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FINANCIAL STATEMENTS
City of Saltillo, Mississippi

For the Year Ended
September 30, 2015

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**CITY OF SALTILLO, MISSISSIPPI
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Honorable Mayor and Board of Aldermen
City of Saffillo, Mississippi

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saffillo, 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.

Emphasis of a Matter

As disclosed in Note 12 to the financial statements, in 2015, the City of Saitllo, Mississippi implemented new accounting standards prescribed by GASB Statement No. 68 for its pension plan, a multiple-employer, cost sharing, defined benefit pension plan that has a special funding situation. Because GASB Statement No. 68 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Our opinion is not modified with respect to these matters.

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 through 11, the schedule of the City's proportionate share of the net pension liability on page 46, and the schedule of the City's contributions on page 47 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 Saitllo, Mississippi's basic financial statements. The combining and individual fund financial statements and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements 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 March 18, 2016 on our consideration of the City of Saitllo, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Saitllo's internal control over financial reporting and compliance.

Franks, Franks, Jarrell + Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
March 18, 2016

CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2015

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

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,184,863. Of this amount, \$151,548 may be used to meet the City of Saltillo's ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$7,415,900, of which \$2,339,866 was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Saltillo's governmental funds reported combined ending fund balances of \$1,516,473, an increase of \$248,932 in comparison to the prior year. Approximately 91% of the combined fund balances, \$1,386,410 is considered unassigned and is available for spending at the City of Saltillo's discretion.
- The City of Saltillo's total debt is \$4,800,385. New debt in the amount of \$785,735 was issued in the current fiscal year. Debt in the amount of \$268,670 was repaid during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-

CITY OF SALTILLO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

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

Figure A-1

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

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

CITY OF SALTILLO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Statements

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

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

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

Fund Financial Statements

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

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

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CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Saltillo has two types of funds:

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

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The City of Saltillo's assets exceeded liabilities by \$5,184,863 at the close of the most recent fiscal year.

CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

A large portion, 96%, of the City's net position reflect its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1

City of Saltillo's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 1,815,234	\$ 1,562,079	\$ 1,360,953	\$ 1,218,020	\$ 3,176,187	\$ 2,780,099
Noncurrent Assets	<u>1,838,811</u>	<u>1,943,035</u>	<u>7,934,297</u>	<u>7,344,620</u>	<u>9,773,108</u>	<u>9,287,655</u>
Total Assets	3,654,045	3,505,114	9,295,250	8,562,640	12,949,295	12,067,754
Deferred Outflows	<u>400,642</u>	<u>0</u>	<u>120,395</u>	<u>0</u>	<u>521,037</u>	<u>0</u>
Total Deferred Outflows	400,642	0	120,395	0	521,037	0
Current and Other Liabilities	148,258	161,646	492,571	393,676	640,829	555,322
Long-Term Liabilities	<u>2,677,011</u>	<u>469,435</u>	<u>4,864,698</u>	<u>3,627,097</u>	<u>7,541,709</u>	<u>4,096,532</u>
Total Liabilities	2,825,269	631,081	5,357,269	4,020,773	8,182,538	4,651,854
Net Position:						
Net Investment in Capital Assets	1,428,319	1,474,861	3,544,404	3,529,474	4,972,723	5,004,335
Restricted	60,592	71,699	0	0	60,592	71,699
Unrestricted	<u>(338,640)</u>	<u>1,327,473</u>	<u>490,188</u>	<u>1,012,393</u>	<u>151,548</u>	<u>2,339,866</u>
Total Net Position	\$ 1,150,271	\$ 2,874,033	\$ 4,034,592	\$ 4,541,867	\$ 5,184,863	\$ 7,415,900

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The \$151,548 of unrestricted net position provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net position of our business-type activities was \$490,188 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City of Saltillo generally can only use this net position to finance the continuing operations of the business type activities.

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CITY OF SALTILLO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in net position. Approximately 22.68% of the City of Sallillo's revenue comes from property taxes, with 50.66% of all revenue coming from some type of tax. (See Table A-2.) Another 43.81% comes from fees charged for services and the balance is from intergovernmental revenue, investment earnings and other miscellaneous receipts.

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

Table A-2

Changes in The City of Sallillo's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 228,259	\$ 308,240	\$ 1,407,621	\$ 1,332,348	\$ 1,635,880	\$ 1,640,588
Operating Grants & Contributions	0	0	0	0	0	0
Capital Grants & Contributions	0	232,568	0	0	0	232,568
General Revenues:						
Property Taxes	846,803	824,208	0	0	846,803	824,208
Other Taxes	1,044,754	862,206	0	0	1,044,754	862,206
Intergovernmental Revenues	96,254	92,785	0	0	96,254	92,785
Investment Income	3,641	3,363	3,074	3,322	6,715	6,685
Other	<u>103,756</u>	<u>63,540</u>	<u>0</u>	<u>0</u>	<u>103,756</u>	<u>63,540</u>
Total Revenues	2,323,467	2,386,910	1,410,695	1,335,670	3,734,162	3,722,580
Expenses						
General Government	586,639	501,497	0	0	586,639	501,497
Public Safety	1,182,540	1,009,307	0	0	1,182,540	1,009,307
Public Works	169,100	186,181	0	0	169,100	186,181
Culture & Recreation	353,820	327,264	0	0	353,820	327,264
Interest on Long Term Debt	19,114	20,708	0	0	19,114	20,708
Water and Sewer System	<u>0</u>	<u>0</u>	<u>1,396,291</u>	<u>1,248,544</u>	<u>1,396,291</u>	<u>1,248,544</u>
Total Expenses	2,311,213	2,044,957	1,396,291	1,248,544	3,707,504	3,293,501
Excess (Deficit) of Revenue Over Expenses	12,254	341,953	14,404	87,126	26,658	429,079
Transfers	<u>0</u>	<u>(194)</u>	<u>0</u>	<u>194</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	12,254	341,759	14,404	87,320	26,658	429,079
Net Position--Beginning, as previously stated	2,874,033	2,725,913	4,541,867	4,625,090	7,415,900	7,351,003
Prior Period Adjustment	(1,736,016)	(193,639)	(521,679)	(170,543)	(2,257,695)	(364,182)
Net Position--Beginning, as restated	<u>1,138,017</u>	<u>2,532,274</u>	<u>4,020,188</u>	<u>4,454,547</u>	<u>5,158,205</u>	<u>6,986,821</u>
Net Position--Ending	\$ 1,150,271	\$ 2,874,033	\$ 4,034,592	\$ 4,541,867	\$ 5,184,863	\$ 7,415,900

CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the City's net position by \$12,254, thereby accounting for 46 percent of the total growth in the net position of the City. Key elements of this increase are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are other taxes (45%), property taxes (36%) and charges for services (10%).

The largest expense categories for the City's governmental activities are public safety (51%) and general government (25%).

Business-type Activities

Business-type activities increased the City's net position by \$14,404, thereby accounting for 54 percent of the total growth in the net position of the City.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$1,407,621 for water and sewer.

Financial Analysis of the Government's Funds

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

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

General Fund—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,386,410. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total fund balance represents 72% of total fund expenditures. The fund balance of the City's general fund increased by \$238,386 during the current fiscal year.

Special Revenue Funds—The special revenue funds are used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$57,543, which will be used for future expenditures.

Debt Service Fund—The debt service fund has a total fund balance of \$20,423, all of which is committed to the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$975.

Proprietary Funds—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$4,034,592.

CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

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

The City's 2014-2015 general fund operating budget increased by approximately \$93,135 during the current fiscal year. This increase was primarily related to an increase in expenditures that are directly related to capital outlay in the police, street and park & rec departments.

The City's tax millage for the 2015 fiscal year remained constant with no change.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounted to \$9,773,108, net of accumulated depreciation of \$6,216,630. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3

City of Saltillo's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 244,915	\$ 244,915	\$ 0	\$ 0	\$ 244,915	\$ 244,915
Plant, Buildings, & Improvements	1,566,356	1,539,184	11,173,275	11,119,444	12,739,631	12,658,628
Machinery & Equipment	1,575,254	1,555,699	575,957	565,083	2,151,211	2,120,782
Infrastructure	35,179	35,179	0	0	35,179	35,179
Construction in Progress	0	0	818,802	0	818,802	0
Accumulated Depreciation	(1,582,893)	(1,431,942)	(4,633,737)	(4,339,907)	(6,216,630)	(5,771,849)
Total	\$1,838,811	\$1,943,035	\$7,934,297	\$7,344,620	\$ 9,773,108	\$9,287,655

Long-term Debt—At year-end, the City had \$4,800,385 in bonds and notes outstanding. More detailed information about the City of Saltillo's long-term liabilities is presented in the notes to the financial statements.

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CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-4

City of Saltillo's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General Obligation Bonds	\$ 352,800	\$ 392,000	\$ 367,200	\$ 408,000	\$ 720,000	\$ 800,000
CAP Loans	57,692	76,174	1,070,115	308,639	1,127,807	384,813
Promissory Notes	0	0	1,102,833	1,113,715	1,102,833	1,113,715
DEO Loan	0	0	1,849,745	1,984,792	1,849,745	1,984,792
Total	\$ 410,492	\$ 468,174	\$ 4,389,893	\$ 3,815,146	\$ 4,800,385	\$4,283,320

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2016 budget. The total budgeted appropriations for the City general fund operations is \$2,191,493. This budget reflects an increase of approximately \$204,709. This increase was primarily related to an increase in Saltillo Main Street personnel services and supplies.

CONTACTING THE CITY OF SALTILLO FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Saltillo finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Saltillo's Finance Department, P.O. Box 1426 Saltillo, MS 38866.

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash on Deposit	\$ 1,483,271	\$ 584,598	\$ 2,067,869
Investments	-	528,539	528,539
Due From Other Governments	117,245	-	117,245
Accounts Receivable, net	1,668	170,721	172,389
Court Fines Receivable, net	180,169	-	180,169
Property Taxes Receivable	28,425	-	28,425
Due From Other Funds	4,456	77,095	81,551
Capital Assets:			
Land	244,915	-	244,915
Plant, Buildings, & Improvements	1,566,356	11,173,275	12,739,631
Machinery & Equipment	1,575,254	575,957	2,151,211
Infrastructure	35,179	-	35,179
Construction in Progress	-	818,802	818,802
Accumulated Depreciation	(1,582,893)	(4,633,737)	(6,216,630)
TOTAL ASSETS	\$ 3,654,045	\$ 9,295,250	\$ 12,949,295
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions	\$ 400,642	\$ 120,395	\$ 521,037
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 400,642	\$ 120,395	\$ 521,037

