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Mayor
Kenneth Broome

Municipal Clerk
Lisa Morris

Deputy Clerk
Mary Moreland



Board of Alderman
Earl Mathes - Ward 1
George Walker - Ward 2
Lennette Watts - Ward 3
K.C. Frazier - Ward 4
Doris Ross - At Large

*State of Mississippi
Office of the State Auditor
Stacey E. Pickering
Division of Technical Assistance
Post Office Box 956
Jackson, Mississippi 39205*

February 6, 2017

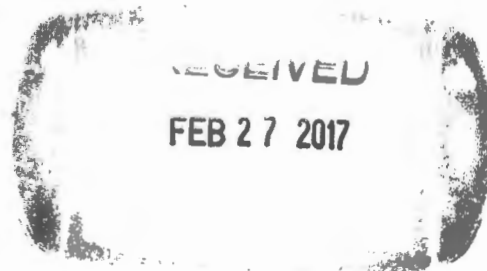
Hi Emily McNeil, CPA

*Enclosed is a copy of the Fiscal Year End 2015 Annual Financial Report for
the Town of Utica.*

If further information is needed please contact Lisa Morris at 601-885-8718.

Thank you,

*Lisa Morris, CMC
Town of Utica
110 White Oak Street
Utica, MS 39175*



TOWN OF UTICA, MISSISSIPPI
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2015



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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Aldermen
Town of Utica, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Utica, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

Auditor's Responsibility - continued:

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 and each major fund of the Town of Utica, Mississippi, as of September 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11, and budgetary comparison schedule on pages 38-41, 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 be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Utica, Mississippi's basic financial statements. The schedule in the supplemental information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule included in the supplemental information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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Other Reporting Required by *Government Auditing Standards*

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

Haddox Reid Embek Bettis PLLC

Jackson, Mississippi
November 23, 2016

TOWN OF UTICA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

FINANCIAL HIGHLIGHTS

- The Town's total net position at the close of the fiscal year was \$1,547,566. This amount is comprised of \$1,006,859 in net investment in capital assets, \$40,611 in restricted net position and \$500,096 in unrestricted net position.
- Governmental net position decreased by \$36,795 and business-type net position increased by \$215,200.
- The book value of capital assets increased \$637,055 compared to 2014.
- The Town's sales tax revenue decreased by \$28,546 or 20% compared to 2014 and is still the single largest revenue in the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The government-wide financial statements provide both long-term and short-term information about the Town's overall financial status.
- Fund financial statements focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
 - Governmental fund statements tell how general government services such as police and public works were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short-term and long-term financial information about the activities the Town operates like businesses, such as water and gas services.

TOWN OF UTICA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Financial Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all the Town's assets plus deferred outflows of resources less liabilities and deferred inflows of resources and liabilities. All of the current year's revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net position is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or condition of the Town's roads to accurately assess the overall health of the Town.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Governmental activities - All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works, sanitation, and cemetery. Sales tax, grants, intergovernmental revenues and charges for services finance most of these activities.
- Business-type activities - The Town charges a fee to customers that is intended to cover all or most of the cost of the services provided for water/sewer and gas.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and

TOWN OF UTICA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

Fund Financial Statements - continued:

local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds. Fund financial statements provide more detailed information about the Town's largest funds, not the town as a whole.

- Governmental funds - Most of the Town's basic services are included in governmental funds, and report essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year end balances available for spending.

The Town adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund as part of the basic financial statements to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

- Proprietary funds - Services for which the Town charges customers a fee generally are reported in the proprietary funds. Proprietary fund financial statements, like government-wide financial statements, provide both short-term and long-term financial information. The Town's proprietary funds are enterprise funds, which are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The Town uses enterprise funds to account for its water / sewer and natural gas operations.

The basic proprietary fund financial statements can be found on pages 17-20.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-35.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceeded liabilities and deferred inflows of resources

TOWN OF UTICA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

by \$1,547,566 as of September 30, 2015 as shown in the following condensed statement of net position. The Town has chosen to account for its water/sewer and natural gas operations in enterprise funds which are shown as Business Activities. Table 1 provides a summary of the Town's net position at September 30, 2015 and 2014.

Table 1 - Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	9/30/15	9/30/14	9/30/15	9/30/14	9/30/15	9/30/14
Current and other assets	\$ 315,724	310,882	487,002	442,636	802,726	753,518
Internal balances	(388,556)	(373,754)	388,556	373,754	-	-
Capital assets	120,841	151,586	1,366,806	699,006	1,487,647	850,592
Total assets	<u>48,009</u>	<u>88,714</u>	<u>2,242,364</u>	<u>1,515,396</u>	<u>2,290,373</u>	<u>1,604,110</u>
Current liabilities	50,458	83,315	121,486	85,704	171,944	169,019
Noncurrent liabilities	11,947	10,623	479,410	3,424	491,357	14,047
Total liabilities	<u>62,405</u>	<u>93,938</u>	<u>600,896</u>	<u>89,128</u>	<u>663,301</u>	<u>183,066</u>
Deferred inflows of resources	79,506	51,883	-	-	79,506	51,883
Net investment in capital assets	120,841	128,869	886,018	699,006	1,006,859	827,875
Restricted assets	40,611	7	-	-	40,611	7
Unrestricted	(255,354)	(185,983)	755,450	727,262	500,096	541,279
Total net position	<u>\$ (93,902)</u>	<u>(57,107)</u>	<u>1,641,468</u>	<u>1,426,268</u>	<u>1,547,566</u>	<u>1,369,161</u>

The Town has \$2,290,373 in total assets with \$1,487,647 in capital assets (net of depreciation). The Town's water/sewer and gas enterprise funds are included in the business-type activities column. These operations are capital intensive, using a large portion of their resources to maintain and replace major equipment and facilities.

