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FINANCIAL STATEMENTS
City of Nettleton, Mississippi
For the Year Ended
September 30, 2015

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**CITY OF NETTLETON
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September 30, 2015**

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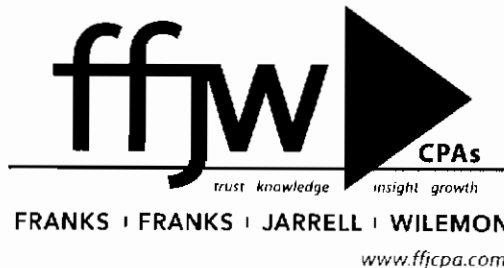
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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Nettleton, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nettleton, Mississippi as of and for the year ended September 30, 2015, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nettleton, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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 Nettleton, Mississippi's basic financial statements. The introductory section, the combining and individual nonmajor 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 combining and individual nonmajor 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 nonmajor fund financial statements and other supplemental information 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 February 17, 2016, on our consideration of the City of Nettleton, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Nettleton, Mississippi's internal control over financial reporting and compliance.

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

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
February 17, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplemental Information for the Year Ended September 30, 2015

This section of the City of Nettleton's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2015. Please read it in conjunction with the City of Nettleton financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position increased by \$93,899 as a result of this year's operations. While net position of our business-type activities increased by \$129,538, or nearly 3%, net position of our governmental activities decreased by \$35,639, or nearly 1%.
- The assets and deferred outflows of the City exceeded its liabilities at the close of the most recent fiscal year by \$4,277,548. This compares to the previous year when assets exceeded liabilities by \$4,183,649(restated).
- As of the close of the current fiscal year, the City of Nettleton governmental funds reported combined ending fund balances of \$319,734, an increase of \$42,230 in comparison to the prior year. Approximately 87% of the combined fund balances, \$276,693, is considered unassigned and is available for spending at the City of Nettleton discretion.
- The City of Nettleton's total debt is \$1,343,543. \$419,955 in SRF Sewer Loan funds were issued during the year and \$86,479 in debt was repaid during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

Figure A-1

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks and recreation	Activities the City operates similar to private businesses: Water & Sewer, and Solid Waste.
Required financial statements	Statement of net 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 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 NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Statements

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

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

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

Fund Financial Statements

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

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

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The City of Nettleton has two kinds of funds:

- **Governmental funds**—Most of the City of Nettleton's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Nettleton's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City of Nettleton utilizes three types of governmental funds: the General Fund, Special Revenue Funds, and Capital Projects Funds.
- **Proprietary funds**—Services for which the City of Nettleton charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary funds—enterprise funds. The City of Nettleton's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Balance Sheet, Statement of Revenues, Expenses and Changes in 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 situation. The City of Nettleton's assets and deferred outflows exceeded liabilities by \$4,277,548 at the close of the most recent fiscal year. This is a \$93,899 increase over last year's net position of \$4,183,649 (restated). Tables A-1 and A-2 provide a summary of the City's net position at September 30, 2015 and 2014.

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

A large portion, 100% and 100%, of the City's net position reflects its investment in capital assets such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding for the years ended September 30, 2015 and 2014. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1

City of Nettleton's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current & Other Assets	\$ 551,560	\$ 881,404	\$ 647,033	\$ 456,687	\$ 1,198,593	\$ 1,338,091
Capital Assets	2,740,872	2,763,386	3,122,676	2,511,404	5,863,548	5,274,790
Total Assets	3,292,432	3,644,790	3,769,709	2,968,091	7,062,141	6,612,881
Total deferred outflows	161,710	0	80,559	32,521	242,269	32,521
Noncurrent Liabilities	1,070,325	170,850	1,465,163	752,783	2,535,488	923,633
Other Liabilities	71,029	466,920	390,001	170,162	461,030	637,082
Total Liabilities	1,141,354	637,770	1,855,164	922,945	2,996,518	1,560,715
Total deferred outflows	22,952	0	7,392	32,521	30,344	32,521
Net Position:						
Net Investment in						
Capital Assets	2,569,977	2,570,559	1,865,483	1,694,184	4,435,460	4,264,743
Restricted	3,322	3,281	0	0	3,322	3,281
Unrestricted (Deficit)	(283,463)	433,180	122,229	383,483	(161,234)	816,663
Total Net Position	\$ 2,289,836	\$ 3,007,020	\$ 1,987,712	\$ 2,077,667	\$ 4,277,548	\$ 5,084,687

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The \$122,229 of the unrestricted net position in the business-type activities provides excess funds to meet the government's ongoing obligations to citizens and creditors.

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The unrestricted net position of our business-type activities is \$122,229 of the total unrestricted net position. These resources cannot be used to add to the net position surplus in governmental activities. The City of Nettleton generally can only use these net assets to finance the continuing operations of the business type activities.

Changes in net assets. Approximately 13.87% of the City of Nettleton's revenue comes from property taxes, with 34.06% of all revenue coming from some type of tax. (See Table A-2.) This compares to 12.96% and 32.89% for the fiscal year ended September 30, 2014. Another 40.38% comes from fees charged for services, and 20.41% is from operating and capital grants and contributions and the remainder is from investment earnings and miscellaneous.

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>

Revenues

Program Revenues:						
Charges for Services	\$ 136,875	\$ 93,122	\$ 604,661	\$ 552,134	\$ 741,536	\$ 645,256
Operating Grants & Contributions	18,991	21,536	0	0	18,991	21,536
Capital Grants & Contributions	121,336	591,453	234,541	0	355,877	591,453
General Revenues:						
Property Taxes	254,814	264,995	0	0	254,814	264,995
Other Taxes	370,649	407,170	0	0	370,649	407,170
Grants and Contributions	993	993	0	0	993	993
Investment Income	57	40	0	0	57	40
Other	93,643	112,491	0	0	93,643	112,491
Total Revenues	997,358	1,491,800	839,202	552,134	1,836,560	2,043,934

Expenses

General Government	316,025	306,451	0	0	316,025	306,451
Public Safety	531,691	484,494	0	0	531,691	484,494
Public Works	203,431	221,138	0	0	203,431	221,138
Urban & Economic Development	0	0	0	0	0	0
Culture & Recreation	37,902	25,908	0	0	37,902	25,908
Debt Service	3,948	4,274	0	0	3,948	4,274
Water & Sewer	0	0	566,547	473,625	566,547	473,625
Solid Waste Management	0	0	83,117	91,903	83,117	91,903
Total Expenses	1,092,997	1,042,265	649,664	565,528	1,742,661	1,607,793
Excess of Revenue Over Expenses	(95,639)	449,535	189,538	(13,394)	93,899	436,141
Transfers	60,000	60,000	(60,000)	(60,000)	0	0
Increase (Decrease) in Net Position	(35,639)	509,535	129,538	(73,394)	93,899	436,141
Net Position-Beginning, as previously stated	3,007,020	2,497,485	2,077,667	2,151,061	5,084,687	4,648,546
Prior Period Adjustment	(681,545)	0	(219,493)	0	(901,038)	0
Net Position-Beginning, as restated	2,325,475	2,497,485	1,858,174	2,151,061	4,183,649	4,648,546
Net Position-Ending	\$ 2,289,836	\$ 3,007,020	\$ 1,987,712	\$ 2,077,667	\$ 4,277,548	\$ 5,084,687

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Governmental Activities

Governmental activities decreased the City's net position by \$35,639.