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

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 14,821	\$ 56,508	\$ 71,329
Accrued Interest Payable	-	42,603	42,603
Accrued Compensated Absences	66,235	29,487	95,722
Net Pension Liability	2,258,375	678,650	2,937,025
Due to Other Funds	75,346	6,205	81,551
Customer Deposits	-	153,923	153,923
Long-Term Liabilities			
Due Within One Year	58,091	233,332	291,423
Due in More Than One Year	352,401	4,156,561	4,508,962
TOTAL LIABILITIES	2,825,269	5,357,269	8,182,538
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions	79,147	23,784	102,931
TOTAL DEFERRED INFLOWS OF RESOURCES	79,147	23,784	102,931
<u>NET POSITION:</u>			
Net Investment in Capital Assets	1,428,319	3,544,404	4,972,723
Restricted for:			
Special Revenue	60,592	-	60,592
Debt Service	-	-	-
Capital Projects	-	-	-
Unrestricted	(338,640)	490,188	151,548
TOTAL NET POSITION	\$ 1,150,271	\$ 4,034,592	\$ 5,184,863

The accompanying notes are an integral part of these financial statements

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

FUNCTIONS: PROGRAMS	PROGRAM REVENUES					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	PRIMARY GOVERNMENT		
						Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT								
Government Activities								
General Government	\$ 586,639	\$ 25,464	\$ -	\$ -	\$ 25,464	\$ (561,175)	\$ -	\$ (561,175)
Public Safety	1,182,549	97,466	-	-	97,466	11,085,074	-	(1,085,074)
Public Works	169,100	-	-	-	-	(169,100)	-	(169,100)
Culture and Recreation	363,820	105,329	-	-	105,329	(248,491)	-	(248,491)
Capital Projects	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	19,114	-	-	-	-	(19,114)	-	(19,114)
TOTAL GOVERNMENTAL ACTIVITIES	2,311,213	228,259			228,259	(2,082,954)		(2,082,954)
Business-Type Activities								
Water & Sewer System	1,396,291	1,407,621	-	-	1,407,621	-	11,330	11,330
TOTAL BUSINESS-TYPE ACTIVITIES	1,396,291	1,407,621			1,407,621		11,330	11,330
TOTAL PRIMARY GOVERNMENT	\$ 3,707,504	\$ 1,635,880	\$ -	\$ -	\$ 1,635,880	\$ (2,082,954)	\$ 11,330	\$ (2,071,624)
GENERAL REVENUES:								
Taxes:								
Property Taxes, Levied for General Purposes						\$ 796,478	\$ -	\$ 796,478
Property Taxes, Levied for Specific Purposes						50,325	-	50,325
Sales Taxes						849,233	-	849,233
Licenses and Permits						27,688	-	27,688
Franchise Fees						135,034	-	135,034
In Lieu Taxes						54,111	-	54,111
Gasoline Taxes & Other Taxes						6,376	-	6,376
Homesite Reimbursement						17,269	-	17,269
Other Intergovernmental Revenues						78,985	-	78,985
Gain (Loss) on Disposal of Assets						63,303	-	63,303
Investment Earnings						3,641	3,074	6,715
Miscellaneous						12,765	-	12,765
Transfers								
TOTAL GENERAL REVENUES AND TRANSFERS						2,095,208	3,074	2,098,282
CHANGE IN NET POSITION						12,254	14,404	26,658
NET POSITION--BEGINNING, as previously stated						2,874,033	4,541,867	7,415,900
PRIOR PERIOD ADJUSTMENT						(1,796,016)	(521,679)	(2,257,695)
NET POSITION--BEGINNING, as restated						1,138,017	4,020,188	5,158,205
NET POSITION--ENDING						\$ 1,150,271	\$ 4,034,592	\$ 5,184,863

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

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

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ 1,406,973	\$ 76,298	\$ 1,483,271
Accounts Receivable	-	1,668	1,668
Due From Other Governments	117,245	-	117,245
Due From Other Funds	4,456	-	4,456
TOTAL ASSETS	\$ 1,528,674	\$ 77,966	\$ 1,606,640
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>Liabilities:</u>			
Accounts Payable and Accrued Expenses	\$ 14,821	\$ -	\$ 14,821
Due to Other Funds	75,346	-	75,346
TOTAL LIABILITIES	90,167	-	90,167
<u>FUND BALANCES:</u>			
Nonspendable:			
Unemployment Trust Fund	-	4,868	4,868
Restricted for:			
Fire Insurance Rebate	-	52,675	52,675
Police/Narcotics Grant	3,049	-	3,049
Committed to:			
Cemetery	49,048	-	49,048
Debt Service	-	20,423	20,423
Unassigned	1,386,410	-	1,386,410
TOTAL FUND BALANCES	1,438,507	77,966	1,516,473
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,528,674	\$ 77,966	\$ 1,606,640

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

**CITY OF SALTILLO, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2015**

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,516,473
Amounts reported for Governmental Activities in the Statement of Net Position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	1,838,811
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(410,492)
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.	28,425
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet	(66,235)
Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(2,258,375)
Deferred outflows and inflows related to pensions are applicable to future periods and therefore they are not reported in the Governmental Funds Balance Sheet.	
Deferred outflows of resources related to defined benefit pension plan	400,642
Deferred inflows of resources related to defined benefit pension plan	(79,147)
Accrual of court fine revenues to qualify as financial resources.	<u>180,169</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$ <u>1,150,271</u>

