------|------------|

| | |
|---------------------------------------|------------|
| Total Transfers (to) from Other Funds | <u>194</u> |
|---------------------------------------|------------|

| | |
|-------------------------------|---------------|
| CHANGE IN NET POSITION | <u>87,320</u> |
|-------------------------------|---------------|

| | |
|---|-----------|
| NET POSITION - OCTOBER 1, as previously stated | 4,625,090 |
|---|-----------|

| | |
|--------------------------------|------------------|
| PRIOR PERIOD ADJUSTMENT | <u>(170,543)</u> |
|--------------------------------|------------------|

| | |
|--|------------------|
| NET POSITION - OCTOBER 1, as restated | <u>4,454,547</u> |
|--|------------------|

| | |
|------------------------------------|----------------------------|
| NET POSITION - SEPTEMBER 30 | <u><u>\$ 4,541,867</u></u> |
|------------------------------------|----------------------------|

See accompanying notes to financial statements.

CITY OF SALTILLO, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|----------------|
| Cash Received from Customers | \$ 1,338,073 |
| Cash Payments for Personnel Services | (390,325) |
| Cash Payments for Contractual Services | (35,666) |
| Cash Payments for Supplies | (148,619) |
| Cash Payments for Other Services | (286,311) |
| Net Cash Provided By (Used In) Operating Activities | <u>477,152</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

| | |
|--|------------|
| Transfers (to) from Other Funds | 194 |
| Net Cash Flows Provided By (Used In) Noncapital Financing Activities | <u>194</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

| | |
|--|------------------|
| Proceeds from Long-Term Debt | 714,000 |
| Purchases of Capital Assets | (849,181) |
| Principal Paid on Long-Term Debt | (205,502) |
| Interest Paid on Long-Term Debt | (86,438) |
| Net Cash Provided By (Used In) Noncapital Financing Activities | <u>(427,121)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|-------------------|
| Interest on Investments | 3,337 |
| Net Cash Provided By (Used In) Investing Activities | <u>3,337</u> |
| NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH | 53,562 |
| CASH AND RESTRICTED CASH, OCTOBER 1 | <u>936,634</u> |
| CASH AND RESTRICTED CASH, SEPTEMBER 30 | <u>\$ 990,196</u> |

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

| | |
|--|-------------------|
| Operating Income | \$ 186,675 |
| Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities | |
| Depreciation & Amortization | 297,921 |
| Provision for Doubtful Accounts | 3,678 |
| Change in Assets and Liabilities: | |
| (Increase) Decrease in Accounts Receivable | 507 |
| Increase (Decrease) in Accounts Payable - operating activities | (14,793) |
| Increase (Decrease) in Accrued Compensated Absences | 1,624 |
| Increase (Decrease) in Customer Deposits | 1,540 |
| Total Adjustments | <u>290,477</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 477,152</u> |

See accompanying notes to financial statements.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Saltillo, 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, water and sewer services and general administrative services.

Government-Wide and Fund Financial Statements

The City'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 more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information on all non-fiduciary 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 position 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.

**CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Non-major funds, where applicable, are aggregated and presented in a single column. Fiduciary funds are reported by type.

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.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. This fund is a non-major governmental fund.

Additionally the City reports the following governmental fund types:

Debt Service Fund – The Debt Service Fund was established to receive and account for resources restricted for the payment of interest and principal on general improvement and park bonds and notes. This is a non-major governmental fund.

The City reports the following major proprietary funds:

The Water & Sewer 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 Saltillo.

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. 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 non-operating revenues and expenses.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

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. The City also allows employees to accumulate comp time. Upon termination, any accumulated comp time will be paid to the employee.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the provision for uncollectible court fines. It is at least reasonably possible that the significant estimate used will change within the next year.

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.

Fund Balance Classification

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions. In accordance with GASB Statement No. 54, the governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board of Aldermen delegating this responsibility to the City's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned:** This classification includes the residual fund balance for the General Fund and all other amounts not included in other spendable classifications.

Business Information

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

Comparative Data

Comparative data for the prior year has not been presented in the accompanying 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. 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.