The cost of all governmental activities this year was \$1,092,997. However, the amount taxpayers paid for these activities through city taxes (property taxes) was only \$254,814.

The largest funding sources for the City's governmental activities, as a percent of total revenues, are property taxes (25%), other taxes (37%), and operating and capital grants and contributions (14%).

The largest expense category for the City's governmental activities is public safety (49%).

Business-type Activities

Business-type activities increased the City's net position by \$129,538.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$487,932 for water and sewer and \$116,729 for solid waste management.

Financial Analysis of the Government's Funds

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

Governmental funds—The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 \$276,693, which comprised 87% of the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare the fund balance, restricted, assigned, and unassigned, to total fund expenditures. Total fund balance represents 36% of total fund expenditures. The fund balance of the City's general fund increased by \$42,189 during the current fiscal year.

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$3,322, which will be used for future expenditures.

Capital Projects Fund—The capital projects fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$0.

CITY OF NETTLETON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Proprietary Funds—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$1,987,712. Changes in net assets, which totaled \$129,538, were as follows: the water and sewer fund increased by \$119,926 and the solid waste management fund increased by \$9,612.

Budgetary Highlights

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

Comparing the FY 2015 original budget General Fund amount of \$966,055 to the final budget amount of \$960,936 shows a net decrease of \$5,119. Differences between the original budget and the final budget were mainly related to an decrease in amounts being budgeted for supplies and capital expenditures related to public works.

The City's tax millage for the 2015 fiscal year remained unchanged at 34.00 mills.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015 and 2014, amounted to \$5,863,548 and \$5,274,790, net of accumulated depreciation of \$4,479,452 and \$4,220,165. This investment in capital assets includes land, buildings, improvements other than buildings, and machinery & equipment.

Table A-3
City of Nettleton's Capital Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 121,030	\$ 121,030	\$ 29,360	\$ 29,360	\$ 150,390	\$ 150,390
Infrastructure	1,574,601	1,574,601	0	0	1,574,601	1,574,601
Plant, Buildings, Improvements	1,484,940	841,146	4,536,466	4,536,466	6,021,406	5,377,612
Machinery & Equipment	1,355,419	1,430,474	552,688	448,151	1,908,107	1,878,625
Construction in Progress	0	479,727	688,496	34,000	688,496	513,727
Accumulated Depreciation	(1,795,118)	(1,683,592)	(2,684,334)	(2,536,573)	(4,479,452)	(4,220,165)
Total	\$ 2,740,872	\$ 2,763,386	\$ 3,122,676	\$ 2,511,404	\$ 5,863,548	\$ 5,274,790

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CITY OF NETTLETON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

This year, major capital asset additions included:

- Park playground improvements
- Caterpillar backhoe
- SRF sewer project
- Building construction related to the Home Rural Impact Grant

Long-term Debt—At year-end, the city had \$1,343,523 in bonds and notes outstanding. More detailed information about the City of Nettleton's long-term liabilities is presented in the notes to the financial statements.

Table A-4
City of Nettleton's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 55,550	\$ 62,150	\$ 449,450	\$ 502,850	\$ 505,000	\$ 565,000
CAP Loans	115,345	130,677	68,406	75,693	183,751	206,370
USDA Sewer Loans	0	0	200,817	204,677	200,817	204,677
SRF Sewer Loan	0	0	453,955	34,000	453,955	34,000
Total	\$ 170,895	\$ 192,827	\$ 1,172,628	\$ 817,220	\$ 1,343,523	\$ 1,010,047

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors and expected grant related capital projects when establishing the fiscal year 2015 budget. The total budgeted appropriations for the City operations are \$2,346,975.

CONTACTING THE CITY OF NETTLETON FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash on Deposit	\$ 312,415	\$ 414,212	\$ 726,627
Money Market, CDs	1,307		1,307
Due From Other Governments	19,035		19,035
Accounts Receivable, net of allowance		44,029	44,029
Court Fines Receivable, net of allowance	128,342		128,342
Property Taxes Receivable	63,285		63,285
Other Receivables	27,176	181,727	208,903
Due From Other Funds		7,065	7,065
Capital Assets (Note 3):			
Land and Construction in Progress	121,030	717,856	838,886
Other Capital Assets, Net of Depreciation	2,619,842	2,404,820	5,024,662
TOTAL ASSETS	3,292,432	3,769,709	7,062,141
<u>DEFERRED OUTFLOWS OF REVENUES:</u>			
Deferred Amount of Refunding		28,481	28,481
Deferred Amounts Related to Pensions	161,710	52,078	213,788
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 161,710	\$ 80,559	\$ 242,269

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 33,134	\$ 216,151	\$ 249,285
Due to Other Funds	7,065		7,065
Customer Deposits		75,523	75,523
Accrued Compensated Absences	8,543	9,457	18,000
Long-Term Liabilities:			
Capital Leases - Due Within One Year		24,090	24,090
Capital Leases - Due in More Than One Year		60,475	60,475
Debt - Due Within One Year	22,287	64,780	87,067
Debt - Due in More Than One Year	148,608	1,107,848	1,256,456
Net Pension Liability	921,717	296,840	1,218,557
TOTAL LIABILITIES	1,141,354	1,855,164	2,996,518
<u>DEFERRED INFLOWS OF REVENUES:</u>			
Deferred Amounts Related to Pensions	22,952	7,392	30,344
TOTAL DEFERRED INFLOWS OF RESOURCES	22,952	7,392	30,344
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,569,977	1,865,483	4,435,460
Restricted for:			
Special Revenue Projects	3,322		3,322
Unrestricted (Deficit)	(283,463)	122,229	(161,234)
TOTAL NET POSITION	\$ 2,289,836	\$ 1,987,712	\$ 4,277,548

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charge for Services	Operating		Capital Grants and Contributions	PRIMARY GOVERNMENT	
			Grants and Contributions	Contributions		Governmental Activities	Business-Type Activities
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 316,025	\$ 56,389	\$ 2,390	\$ -	\$ 58,779	\$ (257,246)	\$ (257,246)
Public Safety	531,691	80,486	11,101	1,200	92,787	(438,904)	(438,904)
Public Works	203,431	-	-	-	-	(203,431)	(203,431)
Urban and Economic Development	-	-	-	115,136	115,136	115,136	115,136
Culture and Recreation	37,902	-	5,500	5,000	10,500	(27,402)	(27,402)
Debt Service	3,948	-	-	-	-	(3,948)	(3,948)
TOTAL GOVERNMENTAL ACTIVITIES	1,092,997	136,875	18,991	121,336	277,202	(815,795)	(815,795)
Business-Type Activities:							
Water and Sewer	566,547	487,932	-	234,541	722,473	155,926	155,926
Solid Waste Management	83,117	116,729	-	-	116,729	33,612	33,612
TOTAL BUSINESS-TYPE ACTIVITIES	649,664	604,661	-	234,541	839,202	189,538	189,538
TOTAL PRIMARY GOVERNMENT	\$ 1,742,661	\$ 741,536	\$ 18,991	\$ 355,877	\$ 1,116,404	\$ (815,795)	\$ (626,257)