Changes in Net Position

The Town's functions/programs include: General Government, Public Safety, Public Works, Sanitation, Cemetery, Water and Sewer and Natural Gas. Each function/program's net cost (total cost less revenues generated by the activities) is presented below. Table 2 summarizes the changes in net position for the years ended September 30, 2015 and 2014.

TOWN OF UTICA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

Table 2 - Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	9/30/15	9/30/14	9/30/15	9/30/14	9/30/15	9/30/14
REVENUES:						
Program revenues:						
Charges for services	\$ 111,825	174,540	618,842	576,122	730,667	750,662
Capital grants and contributions	9,212	39,983	237,208	-	246,420	39,983
	<u>121,037</u>	<u>214,523</u>	<u>856,050</u>	<u>576,122</u>	<u>977,087</u>	<u>790,645</u>
General revenues:						
Property taxes	79,335	74,308	-	-	79,335	74,308
Sales tax	113,998	142,544	-	-	113,998	142,544
Other	29,264	35,769	643	458	29,907	36,227
Total revenues	<u>343,634</u>	<u>467,144</u>	<u>856,693</u>	<u>576,580</u>	<u>1,200,327</u>	<u>1,043,724</u>
Expenses:						
General government	122,202	124,473	-	-	122,202	124,473
Public safety - Police	299,560	392,949	-	-	299,560	392,949
Public safety - Fire	1,084	3,974	-	-	1,084	3,974
Public works	36,554	100,175	-	-	36,554	100,175
Grant expenditures	-	35,514	-	-	-	35,514
Other	76,029	9,383	-	-	76,029	9,383
Cost of services	-	-	486,493	524,708	486,493	524,708
Total expenses	<u>535,429</u>	<u>666,468</u>	<u>486,493</u>	<u>524,708</u>	<u>1,021,922</u>	<u>1,191,176</u>
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS	(191,795)	(199,324)	370,200	51,872	178,405	(147,452)
TRANSFERS	155,000	162,896	(155,000)	(162,896)	-	-
INCREASE (DECREASE) IN NET POSITION	(36,795)	(36,428)	215,200	(111,024)	178,405	(147,452)
NET POSITION, BEGINNING	(57,107)	(20,679)	1,426,268	1,537,292	1,369,161	1,516,613
NET POSITION, ENDING	\$ (93,902)	(57,107)	1,641,468	1,426,268	1,547,566	1,369,161

Total program and general revenues available during the year to finance governmental operations were \$343,634. This amount is \$123,510 less than the prior year. The decreases are primarily in sales tax, police fines and forfeitures and capital grants. Total governmental activities expenses during the year were \$535,429. The governmental net position decreased \$36,795 during the current fiscal year.

TOWN OF UTICA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

Business-type Activities

Net position of the Business-type activities at September 30, 2015, as reflected in the Statement of Net Position was \$1,641,468. The cost of providing all Business-type activities this year was \$486,493. As shown by the Statement of Changes in Net Position, the amounts paid by users of the systems were \$618,842, capital grants received were \$237,208, with interest earnings of \$643. The net position increased by \$215,200.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

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

As of the end of the current fiscal year, the Town of Utica's general fund reported ending fund balance deficit of \$266,950, a decrease of \$30,287, in comparison with the prior year.

Proprietary funds - The Waterworks Fund and Gas Fund combined increased in net position by \$215,200 for the year. This increase was primarily due to grant revenue received during the year used to fund sewer improvements.

General Fund Budgetary Highlights

The Town's annual budget is the legally adopted expenditure control document of the Town. The annual budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. A budgetary comparison statement is required for the General Fund. This statement requires the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

The budget was amended to adjust the appropriations of revenues and expenditures. Revenues for the original budget decreased approximately \$10,000 mainly for a decrease in sales tax revenue. Budgeted expenditures were increased a net of \$23,205 primarily to reflect for an increase in police expenses of \$20,847.



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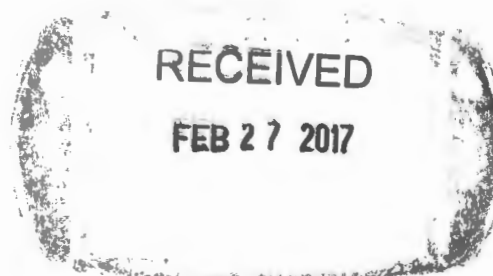
TOWN OF UTICA, MISSISSIPPI

**BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2015**

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 33,811
Investments	71,280
Receivables, (net of allowance for uncollectibles, where applicable):	
Accounts	5,818
Property taxes	81,063
Sales tax allocation	9,070
Utility franchise fee	3,900
Police fines	48,104
Prepaid expenses	4,540
Restricted assets:	
Cash and cash equivalents	40,611
Note receivable	<u>17,527</u>
 Total assets	 \$ <u>315,724</u>

The accompanying notes are an integral part of this statement.