The millage was allocated as follows:

| | |
|-------------------|--------------|
| General Fund | 23.60 |
| Fire Fund | 2.00 |
| Debt Service Fund | <u>1.40</u> |
| Total | <u>27.00</u> |

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - FIXED ASSETS

The following is a summary of capital asset activity as of September 30, 2014:

| <u>Primary Government:</u> | <u>Restated Balance 10-01-2013</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance 9-30-2014</u> |
|--|--|------------------|------------------|------------------------------|
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 244,915 | \$ 0 | \$ 0 | \$ 244,915 |
| Construction in Progress | 0 | 0 | 0 | 0 |
| Total Capital Assets, not being depreciated | 244,915 | 0 | 0 | 244,915 |
| Capital Assets being depreciated: | | | | |
| Plant, Buildings, & Improvements | 1,498,802 | 40,382 | 0 | 1,539,184 |
| Infrastructure | 35,179 | 0 | 0 | 35,179 |
| Machinery and Equipment | 1,340,140 | 272,971 | (57,412) | 1,555,699 |
| Total Capital Assets being depreciated | 2,874,121 | 313,353 | (57,412) | 3,130,062 |
| Less Accumulated Depreciation for: | | | | |
| Plant, Buildings, & Improvements | (463,004) | (44,576) | 0 | (507,580) |
| Infrastructure | (24,625) | 0 | 0 | (24,625) |
| Machinery and Equipment | (811,621) | (131,713) | 43,597 | (899,737) |
| Total Accumulated Depreciation | (1,299,250) | (176,289) | 43,597 | (1,431,942) |
| Total Capital Assets, depreciated, net Governmental Activities | 1,574,871 | 137,064 | (13,815) | 1,698,120 |
| Capital Assets, net | \$ 1,819,786 | \$ 137,064 | \$ (13,815) | \$ 1,943,035 |

The City adopted a capitalization threshold of \$1,000 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, 2014.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - FIXED ASSETS (continued)

A summary of business-type capital asset activity at September 30, 2014 follows:

| | Restated Balance 10-01-2013 | Additions | Disposals | Balance 9-30-2014 |
|---|-----------------------------------|-------------------|-----------------|----------------------|
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Construction in Progress | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Capital Assets, not being depreciated | 0 | 0 | 0 | 0 |
| Capital Assets being depreciated: | | | | |
| Plant, Buildings, & Improvements | 10,401,148 | 718,296 | 0 | 11,119,444 |
| Machinery and Equipment | <u>457,878</u> | <u>130,885</u> | <u>(23,680)</u> | <u>565,083</u> |
| Total Capital Assets being depreciated | 10,859,026 | 849,181 | (23,680) | 11,684,527 |
| Less Accumulated Depreciation for: | | | | |
| Plant, Buildings, & Improvements | (3,647,584) | (248,868) | 0 | (3,896,452) |
| Machinery and Equipment | <u>(418,067)</u> | <u>(49,053)</u> | <u>23,665</u> | <u>(443,455)</u> |
| Total Accumulated Depreciation | <u>(4,065,651)</u> | <u>(297,921)</u> | <u>23,665</u> | <u>(4,339,907)</u> |
| Total Capital Assets, depreciated, net Business-type Activities | <u>6,793,375</u> | <u>551,260</u> | <u>(15)</u> | <u>7,344,620</u> |
| Capital Assets, net | <u>\$ 6,793,375</u> | <u>\$ 551,260</u> | <u>\$ (15)</u> | <u>\$ 7,344,620</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 |

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 - FIXED ASSETS (continued)

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

| | |
|--------------------------|---------------|
| Governmental Activities: | |
| General Government | \$ 28,593 |
| Public Safety | 96,577 |
| Public Works | 4,699 |
| Culture & Recreation | <u>46,420</u> |

| | |
|--|-------------------|
| Total Depreciation Expense – Governmental Activities | \$ <u>176,289</u> |
|--|-------------------|

Business-type Activities:

| | |
|-----------------|-------------------|
| Water and Sewer | \$ <u>297,921</u> |
|-----------------|-------------------|

| | |
|---|-------------------|
| Total Depreciation Expense – Business-type Activities | \$ <u>297,921</u> |
|---|-------------------|

NOTE 4 - RECEIVABLES

Receivables at September 30, 2014, 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.