GENERAL REVENUES:

Taxes:							
Property Taxes, Levied for General Purposes		\$ 254,814	\$ -	\$ -	\$ -	\$ 254,814	\$ 254,814
Sales Taxes		344,634				344,634	344,634
County Pro Rata Taxes		20,163				20,163	20,163
Licenses and Permits		62,595				62,595	62,595
Gasoline Taxes & Other Taxes		5,852				5,852	5,852
Homestead Reimbursement		13,733				13,733	13,733
Grants and Contributions not Restricted to Specific Programs		993				993	993
Investment Earnings		57				57	57
Miscellaneous		21,874				21,874	21,874
Loss on Sale of Fixed Assets		(4,559)				(4,559)	(4,559)
Transfers		60,000				(60,000)	0
TOTAL GENERAL REVENUES AND TRANSFERS		780,156				(60,000)	720,156
CHANGE IN NET POSITION		(35,639)				129,538	93,899
NET POSITION--BEGINNING, as previously stated		3,007,020				2,077,667	5,084,687
PRIOR PERIOD ADJUSTMENT		(681,545)				(219,493)	(901,038)
NET POSITION--BEGINNING, as restated		2,325,475				1,858,174	4,183,649
NET POSITION--ENDING		2,289,836				1,987,712	4,277,548

See accompanying notes to the financial statements.

**CITY OF NETTLETON, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015**

	Major Funds		Non-Major	Total
	General	Home Rural	Governmental	Governmental
	Fund	Impact	Funds	Funds
		Grant Fund		
<u>ASSETS:</u>				
Cash on Deposit	\$ 309,093	\$	\$ 3,322	\$ 312,415
Money Market, CD's	1,307			1,307
Due From Other Governments	19,035			19,035
Other Receivables	27,176			27,176
TOTAL ASSETS	\$ 356,611	\$ 0	\$ 3,322	\$ 359,933
<u>LIABILITIES AND FUND BALANCES:</u>				
<u>LIABILITIES:</u>				
Accounts Payable and Accrued Expenses	\$ 33,134	\$	\$	\$ 33,134
Due to Other Funds	7,065			7,065
TOTAL LIABILITIES	40,199	0	0	40,199
<u>FUND BALANCES:</u>				
Restricted for				
Fire Department	30,943			30,943
Culture and Recreation	500			500
Committed to				
Culture and Recreation	8,276			8,276
Assigned to				
Special Revenue Funds			3,322	3,322
Unassigned	276,693			276,693
TOTAL FUND BALANCES	316,412	0	3,322	319,734
TOTAL LIABILITIES AND FUND BALANCES	\$ 356,611	\$ 0	\$ 3,322	\$ 359,933

See accompanying notes to the financial statements.

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CITY OF NETTLETON, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2015

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 319,734
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.	2,740,872
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(170,895)
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(8,543)
The net pension liability is not due and payable in the current period, and, therefore, is not reported in the Governmental Funds Balance Sheet	(921,717)
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.	63,285
Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the Governmental Funds Balance Sheet:	
Deferred outflows of resources related to defined benefit pension plan	161,710
Deferred inflows of resources related to defined benefit pension plan	(22,952)
Accrual of court fine revenues to qualify as financial resources.	128,342
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$ <u>2,289,836</u>

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	Major Funds		Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Home Rural Impact Grant Fund		
REVENUES:				
General Property Taxes	\$ 252,871	\$	\$	\$ 252,871
Sales and Use Taxes	344,634			344,634
Licenses and Permits	62,595			62,595
In Lieu of Taxes	30,326			30,326
Penalties and Interest	19			19
Intergovernmental Revenues	51,579			51,579
Rentals	26,063			26,063
Fines and Forfeitures	49,759			49,759
Interest	16		41	57
Grant Income	7,390	115,136		122,526
Donations	5,763			5,763
Miscellaneous Revenues	21,855			21,855
TOTAL REVENUES	852,870	115,136	41	968,047
EXPENDITURES:				
Current:				
General Government	263,484			263,484
Public Safety	383,632			383,632
Public Works	125,156			125,156
Culture and Recreation	78,333			78,333
Capital Projects		115,136		115,136
Debt Service	25,880			25,880
TOTAL EXPENDITURES	876,485	115,136	0	991,621
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(23,615)	0	41	(23,574)
OTHER FINANCING SOURCES (USES)				
Sale of Land and Equipment	5,804			5,804
Transfers to Other Funds	(30,075)			(30,075)
Transfers from Other Funds	90,075			90,075
TOTAL OTHER FINANCING SOURCES (USES)	65,804	0	0	65,804
NET CHANGE IN FUND BALANCES	42,189	0	41	42,230
FUND BALANCES - Beginning	274,223	0	3,281	277,504
FUND BALANCES - Ending	\$ 316,412	\$ 0	\$ 3,322	\$ 319,734

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 42,230
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, 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.	166,457
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	1,200
Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(179,808)
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.	(10,363)
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.	1,943
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds related to court fines.	30,727
Pension expense is reported in the Statement of Activities but does not provide or require the use of current financial resources. Therefore, pension expense is not reported as expenditures in the governmental funds.	(101,414)
Bond and related debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal and other related debt is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This amount represents long-term debt repayments and issuance costs.	21,932
Decrease in accrual of compensated absences.	<u>(8,543)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (35,639)</u>

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Year Ended September 30, 2015

	Budget			Variance with
	Original	Final	Actual	Final Budget (Over) Under
REVENUES:				
General Property Taxes	\$ 239,720	\$ 249,470	\$ 247,541	\$ (1,929)
Sales and Use Taxes	290,000	340,294	340,295	1
Licenses and Permits	53,500	59,356	62,375	3,019
In Lieu of Taxes	29,600	30,324	30,326	2
Penalties and Interest	500	19	19	0
Intergovernmental Revenues	42,140	51,469	51,579	110
Rentals	23,712	25,337	26,063	726
Fines and Forfeitures	41,300	49,755	49,759	4
Donations	500	5,762	5,763	1
Miscellaneous Revenues	12,500	26,700	21,855	(4,845)
TOTAL REVENUES	733,472	838,486	842,981	4,495
EXPENDITURES:				
Current:				
General Government	292,696	311,656	263,484	48,172
Public Safety	442,341	413,422	383,632	29,790
Public Works	176,670	126,757	125,156	1,601
Culture and Recreation	36,500	82,801	78,333	4,468
Debt Service	17,848	26,300	25,880	420
TOTAL EXPENDITURES	966,055	960,936	876,485	84,451
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(232,583)	(122,450)	(33,504)	88,946
OTHER FINANCING SOURCES (USES):				
Sale of Land and Equipment	2,000	5,804	5,804	0
Transfers (to) from Other Funds	70,000	60,000	60,000	0
TOTAL OTHER FINANCING SOURCES (USES)	72,000	65,804	65,804	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ (160,583)	\$ (56,646)	\$ 32,300	\$ 88,946

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
HOME RURAL IMPACT FUND STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Year Ended September 30, 2015

	Budget		Actual	Variance with Final Budget (Over) Under
	Original	Final		
REVENUES:				
Grant Income	\$ 0	\$ 459,427	\$ 237,614	\$ (221,813)
TOTAL REVENUES	<u>0</u>	<u>459,427</u>	<u>237,614</u>	<u>(221,813)</u>
EXPENDITURES:				
Capital Projects:				
Capital Outlay	<u>0</u>	<u>459,427</u>	<u>115,136</u>	<u>344,291</u>
TOTAL EXPENDITURES	<u>0</u>	<u>459,427</u>	<u>115,136</u>	<u>344,291</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>0</u>	<u>0</u>	<u>122,478</u>	<u>(566,104)</u>
OTHER FINANCING SOURCES (USES):				
Transfers (to) from Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES				
	\$ 0	\$ 0	\$ 122,478	\$ (566,104)

See accompanying notes to the financial statements.