	<u>General Fund</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 12,841
Accrued expenses	6,662
Payable to other governments	29,478
Due to other funds	<u>388,556</u>
Total liabilities	<u>437,537</u>
Deferred inflows of resources:	
Unavailable revenue - property taxes	79,506
Unavailable revenue - police fines	48,104
Unavailable revenue - note receivable	<u>17,527</u>
Total deferred inflows of resources	<u>145,137</u>
Fund balance (deficit):	
Nonspendable:	
Prepays	4,540
Restricted for:	
Public safety	27,359
Cemetery maintenance	13,252
Unassigned	<u>(312,101)</u>
Total fund balance (deficit)	<u>(266,950)</u>
Total liabilities, deferred inflows of resources, and fund balance	\$ <u>315,724</u>



TOWN OF UTICA, MISSISSIPPI

**RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL FUND
SEPTEMBER 30, 2015**

Total fund balance (deficit) - governmental fund \$ (266,950)

Amounts reported for governmental activities in the Statement of Net
Position are different because:

Capital assets used in the operation of the governmental funds are
not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	873,864	
Less accumulated depreciation	<u>(753,023)</u>	120,841

Fines revenue that was earned in the current period but not received within 60 days are not recognized in the fund statement but recognized under full accrual	48,104
--	--------

Note receivable is not available to pay current period expenditures and, therefore, is deferred in the funds	17,527
---	--------

Long-term liabilities of governmental funds, including compensated absences, are not due and payable in the current period and, therefore are not reported in the funds	<u>(13,424)</u>
---	-----------------

Total net position - governmental activities \$ (93,902)

The accompanying notes are an integral part of this statement.

TOWN OF UTICA, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>General Fund</u>
REVENUES:	
Ad valorem taxes	\$ 79,335
Sales taxes	113,998
Licenses and permits	2,300
Fines and forfeits	36,749
Utility franchise fees	13,765
Charges for services	64,728
Intergovernmental revenues	16,462
Miscellaneous	11,752
Interest income	1,497
Total revenues	<u>340,586</u>
EXPENDITURES:	
General government	108,142
Public safety:	
Police	282,311
Fire protection	120
Public works	36,554
Sanitation	65,082
Cemetery	10,947
Debt service	22,717
Total expenditures	<u>525,873</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(185,287)</u>
OTHER FINANCING SOURCES:	
Transfers	<u>155,000</u>
Total other financing sources	<u>155,000</u>
Net change in fund balance	(30,287)
Fund balance at beginning of year	<u>(236,663)</u>
Fund balance at end of year	\$ <u>(266,950)</u>

The accompanying notes are an integral part of this statement.

TOWN OF UTICA, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balance - governmental fund	\$ (30,287)
---	--------------------

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

Revenues in the statement of activities that do not provide current resources are not reported as fund revenues	3,048
--	-------

Governmental funds report capital outlay as expenditures,
However, in the statement of activities the cost of those
assets is depreciated over their estimated useful lives:

Expenditures of capital assets	5,029	
Less current year depreciation expense	<u>(35,774)</u>	(30,745)

Repayment of long-term debt is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Position.	22,717
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Certain expenses reported in the statement of activities do
not require the use of current financial resources and,
therefore, are not reported as expenditures in the
governmental funds:

Change in compensated absences	<u>(1,528)</u>
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Change in net position of governmental activities	\$ <u>(36,795)</u>
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The accompanying notes are an integral part of this statement.

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TOWN OF UTICA, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	<u>Business-Type Activities</u>		
	<u>Waterworks Fund</u>	<u>Gas Fund</u>	<u>Total Proprietary Funds</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 56,563	82,941	139,504
Investments	39,237	208,482	247,719
Receivables (net of allowance for uncollectibles, where applicable):			
Accounts	26,613	11,740	38,353
Grants	60,994	-	60,994
Due from other funds	-	518,742	518,742
Prepaid expenses	216	216	432
Total current assets	<u>183,623</u>	<u>822,121</u>	<u>1,005,744</u>
Noncurrent assets:			
Capital assets not being depreciated:			
Land	29,150	-	29,150
Construction in progress	717,996	-	717,996
Capital assets being depreciated:			
Utility system	2,797,580	320,408	3,117,988
Machinery and equipment	103,754	78,554	182,308
Less accumulated depreciation	<u>(2,301,408)</u>	<u>(379,228)</u>	<u>(2,680,636)</u>
Total noncurrent assets	<u>1,347,072</u>	<u>19,734</u>	<u>1,366,806</u>
Total assets	\$ <u>1,530,695</u>	<u>841,855</u>	<u>2,372,550</u>

The accompanying notes are an integral part of this statement.