Receivables for accounts of the Water and Sewer Fund (an Enterprise Fund) have been reduced by \$4,216 to reflect the provision for uncollectible accounts. The accrual amount of court fine receivables on the Statement of Net Position-Government-Wide has been reduced by \$228,787 to reflect the provision for uncollectible fines.

NOTE 5 - LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended September 30, 2014:

| | General Obligation Bonds Payable | Notes & Bonds Payable | <u>Total</u> |
|--|---|-----------------------------|---------------------|
| Bonds and Other Long-Term Debt at 10/01/13 | \$ 875,000 | \$ 2,954,702 | \$ 3,829,702 |
| Add: Bonds and Other Long-Term Debt Acquired | | 714,000 | 714,000 |
| Less: Bonds and Other Long-Term Debt Retired | <u>75,000</u> | <u>185,382</u> | <u>260,382</u> |
| Bonds and Other Long-Term Debt at 09/30/14 | \$ <u>800,000</u> | \$ <u>3,483,320</u> | \$ <u>4,283,320</u> |

**CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

NOTE 5 - LONG-TERM DEBT (continued)

Bonds and other long-term debt at September 30, 2014 are comprised of the following issues:

Governmental Activities:

Bonds Payable:

| | |
|--|------------|
| General Obligation Refunding Bonds – Series 2008 - \$1,250,000 original issue with interest rates of 2.00 to 4.30%, maturing on June 1, 2025 | \$ 392,000 |
|--|------------|

Notes Payable:

| | |
|--|--------|
| Note Payable – CAP Loan - \$180,000 due in monthly payments of \$1,656 through September 1, 2018; interest at 2.0% | 76,174 |
|--|--------|

Business-Type Activities:

Bonds Payable:

| | |
|--|---------|
| General Obligation Refunding Bonds – Series 2008 - \$1,250,000 original issue with interest rates of 2.00 to 4.30%, maturing on June 1, 2025 | 408,000 |
|--|---------|

Notes Payable:

| | |
|---|--------|
| Note Payable – Rural Development. - \$45,000 debt issued December 12, 1998, interest only payments for the first two years, principal and interest annual payment of \$2,644 through 2033; interest at 4.50%. | 34,312 |
|---|--------|

| | |
|--|---------|
| Note Payable – Rural Development. - \$360,000 debt issued fiscal year 2001, interest only payments for the first two years, principal and interest annual payment of \$19,800 through 2040; interest at 4.50%. | 298,561 |
|--|---------|

| | |
|--|--------|
| Note Payable – Rural Development. - \$96,000 issued during fiscal year 1996; due in annual payments of \$5,908 through 2031; interest at 4.875%. | 66,842 |
|--|--------|

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 5 - LONG-TERM DEBT (continued)

Note Payable – Rural Development. - \$714,000 issued on September 10, 2014; due in annual payments of \$38,256 through September 10, 2049; interest at 4.0 % 714,000

Note Payable – CAP Loan. - \$500,000 authorized, due in monthly payments of \$2,529 through April 1, 2026; interest at 2 %. 308,639

Note Payable – Department of Environmental Quality – authorized \$2,819,321, due in monthly payments of \$14,459 through September 2027; interest at 2 %. 1,984,792

Total Debt Repayment \$ 4,283,320

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

The Annual requirements to amortize all debt outstanding as of September 30, 2014 including interest payments of \$1,383,534 are as follows:

| Year Ending September 30 | Governmental Funds | | Proprietary Funds | | Total | Total |
|-----------------------------|--------------------|------------------|---------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ 57,717 | \$ 16,728 | \$ 217,558 | \$ 107,694 | \$ 275,275 | \$ 124,422 |
| 2016 | 58,091 | 14,923 | 223,636 | 102,144 | 281,727 | 117,067 |
| 2017 | 63,372 | 13,111 | 232,899 | 96,492 | 296,271 | 109,603 |
| 2018 | 61,144 | 11,280 | 234,617 | 90,548 | 295,761 | 101,828 |
| 2019 | 44,100 | 9,378 | 241,543 | 84,590 | 285,643 | 93,968 |
| 2020 - 2024 | 161,700 | 22,849 | 1,216,156 | 354,245 | 1,377,856 | 377,094 |
| 2025 - 2029 | 22,050 | 948 | 734,385 | 192,790 | 756,435 | 193,738 |
| 2030 - 2034 | 0 | 0 | 183,282 | 99,166 | 183,282 | 99,166 |
| 2035 - 2039 | 0 | 0 | 196,955 | 93,325 | 196,955 | 93,325 |
| 2040 - 2044 | 0 | 0 | 163,921 | 52,377 | 163,921 | 52,377 |
| 2045 - 2049 | <u>0</u> | <u>0</u> | <u>170,194</u> | <u>20,946</u> | <u>170,194</u> | <u>20,946</u> |
| | <u>\$ 468,174</u> | <u>\$ 89,217</u> | <u>\$ 3,815,146</u> | <u>\$ 1,294,317</u> | <u>\$ 4,283,320</u> | <u>\$ 1,383,534</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.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description - The City of Saltillo 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.