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CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2015

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTAL
<u>ASSETS:</u>			
<u>Current:</u>			
Cash	\$ 47,076	\$ 367,136	\$ 414,212
Accounts Receivable, Net of Provision for Bad Debts of \$27,499	18,850	25,179	44,029
Grants Receivable		181,727	181,727
Due from Other Funds		7,065	7,065
Total Current Assets	65,926	581,107	647,033
<u>Noncurrent Assets:</u>			
<u>Fixed Assets:</u>			
Land		29,360	29,360
Water and Sewer System		4,454,544	4,454,544
Buildings and Improvements		81,922	81,922
Machinery and Equipment	37,730	514,958	552,688
Construction in Progress		688,496	688,496
Accumulated Depreciation	(33,957)	(2,650,377)	(2,684,334)
Total Noncurrent Assets	3,773	3,118,903	3,122,676
Total Assets	69,699	3,700,010	3,769,709
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Amounts on Refunding		28,481	28,481
Deferred Amounts Related to Pensions		52,078	52,078
Total Deferred Outflows of Resources	0	80,559	80,559

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2015

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTAL
<u>LIABILITIES:</u>			
<u>Current Liabilities:</u>			
Current Maturities of Long-term Debt	\$	\$ 64,780	\$ 64,780
Current Portion of Capital Leases		24,090	24,090
Accounts Payable and Accrued Expenses	9,642	206,509	216,151
Accrued Compensated Absences		9,457	9,457
Customer Deposits		75,523	75,523
Total Current Liabilities	9,642	380,359	390,001
<u>Noncurrent Liabilities:</u>			
Net Pension Liability		296,840	296,840
Long-Term Obligation Under Capital Leases		60,475	60,475
Long-Term Debt, Less Current Maturities		1,107,848	1,107,848
Total Noncurrent Liabilities	0	1,465,163	1,465,163
Total Liabilities	9,642	1,845,522	1,855,164
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions		7,392	7,392
Total Deferred Inflows of Resources	0	7,392	7,392
<u>NET POSITION</u>			
Net Investment in Capital Assets	3,773	1,861,710	1,865,483
Unrestricted (Deficit)	56,284	65,945	122,229
Total Net Position	\$ 60,057	\$ 1,927,655	\$ 1,987,712

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended September 30, 2015

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTAL
<u>OPERATING REVENUE:</u>			
Charges For Services	\$ 116,729	\$ 487,932	\$ 604,661
Total Operating Revenue	116,729	487,932	604,661
<u>OPERATING EXPENSES:</u>			
Operations	83,117	309,487	392,604
Maintenance		83,466	83,466
Depreciation and Amortization		151,801	151,801
Total Operating Expenses	83,117	544,754	627,871
Net Operating Income (Loss)	33,612	(56,822)	(23,210)
<u>NON-OPERATING INCOME (EXPENSES):</u>			
Grant Income		234,541	234,541
Interest Expense		(21,793)	(21,793)
Net Non-Operating Income (Loss)	0	212,748	212,748
Income (Loss) Before Operating Transfers	33,612	155,926	189,538
Operating Transfers In (Out)	(24,000)	(36,000)	(60,000)
Change in Net Position	9,612	119,926	129,538
TOTAL NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY STATED	50,445	2,027,222	2,077,667
NET ADJUSTMENT FOR PRIOR YEAR PENSION EXPENSE		(219,493)	(219,493)
TOTAL NET POSITION - BEGINNING OF YEAR, AS RESTATED	50,445	1,807,729	1,858,174
TOTAL NET POSITION - ENDING	\$ 60,057	\$ 1,927,655	\$ 1,987,712

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
For the Year Ended September 30, 2015

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTALS
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 118,696	\$ 500,233	\$ 618,929
Payments to Suppliers	(82,850)	(136,260)	(219,110)
Payments to Employees		(125,993)	(125,993)
Other Receipts (Payments)		(89,035)	(89,035)
Net Cash Provided (Used) by Operating Activities	35,846	148,945	184,791
Cash Flows from Noncapital Financing Activities:			
Transfers In (Out)	(24,000)	(36,000)	(60,000)
Net Cash Provided (Used) by Noncapital Financing Activities	(24,000)	(36,000)	(60,000)
Cash Flows from Capital and Related Financing Activities:			
Purchases of Capital Assets		(577,306)	(577,306)
Principal Paid on Capital Debt		(64,547)	(64,547)
Proceeds from Issuance of Debt		419,955	419,955
Proceeds from Issuance of Capital Lease Obligation		98,537	98,537
Payments on Capital Lease Obligations		(13,972)	(13,972)
Capital Grant Proceeds		52,814	52,814
Interest Paid on Capital Debt		(21,793)	(21,793)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(106,312)	(106,312)
Net Increase (Decrease) In Cash and Cash Equivalents	11,846	6,633	18,479
Cash and Cash Equivalents--Beginning	35,230	360,503	395,733
Cash and Cash Equivalents--Ending	\$ 47,076	\$ 367,136	\$ 414,212

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
For the Year Ended September 30, 2015

	Business -Type Activities Enterprise Funds		
	SOLID WASTE MANAGEMENT FUND	WATER & SEWER FUND	TOTALS
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 33,612	\$ (56,822)	\$ (23,210)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization Expense		151,801	151,801
Net Pension Expense		32,661	
Provision for Uncollectible Accounts		2,077	2,077
Change in Assets and Liabilities:			
Accounts Receivable	1,967	5,816	7,783
Accounts Payable and Accrued Expenses	267	10,077	10,344
Accrued Compensated Absences		76	76
Customer Deposits		3,259	3,259
Net Cash Provided (Used) by Operating Activities	\$ <u>35,846</u>	\$ <u>148,945</u>	\$ <u>152,130</u>

See accompanying notes to the financial statements.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

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

The statement of net 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.

Fund Financial Statements

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

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

Additionally the City reports the following governmental fund types:

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes. All of the special revenue funds are non-major funds for 2015.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing or acquiring permanent or semi-permanent capital improvements. Capital improvements intended for Enterprise Fund use are not included in the Capital Projects Funds. The Home Rural Impact Fund is a major fund for 2015.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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 Nettleton.

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use the most restrictive fund first in the following order: restricted, assigned, then unassigned as needed.