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

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

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
General Property Taxes	\$ 795,941	\$ 50,325	\$ 846,266
Sales and Use Taxes	849,233	-	849,233
Licenses and Permits	27,688	-	27,688
In Lieu of Taxes	54,111	-	54,111
Franchise Fees	135,034	-	135,034
Charges for Services	6,000	-	6,000
Intergovernmental Revenues	66,609	36,021	102,630
Recreation Use Fees	99,329	-	99,329
Rentals	25,464	-	25,464
Fines and Forfeits	80,018	-	80,018
Interest Income	3,634	7	3,641
Miscellaneous Revenues	12,765	-	12,765
TOTAL REVENUES	<u>2,155,826</u>	<u>86,353</u>	<u>2,242,179</u>
EXPENDITURES:			
Current			
General Government	519,200	-	519,200
Public Safety	971,905	5,782	977,687
Public Works	175,695	-	175,695
Culture and Recreation	313,729	-	313,729
Capital Projects	-	-	-
Debt Service	19,877	56,919	76,796
TOTAL EXPENDITURES	<u>2,000,406</u>	<u>62,701</u>	<u>2,063,107</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>155,420</u>	<u>23,652</u>	<u>179,072</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	69,860	-	69,860
Transfers (to) from Other Funds	13,106	(13,106)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>82,966</u>	<u>(13,106)</u>	<u>69,860</u>
NET CHANGE IN FUND BALANCES	<u>238,386</u>	<u>10,546</u>	<u>248,932</u>
FUND BALANCES - Beginning	<u>1,200,121</u>	<u>67,420</u>	<u>1,267,541</u>
FUND BALANCES - Ending	<u>\$ 1,438,507</u>	<u>\$ 77,966</u>	<u>\$ 1,516,473</u>

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

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 248,932
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities, 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	98,485
Depreciation expense on capital assets is reported in the Government-Wide 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.	(196,152)
Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.	(200,864)
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	537
Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received	17,448
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.	(6,557)
(Increase) decrease in accrual of compensated absences	(7,257)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position	
This amount represents long-term debt repayments.	57,682
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>12,254</u>

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

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

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
REVENUES:				
General Property Taxes	\$ 715,438	\$ 773,161	\$ 780,655	\$ 7,494
Sales and Use Taxes	620,000	846,707	846,708	1
Licenses and Permits	33,615	29,934	27,688	(2,246)
In Lieu of Taxes	58,172	54,107	54,111	4
Franchise Fees	131,216	131,371	131,374	3
Charges for Services	6,000	6,000	6,000	-
Intergovernmental Revenues	49,454	67,323	66,609	(714)
Recreation Use Fees	90,376	99,330	99,329	(1)
Rentals	25,000	25,444	25,464	20
Fines and Forfeits	98,000	89,553	80,018	(9,535)
Interest Income	2,700	3,371	3,634	263
Miscellaneous Revenues	4,100	12,765	12,765	-
TOTAL REVENUES	1,834,071	2,139,066	2,134,355	(4,711)
EXPENDITURES:				
Current:				
General Government	498,125	523,203	519,200	4,003
Public Safety	950,895	971,236	971,905	(669)
Public Works	152,113	176,707	175,695	1,012
Culture and Recreation	292,516	315,638	313,729	1,909
Debt Service	-	-	19,877	(19,877)
TOTAL EXPENDITURES	1,893,649	1,986,784	2,000,406	(13,622)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(59,578)	152,282	133,949	(18,333)
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Capital Assets	-	69,860	69,860	-
Transfers from Other Funds	-	469,035	475,675	6,640
Transfers (to) Other Funds	(432,598)	(476,604)	(462,569)	(14,035)
TOTAL OTHER FINANCING SOURCES (USES)	(432,598)	62,291	82,966	(7,395)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ (492,176)	\$ 214,573	\$ 216,915	\$ (25,728)

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

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

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 584,598
Money Market, CD's	528,539
Accounts Receivable, Net of Provision for Bad Debts	170,721
Due From Other Funds	77,095
Total Current Assets	<u>1,360,953</u>

Noncurrent Assets

Water and Sewer System,	
Vehicles and Equipment	12,568,034
Less: Accumulated Depreciation	<u>(4,633,737)</u>
Net Noncurrent Assets	<u>7,934,297</u>

TOTAL ASSETS **\$ 9,295,250**

Deferred Outflows of Resources

Deferred Outflows - Pensions	<u>120,395</u>
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TOTAL DEFERRED OUTFLOWS OF RESOURCES **\$ 120,395**

LIABILITIES:

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 56,508
Accrued Interest Payable	42,603
Customer Deposits	153,923
Due to Other Funds	6,205
Notes and Bonds - Due Within One Year	233,332
Total Current Liabilities	<u>492,571</u>

Noncurrent Liabilities:

Notes and Bonds - Due in More Than One Year	4,156,561
Accrued Compensated Absences	29,487
Net Pension Liability	678,650
Total Noncurrent Liabilities	<u>4,864,698</u>

TOTAL LIABILITIES **5,357,269**

Deferred Inflows of Resources:

Deferred Inflows - Pensions	<u>23,784</u>
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TOTAL DEFERRED INFLOWS OF RESOURCES **\$ 23,784**

NET POSITION:

Net Investment in Capital Assets	3,544,404
Unrestricted	<u>490,188</u>
TOTAL NET POSITION	\$ 4,034,592

The accompanying notes are an integral part of these financial statements

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

OPERATING REVENUES

Charges for Services	\$ 1,297,892
Service Charges and Penalties	54,278
Other Receipts	55,451
Total Operating Revenues	<u>1,407,621</u>

OPERATING EXPENSES

Personnel Services	472,695
Contractual Services	67,286
Supplies	106,794
Depreciation and Amortization	299,830
Other Services	343,955
Total Operating Expenses	<u>1,290,560</u>

Net Operating Income	<u>117,061</u>
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NON-OPERATING REVENUES (EXPENSES)

Gain (Loss) on Disposal of Fixed Assets	-
Bad Debt Expense	(1,191)
Interest Income	3,074
Interest and Fiscal Charges	<u>(104,540)</u>

Total Non-Operating Revenues (Expenses)	<u>(102,657)</u>
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Income (Loss) before Operating Transfers	<u>14,404</u>
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TRANSFERS (TO) FROM OTHER FUNDS