	<u>Business-Type Activities</u>		
	<u>Waterworks Fund</u>	<u>Gas Fund</u>	<u>Total Proprietary Funds</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 78,439	28,996	107,435
Accrued expenses	1,942	1,942	3,884
Compensated absences	1,489	1,489	2,978
Current portion of notes payable	5,880	-	5,880
Due to other funds	130,186	-	130,186
Unredeemed bonds and interest	-	1,309	1,309
Total current liabilities	<u>217,936</u>	<u>33,736</u>	<u>251,672</u>
Long-term liabilities:			
Compensated absences	2,251	2,251	4,502
Notes payable	<u>474,908</u>	-	<u>474,908</u>
Total long-term liabilities	<u>477,159</u>	<u>2,251</u>	<u>479,410</u>
Total liabilities	<u>695,095</u>	<u>35,987</u>	<u>731,082</u>
<u>NET POSITION</u>			
Net investment in capital assets	866,284	19,734	886,018
Unrestricted	<u>(30,684)</u>	<u>786,134</u>	<u>755,450</u>
Total net position	<u>\$ 835,600</u>	<u>805,868</u>	<u>1,641,468</u>

TOWN OF UTICA, MISSISSIPPI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-Type Activities		
	Waterworks Fund	Gas Fund	Total Proprietary Funds
OPERATING REVENUES:			
Water sales	\$ 178,855	-	178,855
Sewer charges	82,502	-	82,502
Natural gas sales	-	343,143	343,143
Tap fees and connection fees	1,825	2,525	4,350
Late fees	6,342	1,650	7,992
Miscellaneous	2,000	-	2,000
Total operating revenues	<u>271,524</u>	<u>347,318</u>	<u>618,842</u>
OPERATING EXPENSES:			
Personnel services	66,089	65,059	131,148
Supplies	26,277	9,669	35,946
Other services and charges	99,222	47,008	146,230
Natural gas purchases	-	104,983	104,983
Depreciation	63,315	4,871	68,186
Total operating expenses	<u>254,903</u>	<u>231,590</u>	<u>486,493</u>
Operating income	<u>16,621</u>	<u>115,728</u>	<u>132,349</u>
NON-OPERATING REVENUE (EXPENSE):			
Grants revenue	237,208	-	237,208
Interest income	107	536	643
Total non-operating revenues (expenses)	<u>237,315</u>	<u>536</u>	<u>237,851</u>
INCOME BEFORE TRANSFERS	<u>253,936</u>	<u>116,264</u>	<u>370,200</u>
Transfers out	<u>(45,000)</u>	<u>(110,000)</u>	<u>(155,000)</u>
CHANGE IN NET POSITION	<u>208,936</u>	<u>6,264</u>	<u>215,200</u>
NET POSITION AT BEGINNING OF YEAR	<u>626,664</u>	<u>799,604</u>	<u>1,426,268</u>
NET POSITION AT END OF YEAR	<u>\$ 835,600</u>	<u>805,868</u>	<u>1,641,468</u>

The accompanying notes are an integral part of this statement.

TOWN OF UTICA, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Gas Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 245,845	309,416	555,261
Cash paid to suppliers and employees	(120,694)	(202,057)	(322,751)
Net cash provided by (used in) operating activities	125,151	107,359	232,510
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers out	(45,000)	(110,000)	(155,000)
Net cash provided by (used in) non-capital financing activities	(45,000)	(110,000)	(155,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital grants and contributions	176,214	-	176,214
Proceeds from notes	474,908	-	474,908
Increase (decrease) in amount due to other funds	(6,914)	(7,888)	(14,802)
Acquisition of fixed assets	(735,986)	-	(735,986)
Net cash provided by (used in) capital and related financing activities	(91,778)	(7,888)	(99,666)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale (purchases) of investments - net	(39,237)	(208,482)	(247,719)
Earnings on invested proceeds	146	597	743
Net cash provided by (used in) investing activities	(39,091)	(207,885)	(246,976)
Net increase (decrease) in cash and cash equivalents	(50,718)	(218,414)	(269,132)
Cash and cash equivalents at beginning of year	107,281	301,355	408,636
Cash and cash equivalents at end of year	\$ 56,563	82,941	139,504

TOWN OF UTICA, MISSISSIPPI

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS - CONTINUED:

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-Type Activities		
	Enterprise Funds		
	Waterworks Fund	Gas Fund	Totals
RECONCILIATION OF OPERATING INCOME			
(LOSS) TO NET CASH PROVIDED BY			
(USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 16,621	115,728	132,349
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	63,315	4,871	68,186
(Increase) decrease in:			
Accounts receivable	(5,374)	467	(4,907)
Prepaid expenses	11	11	22
Increase (decrease) in:			
Accounts payable	68,865	22,633	91,498
Accrued compensated absences	949	949	1,898
Accrued liabilities	530	530	1,060
Customer deposits	(20,305)	(38,369)	(58,674)
Compensated absences - long-term	539	539	1,078
Total adjustments	108,530	(8,369)	100,161
Net cash provided by (used in) operating activities	\$ 125,151	107,359	232,510

The accompanying notes are an integral part of this statement.

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Utica, Mississippi (the Town), operates under a Mayor-Aldermen form of government and provides the following services: general government, public safety, public works, sanitation, cemetery, water and sewer, and natural gas.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements. The following is a summary of the more significant policies:

Reporting Entity

In considering how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the government's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town determined that there are no entities that should be considered component units of the Town.

Government-Wide and Fund Financial Statements

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

TOWN OF UTICA, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Government-Wide and Fund Financial Statements - continued:

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety (police and fire), public works, sanitation and cemetery. The business-type activities of the Town include operation of the water and sewer and natural gas systems.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 the proprietary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued:

Governmental funds 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 within the current period or soon enough thereafter to pay liabilities of the current period. The Town, in general, considers revenues available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

The accounts of the Town are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Town reports the following major governmental fund:

The **General Fund** is the Town's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the Town except those required to be accounted for in other specialized funds.