Fund Balances / Net Position

On the government-wide and proprietary fund statement of net assets, the City reports net position in the following three categories:

Net Investment in Capital Assets – consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition or construction of those assets.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances / Net Position (continued)

Restricted Net Position – consists of assets, less any related liabilities, restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of net assets that are not classified as invested in capital assets, net of related debt or restricted net assets.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* – this statement enhances the usefulness of fund balance information by providing clearer fund balance classifications and clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with this GASB statement. See the below notes for further descriptions of the City's fund balance classifications and policies.

On the fund financial statements, the governmental funds balance sheet reports assets in excess of liabilities as fund balances. The fund balances are segregated into the following classifications indicating the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent:

Restricted – the fund balance is reported as restricted when constraints placed on the resources are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – the fund balance is reported as committed for amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the board of aldermen. Committed amounts cannot be uncommitted except by removing the constraints through the same formal action.

Assigned – the fund balance is reported as assigned for resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the board of aldermen or an official to which the board has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – the unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that is not otherwise reported as restricted or assigned to specific purposes. This classification is also used to report any negative fund balance in other governmental funds.

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:

**CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

- (1) The mayor and board 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.

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.

**CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows of Resources

The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflow of resources reported in this year's financial statements is a deferred amount arising from the refunding of enterprise general obligation bonds in a previous year. This deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of amortization expense. No deferred outflows of resources affect the governmental funds financial statements in the current year.

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.

Compensated Absences

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

General Obligation Refunding Bonds

The enterprise funds provide 89% of the annual debt service requirement on the 2012 general obligation refunding bonds (not secured by system revenues) issued to finance system improvements. The general fund provides the remaining 11% debt service requirement. Since the enterprise funds and the general fund share in providing the annual debt service requirements on these general obligation refunding bonds, the bonds are recorded as obligations of both the governmental activities and the enterprise funds by their aforementioned percentages.

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.

Estimates

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

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Business Information

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

Pensions

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

Reclassifications

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

NOTE 2 - PROPERTY TAXES

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

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - FIXED ASSETS

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 following is a summary of capital asset activity as of September 30, 2015:

	<u>Balance</u> <u>Oct. 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Sept. 30, 2015</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 121,030	\$ 0	\$ 0	\$ 121,030
Construction in Progress	479,727	115,136	(594,863)	0
Total Capital Assets, not being Depreciated:	600,757	115,136	(594,863)	121,030
Other Capital Assets:				
Infrastructure	1,574,601	0	0	1,574,601
Machinery and Equipment	1,430,474	3,590	(78,645)	1,355,419
Plant, Buildings and Improvements	841,146	48,931	594,863	1,484,940
Total Other Capital Assets at Historical Cost	3,846,221	52,521	516,218	4,414,960
Less Accumulated Depreciation for:				
Infrastructure	(425,918)	(63,735)	0	(489,653)
Machinery and Equipment	(996,352)	(90,134)	68,282	(1,018,204)
Plant, Buildings and Improvements	(261,322)	(25,939)	0	(287,261)
Total Accumulated Depreciation	(1,683,592)	(179,808)	68,282	(1,795,118)
Other Capital Assets, Net	2,162,629	(127,287)	584,500	2,619,842
Governmental Activities				
Capital Assets, net	\$ 2,763,386	\$ (12,151)	\$ (10,363)	\$ 2,740,872

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - FIXED ASSETS (continued)

A summary of business-type capital asset activity at September 30, 2015 follows:

	<u>Balance</u> <u>Oct. 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Sept. 30, 2015</u>
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 29,360	\$ 0	\$ 0	\$ 29,360
Construction in Progress	34,000	654,496	0	688,496
Total Capital Assets, not being Depreciated:	63,360	654,496	0	717,856
Other Capital Assets:				
Plant, Buildings and Improvements	4,536,466	0	0	4,536,466
Machinery and Equipment	448,151	104,537	0	552,688
Total Other Capital Assets at Historical Cost	4,984,617	104,537	0	5,089,154
Less Accumulated Depreciation for:				
Plant, Buildings and Improvements	(2,193,885)	(118,612)	0	(2,312,497)
Machinery and Equipment	(342,688)	(29,149)	0	(371,837)
Total Accumulated Depreciation	(2,536,573)	(147,761)	0	(2,684,334)
Other Capital Assets, Net	2,448,044	(43,224)	0	2,404,820
Total Business-Type Capital Assets, net	\$ 2,511,404	\$ 611,272	\$ 0	\$ 3,122,676

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 NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 - FIXED ASSETS (continued)

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

Governmental Activities:	
General Government	\$ 19,344
Public Safety	86,370
Public Works	65,594
Culture and Recreation	<u>8,500</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 179,808</u>
Business-type Activities:	
Water and Sewer	\$ 147,761
Solid Waste	<u>0</u>
Total Depreciation Expense – Business-type Activities	<u>\$ 147,761</u>

NOTE 4 - RECEIVABLES AND COURT FINES RECEIVABLE

Receivables at September 30, 2015, consisted primarily of taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

An allowance for doubtful accounts has been recorded at September 30, 2015 in the amount of \$27,499 for the business-type activities accounts receivable. An allowance has also been recorded in the Governmental Activities for uncollectible court fines receivable in the amount of \$217,416.

NOTE 5 - LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended September 30, 2015:

	General Obligation Bonds Payable	Notes & Bonds Payable	Total
Bonds and Other Long-Term Debt at 10/1/14	\$ 565,000	\$ 445,047	\$ 1,010,047
Add: Bonds and Other Long-Term Debt Acquired	0	419,955	419,955
Less: Bonds and Other Long-Term Debt Retired	<u>60,000</u>	<u>26,479</u>	<u>86,479</u>
Bonds and Other Long-Term Debt at 9/30/15	<u>\$ 505,000</u>	<u>\$ 838,523</u>	<u>\$ 1,343,523</u>

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 5 - LONG-TERM DEBT (continued)

Bonds and other long-term debt at September 30, 2015 are comprised of the following issues:

General Obligation Bonds:

\$675,000 Refunding Bonds due in annual installments of \$55,000 to \$70,000 through December 1, 2022; interest is variable (currently 1.25 percent) \$ 505,000

Notes Payable:

\$216,600 Note due over a 35 year term through May 2046; interest at 3.25 percent \$ 200,817

\$161,640 Note due over a 10 year term through August 2022; interest at 2.00 percent \$ 115,345

\$140,044 Note due over a 20 year term through February 2024; interest at 3.00 percent \$ 68,406

SRF Sewer Loan (In progress – not in repayment status) \$ 453,955

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

The Annual requirements to amortize all debt outstanding as of September 30, 2015 including interest payments of \$194,728 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 22,287	\$ 3,338	\$ 64,780	\$ 18,094	\$ 87,067	\$ 21,432
2017	22,604	2,929	65,135	16,992	87,739	19,921
2018	22,927	2,514	65,500	15,879	88,427	18,393
2019	23,806	2,059	70,326	14,488	94,132	16,547
2020	23,592	1,587	66,265	13,000	89,857	14,587
2021 - 2025	55,679	1,857	230,821	39,088	286,500	40,945
2026 - 2030	0	0	28,490	23,769	28,490	23,769
2031 - 2035	0	0	33,430	18,828	33,430	18,828
2036 - 2040	0	0	39,227	13,748	39,227	13,748
2041 - 2045	0	0	46,030	6,229	46,030	6,229
2046 - 2050	0	0	8,669	329	8,669	329
In Progress	<u>0</u>	<u>0</u>	<u>453,955</u>	<u>0</u>	<u>453,955</u>	<u>0</u>
	<u>\$ 170,895</u>	<u>\$ 14,284</u>	<u>\$ 1,172,628</u>	<u>\$ 180,444</u>	<u>\$ 1,343,523</u>	<u>\$ 194,728</u>

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CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 6 - CAPITAL LEASES

The Town entered into a \$98,537 capital lease agreement for a CAT backhoe loader in 2015. The economic substance of the lease is that the Town is financing the acquisition through the lease and accordingly, the equipment is recorded in the Town's assets and liabilities. The CAT backhoe loader lease is payable in monthly installments of \$2,142 through January 26, 2019. The lease is secured with the CAT backhoe loader.