Transfers (to) from Other Funds	<u>-</u>
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Total Transfers (to) from Other Funds	<u>-</u>
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CHANGE IN NET POSITION	<u>14,404</u>
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NET POSITION - OCTOBER 1, as previously stated	4,541,867
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NET ADJUSTMENT FOR PRIOR YEAR PENSION EXPENSE	<u>(521,679)</u>
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NET POSITION - OCTOBER 1, as restated	<u>4,020,188</u>
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NET POSITION - SEPTEMBER 30	<u><u>\$ 4,034,592</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF SALTILLO, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 1,397,661
Cash Payments for Personnel Services	(412,357)
Cash Payments for Contractual Services	(67,286)
Cash Payments for Supplies	(57,550)
Cash Payments for Other Services	(343,955)
Net Cash Provided By (Used In) Operating Activities	<u>516,513</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers (to) from Other Funds	162
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	<u>162</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from Long-Term Debt	785,735
Purchases of Capital Assets	(889,507)
Principal Paid on Long Term Debt	(210,988)
Interest Paid on Long Term Debt	(82,048)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(396,808)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments	3,074
Net Cash Provided By (Used In) Investing Activities	<u>3,074</u>

NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	122,941
CASH AND RESTRICTED CASH, OCTOBER 1	<u>990,196</u>
CASH AND RESTRICTED CASH, SEPTEMBER 30	<u>\$ 1,113,137</u>

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

Operating Income	\$ 117,061
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities	
Depreciation & Amortization	299,830
Net Pension Expense	60,360
Provision for Doubtful Accounts	(1,191)
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(13,949)
Increase (Decrease) in Accounts Payable - operating activities	49,244
Increase (Decrease) in Accrued Compensated Absences	(22)
Increase (Decrease) in Customer Deposits	5,180
Total Adjustments	<u>399,452</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 516,513</u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes. This fund is a non-major governmental fund.

Additionally the City reports the following governmental fund types:

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Budgets and Budgetary Accounting

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments

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

Revenue Recognition - Property Taxes

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

General Obligation Enterprise Bonds

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

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

Encumbrances

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

Compensated Absences

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Cash and Cash Equivalents

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

Fund Balance Classification

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Business Information

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

Comparative Data

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

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 Saltillo's participation in the Public Employees' Retirement System of Mississippi (PERS), and additions to/deductions from the City of Saltillo'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.

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

NOTE 2 - PROPERTY TAXES

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

The millage was allocated as follows:

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

NOTE 3 - FIXED ASSETS

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

<u>Primary Government</u>	<u>Balance</u> <u>10-01-2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9-30-2015</u>
Capital Assets, not being depreciated				
Land	\$ 244,915	\$ 0	\$ 0	\$ 244,915
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets not being depreciated	244,915	0	0	244,915
Capital Assets being depreciated				
Plant, Buildings, & Improvements	1,539,184	27,172	0	1,566,356
Infrastructure	35,179	0	0	35,179
Machinery and Equipment	<u>1,555,699</u>	<u>71,313</u>	<u>(51,758)</u>	<u>1,575,254</u>
Total Capital Assets being depreciated	3,130,062	98,485	(51,758)	3,176,789
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(507,580)	(45,688)	0	(553,268)
Infrastructure	(24,625)	0	0	(24,625)
Machinery and Equipment	<u>(899,737)</u>	<u>(150,464)</u>	<u>45,201</u>	<u>(1,005,000)</u>
Total Accumulated Depreciation	(1,431,942)	(196,152)	45,201	(1,582,893)
Total Capital Assets, depreciated net Governmental Activities	<u>1,698,120</u>	<u>(97,667)</u>	<u>(6,557)</u>	<u>1,593,896</u>
Capital Assets, net	\$ 1,943,035	\$ (97,667)	\$ (6,557)	\$ 1,838,811

The City adopted a capitalization threshold of \$1,000 for general fixed assets and a threshold of \$5,000 for infrastructure assets effective for the current fiscal year. The City has retroactively applied these thresholds to all general fixed assets in service at September 30, 2015.

CITY OF SALTILLO, 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:

	Balance 10-01-2014	Additions	Disposals	Balance 9-30-2015
Capital Assets, not being depreciated:				
Land	\$ 0	\$ 0	\$ 0	\$ 0
Construction in Progress	<u>0</u>	<u>818,802</u>	<u>0</u>	<u>818,802</u>
Total Capital Assets, not being depreciated	0	818,802	0	818,802
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	11,119,444	53,831	0	11,173,275
Machinery and Equipment	<u>565,083</u>	<u>16,874</u>	<u>(6,000)</u>	<u>575,957</u>
Total Capital Assets being depreciated	11,684,527	70,705	(6,000)	11,749,232
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(3,896,452)	(265,330)	0	(4,161,782)
Machinery and Equipment	<u>(443,455)</u>	<u>(34,500)</u>	<u>6,000</u>	<u>(471,955)</u>
Total Accumulated Depreciation	<u>(4,339,907)</u>	<u>(299,830)</u>	<u>6,000</u>	<u>(4,633,737)</u>
Total Capital Assets, depreciated, net				
Business-type Activities	<u>7,344,620</u>	<u>(229,125)</u>	<u>0</u>	<u>7,115,495</u>
Capital Assets, net	\$ 7,344,620	\$ 589,677	\$ 0	\$ 7,934,297

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

Plant, Building, and Improvements	5 - 40 Years
Machinery and Equipment	5 - 15 Years
Furniture and Fixtures	5 - 20 Years
Vehicles	5 - 10 Years

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

NOTE 3 - FIXED ASSETS (continued)

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

Governmental Activities:	
General Government	\$ 24,243
Public Safety	115,982
Public Works	9,847
Culture & Recreation	<u>46,080</u>
Total Depreciation Expense – Governmental Activities	\$ <u>196,152</u>

Business-type Activities:

Water and Sewer	\$ <u>299,830</u>
Total Depreciation Expense – Business-type Activities	\$ <u>299,830</u>

NOTE 4 - RECEIVABLES

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.