The Town reports at the following major proprietary funds:

The **Waterworks Fund** accounts for the activities of providing water and sewer services to the citizens of the Town.

The **Gas Fund** accounts for the activities of the Town's natural gas utilities system.

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 of the proprietary funds of the Town are charges to customers for sales and services. Operating expenses for the proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Cash, Cash Equivalents and Investments

Cash and cash equivalents include demand deposit accounts, petty cash, and certificates of deposit with a maturity date within 90 days of the date acquired by the Town. Collateral, as further discussed in Note 4, is pledged by the various financial institutions to secure Town funds. Certificates with a maturity date of more than 90 days are reported as investments.

Receivables

Receivables, net of estimated uncollectible amounts, are reported in the governmental and proprietary financial statements for goods and services, taxes, loans and grants. The estimated uncollectible amounts by fund are reported in Note 5.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Cash and Investments

Restricted cash and investments reported relate to amounts on hand at year end restricted by grant agreements in general fund.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Generally, capital assets are defined by the Town as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of one year.

Capital assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

TOWN OF UTICA, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Capital Assets - continued:

Capital assets of both the government-wide and the proprietary funds are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5-50
Improvements, other than buildings	5-50
Mobile equipment	5-10
Furniture, machinery, and equipment	5-10

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no items which qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, *deferred inflows for resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position and Fund Balances

Net position in government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and is reduced by any debt outstanding against the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Net Position and Fund Balances - continued:

Restricted net position - This component of net position consists of restricted assets plus deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted net position.

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are composed of two major types which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, spendable fund balance is composed of four classifications designed to disclose the hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance that is not constrained for any particular purpose.

When expenditures are incurred for the purposes for which amounts in any of the spendable fund balance classifications can be used, it is the Town's policy to use restricted resources first, followed by committed amounts, assigned amounts and then unassigned amounts.

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Compensated Absences

Full-time, permanent employees are granted forty hours vacation benefits per year in varying amounts to specified maximums depending on tenure with the Town. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. Police officers are not entitled to their proportionate sick leave balance until they retire or become disabled. However, these employees historically remain with the Town until retirement. Selected management employees are entitled to varying amounts of accrued sick and vacation leave balances at termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide and proprietary financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 - PROPERTY TAX

Property taxes for fiscal year 2015 were levied in September 2014 on the assessed valuation of property located in the Town of Utica, Mississippi as of the preceding January 1, the lien date. Revenues from property taxes are recognized in the fiscal year for which property taxes are levied. The financial statements reflect the accrual of the estimated fiscal year 2016 property taxes levied in September 2015. The Town has recorded deferred inflows for the estimated fiscal year 2016 real and personal property taxes as of September 30, 2015.

The Town levies property taxes annually based upon assessed valuations. The Town bills and collects its own public utility taxes. Real, personal property, automobile ad valorem taxes and certain road taxes are collected by the tax collector of Hinds County and are disbursed to the Town accordingly. Current collections of real, public utility, and personal property taxes for the year ended September 30, 2015 were approximately 100% of the total tax levy.

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TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 4 - DEPOSITS - CONTINUED:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Governmental activities:		
Unrestricted:		
Cash	\$ 33,811	227,871
Certificates of deposit	71,280	71,280
Restricted:		
Cash	<u>40,611</u>	<u>40,611</u>
	<u>145,702</u>	<u>339,762</u>
Business-type activities:		
Unrestricted:		
Cash	139,504	139,504
Certificates of deposit	<u>247,719</u>	<u>247,719</u>
	<u>387,223</u>	<u>387,223</u>
Total Deposits	<u>\$ 532,925</u>	<u>726,985</u>

The difference of \$194,060 was due to outstanding checks. Of the bank balance, \$500,000 was covered by Federal Depository Insurance.

Cash restricted for specific purposes at September 30, 2015, is comprised of the following:

Government activities:	
Street grant	\$ 7
Cemetery fund	13,252
Fire fund	<u>27,352</u>
	<u>\$ 40,611</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of September 30, 2015, \$226,985 of the Town's bank balance of \$726,985 was exposed to custodial credit risk as follows:

Guaranty Pool	\$ <u>226,985</u>
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TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 - CAPITAL ASSETS - CONTINUED:

Depreciation expense for governmental activities was charged to functions for the year ended September 30, 2015 as follows:

General government	\$ 12,532
Public safety:	
Police	22,278
Fire	964
	<u>\$ 35,774</u>

	Balance at October 1, 2014	Increases	Decreases	Balance at September 30, 2015
Business-type activities:				
Nondepreciable:				
Land-Waterworks System	\$ 29,150	-	-	29,150
Construction in process	-	717,996	-	717,996
Depreciable:				
Waterworks and sewerage system	2,779,590	17,990	-	2,797,580
Natural gas system	320,408	-	-	320,408
Machinery and equipment-Waterworks System	103,754	-	-	103,754
Machinery and equipment-Gas System	78,554	-	-	78,554
Total capital assets	<u>3,311,456</u>	<u>735,986</u>	<u>-</u>	<u>4,047,442</u>
Less accumulated depreciation for:				
Waterworks System	(2,238,093)	(63,315)	-	(2,301,408)
Gas System	(374,357)	(4,871)	-	(379,228)
Total accumulated depreciation	<u>(2,612,450)</u>	<u>(68,186)</u>	<u>-</u>	<u>(2,680,636)</u>
Business-type activities capital assets, net	<u>\$ 699,006</u>	<u>667,800</u>	<u>-</u>	<u>1,366,806</u>