Funding Policy - PERS members are required to contribute 9% of their annual covered salary and the City of Saltillo is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Saltillo's contributions to PERS for the years ending September 30, 2014, 2013 and 2012 were \$181,913, \$160,185 and \$139,381 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 "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$2,284 less than cash revenues.

NOTE 9 - RISK MANAGEMENT

The City of Saltillo is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the City except for certain employment practices liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverage for which the City retains the risk of loss.

Risk of loss related to workers compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employer's liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably

**CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

NOTE 9 - RISK MANAGEMENT (continued)

estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2014, will not materially affect the financial condition of the City. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the City during the current or prior year.

NOTE 10 - EXPENDITURES OVER APPROPRIATIONS FOR INDIVIDUAL FUNDS

Any expenditures over appropriations at the legal level or budgetary control for the respective funds are disclosed in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the respective fund. Expenditures over appropriations at the legal level of budgetary control are as follows:

| | | <u>Budget</u> | | <u>Actual</u> | | <u>Overage</u> |
|----------------------------|----|---------------|----|---------------|----|----------------|
| General Fund: | | | | | | |
| General Government | | | | | | |
| Other Services and Charges | \$ | 203,910 | \$ | 203,961 | \$ | 51 |
| Public Works | | | | | | |
| Other Services and Charges | | 74,348 | | 86,012 | | 11,664 |

NOTE 11- COMMITMENTS

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

During the year ended September 30, 2014, the City implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* for EPB. This statement establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation resulted in a direct decrease of \$20,113 to net position in governmental activities to eliminate bond issue costs. Implementation also resulted in a direct decrease of \$20,063 to net position in business-type activities to eliminate bond issue costs.

**CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

NOTE 12 - PRIOR PERIOD ADJUSTMENTS (continued)

The beginning balances of certain accounts have been restated to correct previous errors. Subsequent to issuing the financial statements for the year ending September 30, 2013, management discovered errors in governmental activities capital assets, business-type activities capital assets, and the presentation of the compensated absences liability.

Business-type activities capital assets were overstated by \$150,480 on the Statement of Net Position at September 30, 2013. Governmental activities capital assets were overstated by \$173,526 on the Statement of Net Position at September 30, 2013. This overstatement was the result of various assets that were disposed of prior to September 30, 2013 being included in the capital assets balance at September 30, 2013. The beginning assets and net position have been restated to correct this error.

The prior year financial statements included the compensated absences liability on the governmental fund financial statements. The result of this error was a \$49,441 overstatement of the compensated absences liability in the governmental fund financial statements. The beginning liability and fund balance has been restated in the governmental fund financial statements to correct this error. This did not affect the Statement of Net Position.

NOTE 13 - SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through June 5, 2015, the date on which the financial statements were available to be issued. The City approved entering into a CAP loan with the Mississippi Development Authority for water system improvements on June 17, 2014. However, the City did not make any draws on the loan until December 2014. The City has made 5 draws on the CAP loan with Mississippi Development Authority for a total of \$322,790 subsequent to year end.