Future minimum lease payments under the capital lease are as follows:

Total obligation under capital lease	\$ 84,565
Less current portion of obligation under capital lease	<u>13,972</u>
Long-term obligation under capital lease	\$ <u>60,475</u>

The asset held under the capital lease is included in property and equipment as follows:

Equipment	\$ 98,537
Less: Accumulated Depreciation	<u>13,138</u>
	\$ <u>85,399</u>

NOTE 7 - LITIGATION

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description - Employees of the City of Nettleton are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing agent multiple-employer pension plan. The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided - For the cost-sharing plan participating members who are vested and retire at or after age 60 or those retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Retirees and beneficiaries who have been receiving benefit payments for at least one full fiscal year are eligible to receive an annual Cost-of-Living Adjustment (COLA). Designed to help offset the effects of inflation, the COLA is equal to 3 percent of your annual base benefit for each full fiscal year of retirement prior to the year in which you reach age 55 (Retirement Tiers 1 through 3) or age 60 (Retirement Tier 4), plus 3 percent compounded for each fiscal year thereafter, beginning with the fiscal year in which you turn age 55.

Employee membership data related to the Plan, as of June 30, 2015 was as follows:

Inactive Members or Beneficiaries Currently Receiving Benefits	96,338
Inactive Members Entitled To But Not Yet Receiving Benefits	137,026
Active Members	157,215
Total	<u>390,579</u>

Contributions - The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and the City of Nettleton is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the City to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

For the year ended September 30, 2015, the City of Nettleton's total payroll for all employees was \$486,778. Total covered payroll was also \$486,778. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At September 30, 2015, the City of Nettleton reported a liability of \$1,218,557 for its proportionate share of the net pension liability.

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

The net pension liability was measured as of June 30, 2015, and the total pension liability percentage used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Nettleton's proportion of the net pension was based on a projection of the City of Nettleton's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City of Nettleton's proportion was 0.0079 percent.

For the year ended September 30, 2015, the City of Nettleton recognized pension expense of \$134,075. At September 30, 2015, the City of Nettleton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 18,753	\$ 0
Net Difference Between Projected and Actual Investment Earnings	71,299	0
City Pension Contributions Subsequent to the Measurement Date	18,762	0
Changes of Assumptions	104,974	0
Changes in Proportion and Differences Actual Earnings on Pension Plan Assets	0	30,344
Total	\$ 213,788	\$ 30,344

The \$18,762 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Amount
2016	\$ 52,157
2017	52,157
2018	42,544
2019	17,825
Total	\$ 164,683

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

Inflation	3.00%
Salary increases	3.75 -19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

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

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

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

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

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

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

**CITY OF NETTLETON, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

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

	Discount Rate	City of Nettleton's Proportionate Share of Net Pension Liability
1% Decrease	6.75%	\$ 1,606,169
Current Discount Rate	7.75%	1,218,557
1% Increase	8.75%	896,910

Plan Fiduciary Net Position - Detailed information about the Plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi (PERS) financial report.

NOTE 9 - 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 or expenditures included on the "General Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$9,889 more than cash revenues. For the "Home Rural Impact Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgetary Basis", accrued revenues were \$122,478 less than cash revenues.

NOTE 10 - NEW ACCOUNTING STANDARD

During the year ended September 30, 2015, the City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. Implementation resulted in a direct decrease of \$901,038 to net position.

NOTE 11 - SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through February 17, 2016, the date on which the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE BALANCE SHEET - GENERAL FUND
September 30, 2015 and 2014

	2015	2014
<u>ASSETS:</u>		
Cash	\$ 309,093	\$ 294,559
Money Market, CD's	1,307	1,291
Due From Other Governments	19,035	13,485
Other Receivables	<u>27,176</u>	<u>22,837</u>
Total Assets	\$ <u>356,611</u>	\$ <u>332,172</u>
<u>LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 33,134	\$ 40,884
Accrued Compensated Absences	0	10,000
Due to Other Funds	<u>7,065</u>	<u>7,065</u>
Total Liabilities	<u>40,199</u>	<u>57,949</u>
<u>FUND BALANCES:</u>		
Restricted for		
Fire Department	30,943	27,834
Culture and Recreation	500	10,680
Committed to		
Culture and Recreation	8,276	6,624
Unassigned	<u>276,693</u>	<u>229,085</u>
Total Fund Balances	<u>316,412</u>	<u>274,223</u>
Total Liabilities and Fund Balances	\$ <u>356,611</u>	\$ <u>332,172</u>

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GENERAL FUND
For the Years Ended September 30, 2015 and 2014

	TOTALS	TOTALS
	2015	2014
<u>REVENUES:</u>		
Ad Valorem Taxes:		
Real & Personal	\$ 252,871	\$ 268,769
Penalties and Interest	19	2,892
Licenses and Permits	62,595	67,515
State of Mississippi:		
Sales Tax	344,634	301,717
Municipal Aid	993	993
Gasoline Tax	5,852	5,323
Homestead Reimbursement	13,733	12,460
In Lieu - TVA	17,275	18,488
Fire Protection Allocation	10,838	10,856
Grant Income	7,390	3,787
Monroe County:		
Pro Rata Tax	20,163	20,155
In Lieu - Other:		
Housing Authority	13,051	11,125
Fines and Forfeitures	49,759	44,215
Rentals	26,063	32,724
Donations	5,763	13,380
Interest	16	0
Miscellaneous Revenues	21,855	25,120
Total Revenues	\$ 852,870	\$ 839,519

EXPENDITURES:

General Government:		
Personal Services	\$ 161,429	\$ 163,080
Supplies	19,356	25,622
Other Services and Charges	82,699	99,568
Capital Outlay	0	18,400
Total General Government	263,484	306,670

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GENERAL FUND
For the Years Ended September 30, 2015 and 2014

	TOTALS	TOTALS
	2015	2014
Public Safety:		
Police Department:		
Personnel Services	\$ 272,946	\$ 285,852
Supplies	45,921	48,992
Other Services and Charges	25,151	31,071
Capital Outlay	2,390	32,550
Total	<u>346,408</u>	<u>398,465</u>
Fire Department:		
Personnel Services	516	520
Supplies	11,882	14,947
Other Services and Charges	24,826	24,045
Capital Outlay	0	0
Total	<u>37,224</u>	<u>39,512</u>
Total Public Safety	<u>383,632</u>	<u>437,977</u>
Public Works:		
Street Department:		
Personnel Services	46,518	73,717
Supplies	22,283	23,554
Other Services and Charges	55,305	57,969
Capital Outlay	0	0
Total	<u>124,106</u>	<u>155,240</u>
Animal Control:		
Other Services and Charges	1,050	0
Total	<u>1,050</u>	<u>0</u>
Total Public Works	<u>125,156</u>	<u>155,240</u>