Receivables for accounts of the Water and Sewer Fund (an Enterprise Fund) have been reduced by \$5,407 to reflect the provision for uncollectible accounts. The accrual amount of court fine receivables on the Statement of Net Position-Government-Wide has been reduced by \$280,490 to reflect the provision for uncollectible fines.

NOTE 5 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2015:

	General Obligation Bonds Payable	Notes & Bonds Payable	<u>Total</u>
Bonds and Other Long-Term Debt at 10/01/14	\$ 800,000	\$ 3,483,320	\$ 4,283,320
Add: Bonds and Other Long-Term Debt Acquired		785,735	785,735
Less: Bonds and Other Long-Term Debt Retired	<u>80,000</u>	<u>188,670</u>	<u>268,670</u>
Bonds and Other Long-Term Debt at 09/30/15	\$ <u>720,000</u>	\$ <u>4,080,385</u>	\$ <u>4,800,385</u>

**CITY OF SALTILLO, 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:

Governmental Activities:

Bonds Payable:

General Obligation Refunding Bonds – Series 2008 - \$1,250,000 original issue with interest rates of 2.00 to 4.30%, maturing on June 1, 2025	\$ 352,800
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Notes Payable:

Note Payable – CAP Loan - \$180,000 due in monthly payments of \$1,656 through September 1, 2018; interest at 2.0%	57,692
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Business-Type Activities:

Bonds Payable:

General Obligation Refunding Bonds – Series 2008 - \$1,250,000 original issue with interest rates of 2.00 to 4.30%, maturing on June 1, 2025	367,200
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Notes Payable:

Note Payable – Rural Development. - \$45,000 debt issued December 12, 1998, interest only payments for the first two years, principal and interest annual payment of \$2,644 through 2033; interest at 4.50%.	33,191
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Note Payable – Rural Development. - \$360,000 debt issued fiscal year 2001, interest only payments for the first two years, principal and interest annual payment of \$19,800 through 2040; interest at 4.50%.	291,414
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Note Payable – Rural Development. - \$96,000 issued during fiscal year 1996; due in annual payments of \$5,908 through 2031; interest at 4.875%.	64,228
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CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 5 - LONG-TERM DEBT (continued)

Note Payable – Rural Development - \$714,000 issued on September 10, 2014; due in annual payments of \$38,256 through September 10, 2049; interest at 4.0 %	714,000
Note Payable – CAP Loan, - \$500,000 authorized, due in monthly payments of \$2,529 through April 1, 2026; interest at 2 %.	284,380
Note Payable – Department of Environmental Quality – authorized \$2,819,321, due in monthly payments of \$14,459 through September 2027; interest at 2 %.	<u>1,849,745</u>
Total Debt Repayment	<u>\$ 4,014,650</u>

Notes Not In Repayment:

\$1,030,949 Note (capital improvements revolving loan fund draws in progress); Due in 20 years; interest at 2 %.	<u>\$ 785,735</u>
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There are a number of limitations and restrictions contained in the bond indentures. The City was in compliance with all significant limitations and restrictions contained in the bond indentures.

The Annual requirements to amortize all debt outstanding as of September 30, 2015 including interest payments of \$1,322,380 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 58,091	\$ 14,923	\$ 233,332	\$ 130,704	\$ 291,423	\$ 145,627
2017	63,372	13,111	232,899	96,492	296,271	109,603
2018	61,179	11,245	234,617	90,548	295,796	101,793
2019	44,100	9,379	241,543	84,590	285,643	93,969
2020	46,550	7,615	248,580	81,220	295,130	88,835
2021 - 2025	137,200	16,182	1,214,875	320,722	1,352,075	336,904
2026 - 2030	0	0	521,949	174,867	521,949	174,867
2031 - 2035	0	0	182,541	124,943	182,541	124,943
2036 - 2040	0	0	209,475	86,023	209,474	86,023
2041 - 2045	0	0	145,603	45,678	145,603	45,678
2046 - 2049	0	0	138,745	14,138	138,745	14,138
	<u>\$ 410,492</u>	<u>\$ 72,455</u>	<u>\$ 3,604,158</u>	<u>\$ 1,249,925</u>	<u>\$ 4,014,650</u>	<u>\$ 1,322,380</u>

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

NOTE 6 - LITIGATION

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

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description- Employees of the City of Saltillo 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 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% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 compounded for each fiscal year thereafter.

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

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

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

Retirees and Survivors	96,338
Terminated Vested Employees	19,005
Inactive Nonvested Members	118,021
Active Members	<u>157,215</u>
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 Saltillo 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 Saltillo's total payroll for all employees was \$1,217,596. Total covered payroll was \$1,208,852. 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 Saltillo reported a liability of \$2,937,025 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Saltillo's proportion of the net pension liability was based on a projection of the City of Saltillo'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 Saltillo's proportion was 0.019%.

For the year ended September 30, 2015, the City of Saltillo recognized pension expense of \$261,224.