INDIVIDUAL FUND FINANCIAL STATEMENTS

CITY OF SALTILLO, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended September 30, 2014

| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|-----------------------------|------------------|------------------|--|
| <u>REVENUES:</u> | | | |
| General Property Taxes | \$ 773,570 | \$ 773,578 | \$ 8 |
| Licenses and Permits | 45,952 | 41,652 | (4,300) |
| Sales and Use Taxes | 645,467 | 659,927 | 14,460 |
| Intergovernmental Revenues | 49,870 | 54,596 | 4,726 |
| Homestead Reimbursement | 15,645 | 15,645 | - |
| Fines and Forfeits | 104,862 | 104,482 | (380) |
| TVA In-Lieu Tax | 53,672 | 53,672 | - |
| In Lieu of Taxes | 4,924 | 4,924 | - |
| Franchise Fees | 132,113 | 132,115 | 2 |
| Charges for Services | 9,000 | 9,000 | - |
| Recreation Use Fees | 126,147 | 127,206 | 1,059 |
| Miscellaneous Revenues | 24,371 | 29,771 | 5,400 |
| Interest Revenues | 3,146 | 3,355 | 209 |
| Rentals | 25,119 | 27,166 | 2,047 |
| TOTAL REVENUES | 2,013,858 | 2,037,089 | 23,231 |
| <u>EXPENDITURES:</u> | | | |
| General Government: | | | |
| Personnel Services | 256,993 | 256,450 | 543 |
| Supplies | 11,360 | 10,648 | 712 |
| Other Services and Charges | 203,910 | 203,961 | (51) |
| Capital Outlay | 30,450 | 28,555 | 1,895 |
| Total | 502,713 | 499,614 | 3,099 |
| Public Safety: | | | |
| Personnel Services | 754,458 | 752,389 | 2,069 |
| Supplies | 100,533 | 94,265 | 6,268 |
| Other Services and Charges | 54,236 | 53,433 | 803 |
| Capital Outlay | 8,495 | 8,208 | 287 |
| Total | 917,722 | 908,295 | 9,427 |
| Public Works: | | | |
| Personnel Services | 77,635 | 76,855 | 780 |
| Supplies | 18,750 | 18,445 | 305 |
| Other Services and Charges | 74,348 | 86,012 | (11,664) |
| Capital Outlay | 39,685 | 40,858 | (1,173) |
| Total | 210,418 | 222,170 | (11,752) |

CITY OF SALTILLO, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued
For the Fiscal Year Ended September 30, 2014

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|--|---------------------|---------------------|---|
| Culture and Recreation: | | | |
| Personnel Services | \$ 166,347 | \$ 166,202 | \$ 145 |
| Supplies | 68,271 | 65,157 | 3,114 |
| Other Services and Charges | 49,900 | 49,290 | 610 |
| Capital Outlay | 850 | 842 | 8 |
| Total | <u>285,368</u> | <u>281,491</u> | <u>3,877</u> |
| Debt Service: | | | |
| Principal Retirement | 18,151 | 18,130 | 21 |
| Interest and Fiscal Charges | 1,725 | 1,747 | (22) |
| Total | <u>19,876</u> | <u>19,877</u> | <u>(1)</u> |
| TOTAL EXPENDITURES | <u>1,936,097</u> | <u>1,931,447</u> | <u>4,650</u> |
| Excess (Deficit) revenues over (under) expenditures | <u>77,761</u> | <u>105,642</u> | <u>27,881</u> |
| <u>OTHER FINANCING SOURCES (USES):</u> | | | |
| Proceeds from Sale of Capital Assets | 5,932 | 5,932 | - |
| Transfers (to) from Other Funds | 7,576 | 16,246 | 8,670 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>13,508</u> | <u>22,178</u> | <u>8,670</u> |
| EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | <u>91,269</u> | <u>127,820</u> | <u>36,551</u> |
| FUND BALANCES AT OCTOBER 1, 2013, AS PREVIOUSLY STATED | 1,025,144 | 1,025,144 | - |
| PRIOR PERIOD ADJUSTMENT | <u>49,441</u> | <u>49,441</u> | <u>-</u> |
| FUND BALANCES AT OCTOBER 1, 2013, AS PREVIOUSLY STATED | <u>1,074,585</u> | <u>1,074,585</u> | <u>-</u> |
| FUND BALANCES AT SEPTEMBER 30, 2014 | \$ <u>1,165,854</u> | 1,202,405 | \$ <u>36,551</u> |
| ADJUSTMENTS TO GAAP BASIS: | | | |
| Less: Accrued Revenue | | <u>(2,284)</u> | |
| FUND BALANCE GAAP SEPTEMBER 30, 2014 | | \$ <u>1,200,121</u> | |