Depreciation expense recorded in business-type activities for the year ended September 30, 2015 was as follows:

Waterworks System	\$ 63,315
Gas System	4,871
	<u>\$ 68,186</u>

TOWN OF UTICA, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7 - NOTE RECEIVABLE

The Town entered into a note receivable agreement on June 28, 2013, in the amount of \$27,500 bearing interest at 2.0%. The note is due and payable in six installments with the first installment due 60 days after the date of the note. The remaining installments are due annually with the final payment, plus accrued interest, due July 1, 2018. The balance of the note receivable was \$17,527 at September 30, 2015.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds.

Individual interfund receivable and payable balances at September 30, 2015, consist of the following:

<u>Fund</u>	<u>Advances from Other Funds</u>	<u>Advances to Other Funds</u>
General	\$ 388,556	-
Gas system	-	518,742
Waterworks system	<u>130,186</u>	<u>-</u>
	<u>\$ 518,742</u>	<u>518,742</u>

NOTE 9 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2015:

	<u>Beginning Balance October 1, 2014</u>	<u>Additions/ Proceeds</u>	<u>Reductions/ Payments</u>	<u>Ending Balance September 30, 2015</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital lease obligations	\$ 22,717	-	22,717	-	-
Compensated absences	<u>11,896</u>	<u>1,528</u>	<u>-</u>	<u>13,424</u>	<u>1,477</u>
Government activities total	<u>34,613</u>	<u>1,528</u>	<u>22,717</u>	<u>13,424</u>	<u>1,477</u>

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 - LONG-TERM LIABILITIES - CONTINUED:

	Beginning Balance October 1, 2014	Additions/ Proceeds	Reductions/ Payments	Ending Balance September 30, 2015	Due Within One Year
Business-type activities:					
Notes	\$ -	480,788	-	480,788	5,880
Compensated absences	4,504	2,976	-	7,480	2,978
Business-type activities total	4,504	483,764	-	488,268	8,858
Government-wide total	\$ 39,117	485,292	22,717	501,692	10,335

Debt service requirements at September 30, 2015 were as follows:

Business-Type Activities

Fiscal Year Ending September 30,	Notes Payable	
	Principal	Interest
2016	\$ 5,880	4,788
2017	17,996	14,001
2018	18,544	13,454
2019	19,108	12,890
2020	19,698	12,309
2021-2025	107,799	52,187
2026-2030	125,221	34,765
2031-2035	145,459	14,527
2036	21,083	237
	<u>\$ 480,788</u>	<u>159,158</u>

Notes payable at September 30, 2015 are comprised of the following individual issues:

\$480,788 note payable to the Mississippi Development Authority under the Authority's Capital Improvement Revolving Loan Program. The note is due in monthly installments starting June 2016 through May 2036 with interest at 3.00%. The note is to be paid by the Town's Waterworks Fund.

\$ 480,788

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10 - ECONOMIC DEPENDENCY

The Town receives a substantial portion of its funding from State and County governmental authorities in the form of tax levies and grants. During the year ending September 30, 2015, the approximate percentage of total revenues from these funding sources is as follows:

State government	33.61%
County government	21.99%

NOTE 11 - CONTINGENT LIABILITIES

Grant Audits

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

Compliance

In June 2009, the Town was issued National Pollutant Discharge Elimination System operating permits with stricter limits for the north and south lagoons. Compliance under these permits was to be met by June 2012. In May 2012, the Town was notified of noncompliance by the Mississippi Department of Environmental Quality (MDEQ). Upon notice of violation, the Town then entered into an agreement with WGK, Inc. for engineering, surveying and/or construction of the wastewater treatment systems. MDEQ held an Administrative Conference on April 16, 2013 with Town officials to discuss and reach a settlement regarding violations. In August 2015, the Town settled the claim with MDEQ.

WGK, Inc. has developed a Wastewater Improvements Facilities Plan for the Town with an estimated cost of \$821,701. The Town received a Community Development Block Grant, effective October 1, 2013, in the amount of \$450,000 to fund improvements to the wastewater sewer system and also received approval for a loan (see note 6) through the Mississippi Development Authority Capital Improvement Loan Program to fund the Town's portion of the improvements. The Town has awarded a construction contract and the project was under construction at September 30, 2015.

NOTE 12 - RISK MANAGEMENT

The Town's risk management activities are reported with governmental activities and recorded in the General Fund and encompass employee life, health, property and liability, workers'

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 12 - RISK MANAGEMENT - CONTINUED:

compensation, unemployment, and disability insurance programs of the Town. These funds account for the risk financing activities of the Town but do not constitute a transfer of risk from the Town.