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

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

At September 30, 2015, the City of Saltillo reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Results - Pensions	\$ 45,199	\$ 0
City Pension Contributions Subsequent to the Measurement Date	50,976	0
Changes of Assumptions	253,015	0
Net Difference Between Projected and Actual Investment Earnings on Investments	171,847	0
Changes in Proportion and Differences Between ER Contributions and Proportionate Share Of ER Contributions	0	102,931
Total	\$ 521,037	\$ 102,931

The \$50,976 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,	<u>Amount</u>
2016	\$ 114,757
2017	114,757
2018	94,654
2019	42,962
Total	\$ 367,130

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

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, with male 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.

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

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

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.

Sensitivity of the City of Saltillo's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate-The following presents the City of Saltillo's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the City of Saltillo'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%) or 1-percentage-point higher (8.75%) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$3,871,268
Current discount rate	7.75%	\$2,937,025
1% increase	8.75%	\$2,161,778

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

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

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 8 - FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$21,471 more than cash revenues.

NOTE 9 - RISK MANAGEMENT

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

Risk of loss related to workers compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employer's liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

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

The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2015, will not materially affect the financial condition of the City. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the City during the current or prior year.

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

NOTE 10 - EXPENDITURES OVER APPROPRIATIONS FOR INDIVIDUAL FUNDS

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

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund:			
Public Safety			
Other Services and Charges	\$ 53,491	\$ 57,509	\$ 4,018
Public Works			
Supplies	17,775	18,796	1,021

NOTE 11- COMMITMENTS

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

NOTE 12 - 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 \$2,257,695 to net position.

NOTE 13 - CONSTRUCTION AND OTHER COMMITMENTS

The City of Saitllo has entered in the following commitments:

<u>To Be Paid By</u>	<u>Description</u>	<u>Amount Authorized</u>	<u>Expended through September 30, 2015</u>	<u>Remaining Commitment at September 30, 2015</u>
Water	Turner Industrial Park (Donald Smith Company)	\$ 211,210	\$ 209,385	\$ 1,825
Water	Turner Industrial Park (Eubank Construction)	729,785	498,878	230,907
		<u>\$ 940,995</u>	<u>\$ 708,263</u>	<u>\$ 232,732</u>

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

NOTE 14 - SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through March 18, 2016, the date on which the financial statements were available to be issued. The City is in progress on a CAP loan with the Mississippi Development Authority for water system improvements on the Turner Industrial Park. The City has made 5 draws on the CAP loan with Mississippi Development Authority for a total of \$245,214 subsequent to year end. After the final draw, the loan closed on March 2, 2016 for a total loan amount of \$1,030,949.

INDIVIDUAL FUND FINANCIAL STATEMENTS

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

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
General Property Taxes	\$ 773,161	\$ 780,655	\$ 7,494
Licenses and Permits	29,934	27,688	(2,246)
Sales and Use Taxes	846,707	846,708	1
Intergovernmental Revenues	42,557	49,340	6,783
Homestead Reimbursement	24,766	17,269	(7,497)
Fines and Forfeits	89,553	80,018	(9,535)
TVA In-Lieu Tax	49,127	49,127	-
In Lieu of Taxes	4,980	4,984	4
Franchise Fees	131,371	131,374	3
Charges for Services	6,000	6,000	-
Recreation Use Fees	99,330	99,329	(1)
Miscellaneous Revenues	12,765	12,765	-
Interest Income	3,371	3,634	263
Rentals	25,444	25,464	20
TOTAL REVENUES	2,139,066	2,134,355	(4,711)
EXPENDITURES:			
General Government:			
Personnel Services	267,814	266,853	961
Supplies	9,438	8,865	573
Other Services and Charges	242,851	240,382	2,469
Capital Outlay	3,100	3,100	-
Total	<u>523,203</u>	<u>519,200</u>	<u>4,003</u>
Public Safety:			
Personnel Services	796,480	794,058	2,422
Supplies	79,473	79,361	112
Other Services and Charges	53,491	57,509	(4,018)
Capital Outlay	41,792	40,977	815
Total	<u>971,236</u>	<u>971,905</u>	<u>(669)</u>
Public Works:			
Personnel Services	54,865	54,578	287
Supplies	17,775	18,796	(1,021)
Other Services and Charges	74,995	74,819	176
Capital Outlay	29,072	27,502	1,570
Total	<u>176,707</u>	<u>175,695</u>	<u>1,012</u>

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

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Culture and Recreation:			
Personnel Services	\$ 172,335	\$ 171,287	\$ 1,048
Supplies	60,193	59,916	277
Other Services and Charges	57,246	56,870	376
Capital Outlay	25,864	25,656	208
Total	<u>315,638</u>	<u>313,729</u>	<u>1,909</u>
Debt Service:			
Principal Retirement	-	18,482	(18,482)
Interest and Fiscal Charges	-	1,395	(1,395)
Total	<u>-</u>	<u>19,877</u>	<u>(19,877)</u>
TOTAL EXPENDITURES	<u>1,986,784</u>	<u>2,000,406</u>	<u>(13,622)</u>
Excess (Deficit) revenues over (under) expenditures	<u>152,282</u>	<u>133,949</u>	<u>(18,333)</u>
<u>OTHER FINANCING SOURCES (USES):</u>			
Proceeds from Sale of Capital Assets	69,860	69,860	-
Transfers from Other Funds	469,035	475,675	6,640
Transfers (to) Other Funds	(476,604)	(462,569)	(14,035)
TOTAL OTHER FINANCING SOURCES (USES)	<u>62,291</u>	<u>82,966</u>	<u>(7,395)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>214,573</u>	<u>216,915</u>	<u>(25,728)</u>
FUND BALANCES AT OCTOBER 1, 2014	1,200,121	1,200,121	-
FUND BALANCES AT SEPTEMBER 30, 2015	\$ <u>1,414,694</u>	\$ <u>1,417,036</u>	\$ <u>(25,728)</u>
ADJUSTMENTS TO GAAP BASIS:			
Less: Accrued Revenue		21,471	
FUND BALANCE GAAP SEPTEMBER 30, 2015		\$ <u>1,438,507</u>	