OTHER SUPPLEMENTAL INFORMATION

CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Fiscal Year Ended September 30, 2014

| | BALANCE OUTSTANDING October 1, 2013 | TRANSACTIONS DURING FISCAL YEAR ISSUED REDEEMED | BALANCE OUTSTANDING September 30, 2014 |
|--|---|--|--|
| Governmental Funds: | | | |
| <u>General Obligation Bonds</u> | | | |
| General Obligation Refunding Bonds | | | |
| Series 2008 | | | |
| Interest Rate 2.00 - 4.30% | | | |
| Maturity 2025 | \$ 428,750 | \$ 36,750 | \$ 392,000 |
| <u>Other Long Term Debt</u> | | | |
| Note Payable - CAP Loan | | | |
| Interest Rate 2.00% | | | |
| Maturity 2018 | 94,304 | 18,130 | 76,174 |
| Total Governmental Funds | <u>523,054</u> | <u>-</u> | <u>468,174</u> |
| Proprietary Fund: | | | |
| <u>General Obligation Bonds</u> | | | |
| General Obligation Water & Sewer Refunding | | | |
| Series 2008 | | | |
| Interest Rate 2.00 - 4.30% | | | |
| Maturity 2025 | 446,250 | 38,250 | 408,000 |
| <u>Other Long Term Debt</u> | | | |
| Note Payable - Rural Development | | | |
| Interest Rate 4.5% | | | |
| Maturity 2033 | 35,310 | 998 | 34,312 |
| Note Payable - Rural Development | | | |
| Interest Rate 4.5% | | | |
| Maturity 2040 | 306,027 | 7,466 | 298,561 |
| Note Payable - Rural Development | | | |
| Interest Rate 4.875% | | | |
| Maturity 2031 | 69,413 | 2,571 | 66,842 |
| Note Payable - CAP Loan | | | |
| Interest Rate 2.0% | | | |
| Maturity 2026 | 332,479 | 23,840 | 308,639 |
| Note Payable - DEQ Loan | | | |
| Interest Rate 2.0% | | | |
| Maturity 2027 | 2,117,169 | 132,377 | 1,984,792 |
| Note Payable - Rural Development | | | |
| Interest Rate 4.0% | | | |
| Maturity 2049 | - | 714,000 | 714,000 |
| Total Proprietary Fund | <u>3,306,648</u> | <u>714,000</u> | <u>3,815,146</u> |
| Total Government-wide | \$ 3,829,702 | \$ 714,000 | \$ 4,283,320 |

CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2014

| NAME | POSITION | COMPANY | BOND |
|------------------|-------------------------------|-----------------------------------|-------------|
| Mary Parker | City Clerk | Travelers Casualty and Surety Co. | \$50,000 |
| Susan Echols | Deputy City Clerk | Travelers Casualty and Surety Co. | \$50,000 |
| Rex Smith | Mayor | Clyde Scott Insurance | \$50,000 |
| Mary Roberts | Court Clerk | Travelers Casualty and Surety Co. | \$50,000 |
| Julie Morton | Deputy City Clerk | Travelers Casualty and Surety Co. | \$50,000 |
| Stephen Dillard | Assistant Park & Rec Director | Travelers Casualty and Surety Co. | \$50,000 |
| Andy Loden | Park & Rec Director | Travelers Casualty and Surety Co. | \$50,000 |
| Grant Bailey | Chief of Police | Travelers Casualty and Surety Co. | \$50,000 |
| Donald V. Cullum | Alderman | Clyde Scott Insurance | \$50,000 |
| Terry Glidewell | Alderman | Clyde Scott Insurance | \$50,000 |
| Scott Knight | Alderman | Clyde Scott Insurance | \$50,000 |
| Jewell Webb | Alderman | Clyde Scott Insurance | \$50,000 |
| Brad Woodcock | Alderman | Clyde Scott Insurance | \$50,000 |
| | Police Officers | Travelers Casualty and Surety Co. | \$25,000 |

CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2014

| Federal Grantor/ Pass Through Grantor/ Program Title | Federal CFDA Number | Federal Expenditures |
|--|---------------------------|-------------------------|
| U.S. Department of Agriculture | | |
| * Water and Waste Disposal Systems for Rural Communities | 10.760 | \$ 714,000 |
| Total U.S. Department of Agriculture | | \$ 714,000 |
| TOTAL FEDERAL EXPENDITURES | | \$ 714,000 |

SIGNIFICANT ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Saltillo, Mississippi and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

* - Major Program

OTHER REPORTS

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners
Gary Franks, CPA
Greg Jarrell, CPA
Bryon Wilemon, CPA
Jonathan Hagood, CPA
Rudolph Franks, CPA (emeritus)

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

Honorable Mayor and Board of Aldermen
City of Saittilo, Mississipp

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Saittilo, Mississipp as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Saittilo, Mississipp's basic financial statements and have issued our report thereon dated June 5, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Saittilo, Mississipp's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Saittilo, Mississipp's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Saittilo, Mississipp'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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

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 deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. See finding 1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Saittilo, Mississipp's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2 to be an instance of noncompliance.

We noted certain matters that we reported to management of the City of Saitillo, Mississippi, in a separate letter dated June 5, 2015

City of Saitillo, Mississippi's Response to Findings

City of Saitillo, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Saitillo, 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.

Franks, Franks, Jarrell & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
June 5, 2015

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Mayor and Board of Aldermen
City of Slatillo, Mississippi

Report on Compliance for Each Major Federal Program

We have audited City of Slatillo, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each City of Slatillo, Mississippi's major federal programs for the year ended. City of Slatillo, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Slatillo, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Slatillo, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Slatillo, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Slatillo, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items. Our opinion on each major federal program is not modified with respect to these matters.

City of Slatillo, Mississippi's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Slatillo, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of City of Saltillo, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Saltillo, Mississippi internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Saltillo, Mississippi's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Franks, Franks, Jarrell & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.

June 5, 2015

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
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Partners
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Greg Jarrell, CPA
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Rudolph Franks, CPA (emeritus)

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

To the Mayor and Board of Aldermen
City of Sattillo, Mississippi

We have audited the financial statements of City of Sattillo, Mississippi as of and for the year ended September 30, 2014, and have issued our report thereon dated June 5, 2015. 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*.

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 Questioned Costs as finding 2.

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 & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
June 5, 2015

CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified
Internal control over financial reporting:
 Material weakness identified? X Yes No
 Significant deficiency identified
 not considered to be a material weakness? Yes X None reported
Noncompliance material to financial statements
 noted? X Yes No

Federal Awards

Internal Control over major programs:
 Material weakness identified? Yes X No
 Significant deficiency identified
 not considered to be a material weakness? Yes X None reported

Type of auditors' report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? Yes X No

Identification of major program:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| <u>10.760</u> | <u>U.S. Department of Agriculture-Water and Waste Disposal Systems</u> |

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

**CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014**

SECTION 2 – FINANCIAL STATEMENT FINDINGS:

FINDING NO. 1

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 utility systems or areas of park and recreation fees. Specifically, most employees have the capability of adding and deleting accounts, downloading meter readings, billings, adjustments, collections, deposits, and posting of payments. There is no clear defined segregation of duties between any utility personnel or personnel involved in collection of park and recreation fees. The City's size and number of personnel limit the segregation of duties.

Recommendation: The City should consider segregation of duties in all areas of the accounting system. The City should consider job descriptions for various employees. 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 provide clear segregation of duties.

FINDING NO. 2

Criteria: The City is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. The City is to comply with state purchasing laws for all applicable purchases over certain dollar thresholds.

Cause of Condition: The City did not obtain comparative quotes for one purchase during the year, as required by state statutes.

Recommendation: The City should implement adequate internal controls over all state purchase laws to ensure that the City strictly adheres to the purchase laws in all departments of the City.

Response: The City will take steps necessary to ensure that controls over purchasing are revised to ensure future compliance.

**CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014**

SECTION 3 – FEDERAL AWARD FINDINGS:

NONE

- * Finding 1 is considered a Significant Deficiency.
- * Finding 1 is considered a Material Weakness.
- * Finding 2 is considered a Noncompliance Finding.
- * Finding 1 was a finding in the prior year.