CITY OF NETTLETON, MISSISSIPPI
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GENERAL FUND
For the Years Ended September 30, 2015 and 2014

	TOTALS	TOTALS
	2015	2014
Culture and Recreation:		
Personnel Services	\$ 1,500	\$ 0
Supplies	16,685	11,234
Other Services and Charges	11,217	7,552
Capital Outlay	<u>48,931</u>	<u>29,500</u>
Total Culture & Recreation	<u>78,333</u>	<u>48,286</u>
Debt Service:		
Principal Retired	21,932	21,135
Interest Expense	3,948	4,274
Bond Issue Costs	<u>0</u>	<u>0</u>
Total Debt Service	<u>25,880</u>	<u>25,409</u>
Total Expenditures	<u>876,485</u>	<u>973,582</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>(23,615)</u>	<u>(134,063)</u>
Other Financing Sources (Uses):		
Sale of Land & Equipment	5,804	88,879
Transfers (to) from Other Funds	<u>60,000</u>	<u>60,000</u>
Total Other Financing Sources (Uses)	<u>65,804</u>	<u>148,879</u>
Excess (Deficiency) of Revenues and Other Financing		
Sources Over (Under) Expenditures and Other		
Financing Uses	42,189	14,816
Fund Balance:		
October 1,	<u>274,223</u>	<u>259,407</u>
September 30,	\$ <u><u>316,412</u></u>	\$ <u><u>274,223</u></u>

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2015

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>RECEIPTS:</u>			
Ad Valorem Taxes:			
Real & Personal	\$ 249,470	\$ 247,541	\$ (1,929)
Penalties and Interest	19	19	0
Licenses and Permits	59,356	62,375	3,019
State of Mississippi:			
Sales Tax	340,294	340,295	1
Municipal Aid	993	993	0
Gasoline Tax	5,851	5,852	1
Homestead Reimbursement	13,629	13,733	104
In Lieu - TVA	17,274	17,275	1
Fire Protection Allocation	10,838	10,838	0
Monroe County:			
Pro Rate Tax	20,158	20,163	5
In Lieu - Other:			
Housing Authority	13,050	13,051	1
Fines and Forfeitures	49,755	49,759	4
Rentals	25,337	26,063	726
Donations	5,762	5,763	1
Interest	0	16	16
Miscellaneous Revenues	26,700	21,855	(4,845)
Total Receipts	838,486	842,981	4,495

EXPENDITURES:

General Government:			
Personnel Services	161,824	161,429	395
Supplies	19,675	19,356	319
Other Services and Charges	92,049	82,699	9,350
Capital Outlay	38,108	0	38,108
Total	311,656	263,484	48,172

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CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2015

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Public Safety:			
Police Department:			
Personnel Services	\$ 282,704	\$ 272,946	\$ 9,758
Supplies	46,915	45,921	994
Other Services and Charges	25,197	25,151	46
Capital Outlay	2,390	2,390	0
Total	357,206	346,408	10,798
Fire Department:			
Personnel Services	530	516	14
Supplies	12,815	11,882	933
Other Services and Charges	42,871	24,826	18,045
Total	56,216	37,224	18,992
Total Public Safety	413,422	383,632	29,790
Public Works:			
Street Department:			
Personnel Services	46,949	46,518	431
Supplies	23,410	22,283	1,127
Other Services and Charges	55,348	55,305	43
Capital Outlay	0	0	0
Total	125,707	124,106	1,601
Animal Control:			
Other Services and Charges	1,050	1,050	0
Total	1,050	1,050	0
Total Public Works	126,757	125,156	1,601

CITY OF NETTLETON, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2015

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Culture and Recreation:			
Personnel Services	\$ 1,500	\$ 1,500	\$ 0
Supplies	19,350	16,685	2,665
Other Services and Charges	13,020	11,217	1,803
Capital Outlay	48,931	48,931	0
Total Culture & Recreation	82,801	78,333	4,468
Debt Service:			
Principal Retired	22,000	21,932	68
Interest Expense	4,300	3,948	352
Total Debt Service	26,300	25,880	420
Total Expenditures	960,936	876,485	84,451
Excess (Deficiency) of Revenue Over (Under) Expenditures	(122,450)	(33,504)	88,946
Other Financing Sources (Uses):			
Sale of Land and Equipment	5,804	5,804	0
Transfers (to) from Other Funds	60,000	60,000	0
Total Other Financing Sources (Uses)	65,804	65,804	0
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(56,646)	32,300	88,946
Fund Balance:			
October 1,	274,223	274,223	0
(Non-GAAP Budgetary Basis)			
September 30,	\$ 217,577	306,523	\$ 88,946
Adjustments to GAAP Basis:			
Accrued Revenue		9,889	
Fund Balance (GAAP) September 30,		\$ 316,412	

**CITY OF NETTLETON, MISSISSIPPI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2015**

	Non-Major Special Revenue	Non-Major Capital Projects	Total Non-Major Governmental Funds
<u>ASSETS:</u>			
Cash	\$ 3,322	\$	\$ 3,322
Other Receivable			0
TOTAL ASSETS	\$ 3,322	\$ 0	\$ 3,322
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	0	0	0
<u>FUND BALANCES:</u>			
Assigned to Special Revenue Funds	3,322		3,322
TOTAL FUND BALANCES	3,322	0	3,322
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,322	\$ 0	\$ 3,322

CITY OF NETTLETON, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	Non-Major Special Revenue	Non-Major Capital Projects	Total Non-Major Governmental Funds
REVENUES:			
Interest	\$ 41	\$ 0	\$ 41
TOTAL REVENUES	<u>41</u>	<u>0</u>	<u>41</u>
EXPENDITURES:			
Public Works:			
Capital Projects	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>41</u>	<u>0</u>	<u>41</u>
OTHER FINANCING SOURCES (USES)			
Transfer from (to) Other Funds	<u></u>	<u></u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	41	0	41
FUND BALANCES - Beginning	<u>3,281</u>	<u>0</u>	<u>3,281</u>
FUND BALANCES - Ending	<u>\$ 3,322</u>	<u>\$ 0</u>	<u>\$ 3,322</u>

CITY OF NETTLETON, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

F.Y.E. 9/30/15

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Grant Income	\$ 0	\$ 41	\$ 0
Interest	0	41	(41)
TOTAL REVENUES	0	41	(41)
EXPENDITURES:			
General Government:			
Capital Outlay	0	0	0
TOTAL EXPENDITURES	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	41	(41)
OTHER FINANCING SOURCES (USES):			
Transfers From Other Funds	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	0	41	(41)
FUND BALANCE (NON-GAAP BUDGETARY BASIS) - Beginning of Year	3,281	3,281	0
FUND BALANCE (NON-GAAP BUDGETARY BASIS) - End of Year	\$ 3,281	3,322	\$ (41)
Adjustments to Generally Accepted Accounting Principles: Revenue Accruals		0	
FUND BALANCE (GAAP BASIS) - End of Year		\$ 3,322	