Significant losses are covered by commercial insurance except workers' compensation, for which the Town retains risk of loss. There have been no significant reductions in insurance coverage. Furthermore, the Town has not incurred significant insurance claims or settlements during the current year or in the three prior years.

NOTE 13 - INTERFUND TRANSFERS

During the year ended September 30, 2015, transfers among funds were utilized to provide cash flow for the Town's general fund, as follows:

<u>(Transfer Out)</u>		<u>Transfer To</u>	<u>Totals</u>
<u>Waterworks Fund</u>	<u>Gas Fund</u>	<u>General Fund</u>	
\$ <u>(45,000)</u>	<u>(110,000)</u>	<u>155,000</u>	<u>-</u>

NOTE 14 - FUND DEFICIT

As of September 30, 2015, total fund balance for the Town's general fund reflected a fund deficit of \$266,950. The Town's governmental activities reflected a deficit of \$93,902 in net position. The deficit results from net interfund payables in the amount of \$388,556 due to the Town's proprietary funds as of September 30, 2015.

NOTE 15 - SUBSEQUENT EVENTS

The Town had no subsequent events of a material nature requiring adjustments to or disclosure in the financial statements through November 23, 2016, the date the financial statements were approved by the Town's management and thereby available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A

TOWN OF UTICA, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Ad valorem taxes	\$ 81,967	76,935	79,091	2,156
Sales taxes	143,000	113,956	116,665	2,709
Utility franchise fees	13,000	15,000	13,953	(1,047)
Licenses and permits	1,700	1,859	2,300	441
Intergovernmental	10,871	11,713	16,462	4,749
Charges for services	64,050	64,000	63,686	(314)
Fines and forfeits	25,000	37,000	49,033	12,033
Interest income	15	15	1,497	1,482
Miscellaneous	6,400	16,006	11,752	(4,254)
Total revenues	<u>346,003</u>	<u>336,484</u>	<u>354,439</u>	<u>17,955</u>
EXPENDITURES:				
General government:				
Personnel services	52,299	54,919	53,092	1,827
Supplies	4,600	3,168	2,560	608
Other services and charges	<u>38,600</u>	<u>37,750</u>	<u>52,238</u>	<u>(14,488)</u>
Total general government	<u>95,499</u>	<u>95,837</u>	<u>107,890</u>	<u>(12,053)</u>
Police:				
Personnel services	181,669	205,239	213,927	(8,688)
Supplies	29,000	28,181	23,982	4,199
Other services and charges	40,900	38,996	39,128	(132)
Capital outlay	-	-	5,029	(5,029)
Total police	<u>\$ 251,569</u>	<u>272,416</u>	<u>282,066</u>	<u>(9,650)</u>

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TOWN OF UTICA, MISSISSIPPI

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES - CONTINUED:				
Fire:				
Supplies	\$ -	-	120	(120)
Total fire	-	-	120	(120)
Public works:				
Other services and charges	37,500	36,882	36,554	328
Capital outlay	500	-	-	-
Total public works	38,000	36,882	36,554	328
Sanitation:				
Other services and charges	64,050	65,088	65,082	6
Total public works	64,050	65,088	65,082	6
Cemetery:				
Other services and charges	10,500	12,600	10,947	1,653
Total public works	10,500	12,600	10,947	1,653
Debt service	-	-	22,717	(22,717)
Total expenditures	459,618	482,823	525,376	(42,553)
Excess (deficiency) of revenues over (under) expenditures	(113,615)	(146,339)	(170,937)	(24,598)
Other financing sources:				
Operating transfers in	139,402	152,252	155,000	2,748
Total financing sources	139,402	152,252	155,000	2,748
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	25,787	5,513	(15,937)	(21,850)
Fund balance at beginning of year	(266,818)	(266,818)	(266,818)	-
Fund balance at end of year	\$ (241,031)	(260,505)	(282,755)	(21,850)

TOWN OF UTICA, MISSISSIPPI

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND - CONTINUED:

FOR THE YEAR ENDED SEPTEMBER 30, 2015

**EXPLANATION OF DIFFERENCES
BETWEEN BUDGETARY FUND
BALANCE AND GAAP FUND
BALANCE:**

Fund Balance - budgetary basis	\$ (282,755)
Adjustment to GAAP basis:	
Add accrued revenue:	
Ad valorem taxes	1,557
Sales taxes	9,070
Utility franchise taxes	3,900
Sanitation	5,818
Prepaid expenses	<u>(4,540)</u>
Fund Balance - GAAP basis	\$ <u>(266,950)</u>

See accompanying notes to required supplemental information schedule.

TOWN OF UTICA, MISSISSIPPI

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION SCHEDULE
SEPTEMBER 30, 2015**

Budgetary Comparison Schedule

NOTE 1 - BASIS OF PRESENTATION

The Town's governmental fund types are budgeted in accordance with the laws of the State of Mississippi which require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. Capital project funds, however, are budgeted per project and do not lapse at year end. The required budgetary basis is therefore not considered to be in accordance with generally accepted accounting principles. Governmental accounting requires that the Budgetary Comparison Schedule be prepared according to budgetary laws and the Statement of Revenues, Expenditures, and Changes in Fund Balance be prepared according to the modified accrual basis (GAAP).