OTHER SUPPLEMENTAL INFORMATION

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

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

CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Fiscal Year Ended September 30, 2015

	BALANCE OUTSTANDING October 1, 2014	TRANSACTIONS DURING FISCAL YEAR		BALANCE OUTSTANDING September 30, 2015
		ISSUED	REDEEMED	
Governmental Funds:				
<u>General Obligation Bonds</u>				
General Obligation Refunding Bonds				
Series 2008				
Interest Rate 2.00 - 4.30%				
Maturity 2025	\$ 392,000	\$ -	\$ 39,200	\$ 352,800
<u>Other Long Term Debt</u>				
Note Payable - CAP Loan				
Interest Rate 2.00%				
Maturity 2018	76,174	-	18,482	57,692
Total Governmental Funds	<u>468,174</u>	<u>-</u>	<u>57,682</u>	<u>410,492</u>
Proprietary Fund:				
<u>General Obligation Bonds</u>				
General Obligation Water & Sewer Refunding				
Series 2008				
Interest Rate 2.00 - 4.30%				
Maturity 2025	408,000		40,800	367,200
<u>Other Long Term Debt</u>				
Note Payable - Rural Development				
Interest Rate 4.5%				
Maturity 2033	34,312	-	1,121	33,191
Note Payable - Rural Development				
Interest Rate 4.5%				
Maturity 2040	298,561	-	7,147	291,414
Note Payable - Rural Development				
Interest Rate 4.875%				
Maturity 2031	66,842	-	2,614	64,228
Note Payable - CAP Loan				
Interest Rate 2.0%				
Maturity 2026	308,639	-	24,259	284,380
Note Payable - DEO Loan				
Interest Rate 2.0%				
Maturity 2027	1,984,792		135,047	1,849,745
Note Payable - Rural Development				
Interest Rate 4.0%				
Maturity 2049	714,000	-	-	714,000
Note Payable - CAP Loan in Progress				
Interest Rate 2.0%				
Maturity 2036	-	785,735	-	785,735
Total Proprietary Fund	<u>3,815,146</u>	<u>785,735</u>	<u>210,988</u>	<u>4,389,893</u>
Total Government-wide	<u>\$ 4,283,320</u>	<u>\$ 785,735</u>	<u>\$ 268,670</u>	<u>\$ 4,800,385</u>

**CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended September 30, 2015**

	<u>2015</u>
A. Saltillo's proportion of net pension liability (%)	0.019000%
B. Saltillo's proportionate share of net pension liability	\$2,937,025
C. Saltillo's covered employee payroll	\$1,208,852
D. Saltillo's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	242.96%
E. Plan fiduciary net position as a percentage of total pension liability	61.70%

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CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
A. Statutorily required contributions	\$190,397	\$181,913
B. Contributions in relation to statutorily required contributions	\$190,397	\$181,913
C. Contribution deficiency (excess)	\$0	\$0
D. Saltillo's covered employee payroll	\$1,208,852	\$1,154,999
E. Contributions as a percentage of covered employee payroll	15.75%	15.75%

OTHER REPORTS

Per Request
Tupelo, MS 38889
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Charlene J. Franks, CPA

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

Honorable Mayor and Board of Aldermen
City of Slatillo, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Slatillo, Mississippi as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Slatillo, Mississippi's basic financial statements and have issued our report thereon dated March 18, 2016.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as findings 1, 2 and 3 to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Slatillo, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as findings 2 and 3.

We noted certain matters that we reported to management of the City of Saltillo, Mississippi, in a separate letter dated March 18, 2016.

City of Saltillo, Mississippi's Response to Findings

City of Saltillo, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Saltillo, 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.
March 18, 2016

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JUN 13 2016

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Certified Public Accountants
Mississippi, U.S.A.

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

Honorable Mayor and Board of Aldermen
City of Saffillo, Mississippi

We have audited the financial statements of City of Saffillo, Mississippi as of and for the year ended September 30, 2015, and have issued our report thereon dated March 18, 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 *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are included in the Schedule of Findings and Responses as Findings No. 2 and 3.

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

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

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

FRANKS • FRANKS • JARRELL & WILEMON, P.A.
March 18, 2016

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

FINANCIAL STATEMENT FINDINGS:

FINDING NO. 1 (material weakness)

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

Cause of Condition: The City's internal control did not provide for adequate segregation of duties in relation to the utility systems or areas of park and recreation fees. Specifically, most employees have the capability of adding and deleting accounts, downloading meter readings, billings, adjustments, collections, deposits, and posting of payments. There is no clear defined segregation of duties between any utility personnel or personnel involved in collection of park and recreation fees. The City's size and number of personnel limit the segregation of duties.

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

Response: The City will analyze the accounting system and establish procedures that provide clear segregation of duties.

FINDING NO. 2 (material weakness, noncompliance)

Criteria: The City is required, by state statutes, to prepare a budget for all funds of the City and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts. Also, Section 21-35-13, Mississippi Code Ann. (1972), requires the City Clerk to prepare a budget report to be presented to the governing authority at the regular meeting each month.

Cause of Condition: The City had two budget overages in expenditure categories for the year ended September 30, 2015.

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

Response: The City will take steps necessary to ensure that budgets are amended prior to budget overages occurring

- * Findings 1 and 2 are considered Material Weaknesses
- * Finding 2 is a Noncompliance Findings
- * Finding 1 was a finding in the prior year

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