CITY OF NETTLETON, MISSISSIPPI
RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
For the Year Ended September 30, 2015

	MUNICIPAL	TOTAL
<u>ASSESSED VALUATION AND MILLAGE:</u>		
Realty	\$ 5,769,361	
Personal & Public Utility	1,265,877	
Personal Auto	1,686,645	
Less: Exemption for over 65	<u>1,258,677</u>	
Total Municipal at 34.00 Mills	\$ <u>7,463,206</u>	\$ 253,749

COLLECTION ADJUSTMENTS:

Add: Municipal Homestead Reimbursement	13,835
Prior Year Tax Collections	898
Heavy Truck Tags	7,778
Rail Car Tax	3,302
Mobile Home Reimbursement	455
Penalties from County on Tags	323
Interest on Real and Personal Property	1,167
In Lieu Tax	13,051
Less: Delinquent Taxes	(2,841)
Changes in Assessed Valuation	0
Collection Costs by County	<u>(6,603)</u>
TOTAL TO BE ACCOUNTED FOR	\$ <u>285,114</u>

		<u>TAXES</u>	<u>HOMESTEAD</u>	
<u>COLLECTION CREDITS TO FUNDS:</u>				
Municipal General Fund	\$	252,871	\$	13,630
In Lieu Tax		<u>13,051</u>		
Total	\$	<u>265,922</u>	\$ <u>13,630</u>	\$ <u>279,552</u>
Balance Represented By:				
Unaccounted For - Under Settled			\$	<u>5,562</u>
TOTAL ACCOUNTED FOR			\$	<u>285,114</u>

CITY OF NETTLETON, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2015

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Memory Riley	Mayor	Clyde C. Scott Insurance Agency	\$50,000
Dana Burcham	City Clerk	Clyde C. Scott Insurance Agency	\$50,000
A.D. Heard	Chief of Police	Clyde C. Scott Insurance Agency	\$50,000
Iry Lee Gladney	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Charles Morris	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Kirk Lindsey	Alderman	Clyde C. Scott Insurance Agency	\$50,000
G.C. Rhudy	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Larry Guess	Alderman	Clyde C. Scott Insurance Agency	\$50,000
Annie Inmon	Part-time Clerk	Clyde C. Scott Insurance Agency	\$50,000
Sherry Garrett	Court Clerk / Part-time Clerk	Clyde C. Scott Insurance Agency	\$100,000

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CITY OF NETTLETON, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the Year Ended September 30, 2015

<u>DEFINITION AND PURPOSE</u>	<u>BALANCE OUTSTANDING 10/01/14</u>	<u>TRANSACTIONS DURING THE FISCAL YEAR BORROWED</u>	<u>TRANSACTIONS DURING THE FISCAL YEAR REDEEMED</u>	<u>BALANCE OUTSTANDING 09/30/15</u>
Notes Payable:				
CAP Loan	\$ 75,693	\$ 0	\$ (7,287)	\$ 68,406
CAP Fire Truck Loan	130,677	0	(15,332)	115,345
SRF Sewer Loan (in progress)	34,000	419,955	0	453,955
USDA Loan	204,677	0	(3,860)	200,817
TOTAL	\$ 445,047	\$ 419,955	\$ (26,479)	\$ 838,523

Bonds Payable:

Series 2012, Refunding Bonds	\$ 565,000	\$ 0	\$ (60,000)	\$ 505,000
TOTAL	\$ 565,000	\$ 0	\$ (60,000)	\$ 505,000

Capital Lease Obligations:

Capital Lease Obligation Caterpillar Backhoe	\$ 0	\$ 98,537	\$ (13,972)	\$ 84,565
TOTAL	\$ 0	\$ 98,537	\$ (13,972)	\$ 84,565

CITY OF NETTLETON, MISSISSIPPI
Schedule of the City's Proportionate
Share of the Net Pension Liability
For the year ended September 30, 2015

	<u>2015</u>
A. City of Nettleton's proportion of net pension liability (%)	0.007900 %
B. City of Nettleton's proportionate share of net pension liability	\$ 1,218,557
C. City of Nettleton's covered employee payroll	\$ 486,778
D. City of Nettleton's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	250.00 %
E. Plan fiduciary net position as a percentage of total pension liability	61.70 %

CITY OF NETTLETON, MISSISSIPPI
Schedule of the City's Contributions
For the year ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
A. Statutorily required contributions	\$ 76,804	\$ 74,824
B. Contributions in relation to statutorily required contributions	\$ 76,804	\$ 74,824
C. Contribution deficiency (excess)	\$ -	\$ -
D. City of Nettleton's covered employee payroll	\$ 486,778	\$ 476,574
E. Contributions as a percentage of covered employee payroll	15.75 %	15.70 %

OTHER REPORTS

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Jonathan Hagood, CPA
Rudolph Franks, CPA (emeritus)

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

Honorable Mayor and Board of Aldermen
City of Nettleton, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Nettleton, Mississippi as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the City of Nettleton, Mississippi's basic financial statements and have issued our report thereon dated February 17, 2016.

Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (finding 1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Nettleton, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as finding 2.

City of Nettleton, Mississippi's Response to Findings

The City of Nettleton, Mississippi's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Nettleton, 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.

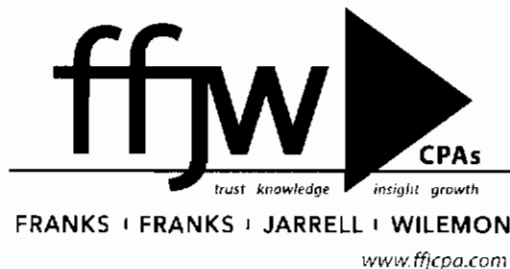
FRANKS, FRANKS, JARRELL, WILEMON, P.A.
February 17, 2016

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

Mayor and Board of Alderman
City of Nettleton, Mississippi

We have audited the financial statements of the City of Nettleton, Mississippi, as of and for the year ended September 30, 2015, and have issued our report thereon dated February 17, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed a material instance of noncompliance with state laws and regulations as reported in 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.
February 17, 2016

**CITY OF NETTLETON, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2015**

FINANCIAL STATEMENT FINDINGS:

FINDING NO. 1 – Segregation of Duties (significant deficiency)

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

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

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

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

FINDING NO. 2 – Fixed Asset Inventory (compliance)

Criteria: The City is to maintain adequate subsidiary records substantiating the existence, completeness, and valuation of fixed assets.

Cause of Condition: The City did not conduct a complete annual inventory observation of fixed assets pursuant to guidelines set forth by the Mississippi Office of the State Auditor. During our testing, we noted one item that could not be located and some items on the listing that did not have inventory tags.

Recommendation: The City should conduct a year-end inventory of its fixed assets. The City has prepared a listing of assets owned by the City and should ensure all assets are tagged and accounted for at year end.

Response: The City will establish an inventory policy that will require a complete annual inventory of all fixed assets. All assets will be properly tagged and numbered and relevant information will be gathered on all assets and included on the master fixed asset listing.