SUPPLEMENTAL INFORMATION

TOWN OF UTICA, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2015**

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>
Kenneth Broome	Mayor	Travelers	\$ 50,000
Earl Mathes	Alderman, Ward I	Travelers	25,000
George Walker	Alderman, Ward II	Travelers	25,000
Lennette Watts	Alderwoman, Ward III	Travelers	25,000
Kenneth Frazier, Jr.	Alderman, Ward IV	Travelers	25,000
Doris Ross	Alderwoman-at-Large	Travelers	25,000
Lisa Morris	Town Clerk	Travelers	50,000
Mary Moreland	Deputy Clerk	Travelers	50,000
Timothy Myles	Chief of Police	Travelers	50,000
Lisa Morris	Court Clerk	Travelers	50,000
Mary Moreland	Court Clerk	Travelers	50,000

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

The Honorable Mayor and Board of Aldermen
Town of Utica, 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 and each major fund of the Town of Utica, Mississippi as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Utica, Mississippi's basic financial statements and have issued our report thereon dated November 23, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Utica, 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 the Town of Utica, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Utica, 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 and significant deficiencies.

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Internal Control Over Financial Reporting - continued:

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 on the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. 15-01.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. 15-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Utica, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Utica, Mississippi's Response to Findings

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

Haddon Reed Eubank Better PLLC

Jackson, Mississippi
November 23, 2016

TOWN OF UTICA, MISSISSIPPI

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED SEPTEMBER 30, 2015

SUMMARY OF AUDITOR'S RESULTS

- (1) The auditor's report expresses an unmodified opinion on whether the financial statements of the Town of Utica, Mississippi were prepared in accordance with GAAP.
- (2) One significant deficiency and one material weakness were disclosed during the audit of the financial statements and are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- (3) No instances of noncompliance material to the financial statements of the Town of Utica, Mississippi, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

15-01 Significant Adjustments Required (Repeat of 14-01 Finding from Prior Year)

Condition: As a result of our audit procedures, significant adjustments to the financial statements were required to be made in order for the financial statements to be fairly stated.

Criteria: The financial statements are the responsibility of the Town of Utica. Therefore, all adjustments should be completed before preparation of the financial statements.

Cause: The adjustments were necessary to correct account coding, misclassifications, and to adjust accruals at year end.

Effect: The Town's periodic financial statements are not in accordance with generally accepted accounting principles.

Recommendation: We recommend that the Town of Utica implement policies and procedures to ensure correct account coding on all transactions and journal entries. We also recommend that all accruals be adjusted prior to the start of the audit.

View of Responsible Officials and Planned Corrective Action: Management will review all journal entries and coding as necessary to ensure proper recording. Management will prepare a year-end closing checklist to determine all necessary adjustments are made prior to closing the books.

Significant Deficiency

15-02 Lack of Segregation of Duties (Repeat of 14-02 Finding from Prior Year)

Condition: One employer currently opens mail, records checks, bills utilities, makes deposits, and reconciles bank accounts. This condition causes a lack of separation of duties for handling cash receipts, billings and accounts receivable.

Criteria: Internal controls should be in place that allow for proper segregation of duties.

Cause: The small number of office personnel does not allow for proper segregation of duties. Internal control accounting principles regarding the separation of financial duties were not possible, and there was no written organizational policy that addressed cash receipt handling.

Effect: The Town is at risk of fraud due to lack of segregation of duties for proper internal controls.

Recommendation: To the extent possible, duties should be segregated to serve as a check and balance on the employee's performance and to maintain the best control system possible. We feel the segregation could be improved if different employees performed the separate duties of processing cash receipts and cash disbursements, and maintaining books of original entry.

View of Responsible Officials and Planned Corrective Action: The Mayor is taking active participation in the day to day operations of the Town's finances. The Town will write and implement a policy that addresses separation of duties for handling cash receipts. It is not financially feasible to hire personnel to ensure proper segregation of duties.

TOWN OF UTICA, MISSISSIPPI

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

14-01 Significant Adjustments Required

Condition: As a result of our audit procedures, significant adjustments to the financial statements were required to be made in order for the financial statements to be fairly stated.

Recommendation: We recommended that the Town of Utica implement policies and procedures to ensure correct account coding on all transactions and journal entries. We also recommended that all accruals be adjusted prior to the start of the audit.

Current Status: A similar finding was noted in the 2015 audit.

14-02 Lack of Segregation of Duties

Condition: One employer currently opens mail, records checks, bills utilities, makes deposits, and reconciles bank accounts. This condition causes a lack of separation of duties for handling cash receipts, billings and accounts receivable.

Recommendation: To the extent possible, duties should be segregated to serve as a check and balance on the employee's performance and to maintain the best control system possible. We feel the segregation could be improved if different employees performed the separate duties of processing cash receipts and cash disbursements, and maintaining books of original entry.

Current Status: A similar finding was noted in the 2015 audit.



STATE COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

The Honorable Mayor and Board of Aldermen
Town of Utica, Mississippi

We have audited the basic financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Utica, Mississippi as of and for the year ended September 30, 2015, which collectively comprise the Town of Utica, Mississippi's basic financial statements and have issued our report thereon dated November 23, 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*, issued by the Comptroller General of the United States.

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 no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the Town's management, Board of Aldermen, 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.

Haddon Reid Eubank Betts PLLC

Jackson, Mississippi
November 23, 2016

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