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**CITY OF SENATOBIA, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2016**

**CITY OF SENATOBIA, MISSISSIPPI**

**ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2016**

**TABLE OF CONTENTS**

Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Statement of Net Position .....	12
Statement of Activities .....	13
Balance Sheet – Governmental Funds .....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	16
Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities.....	17
Statement of Net Position – Proprietary Funds .....	18
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds.....	20
Notes to Financial Statements .....	21
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund .....	39
Schedule of Proportionate Share of the Net Pension Liability - PERS .....	40
Schedule of Contributions - PERS .....	41
Notes to the Required Supplementary Information .....	42
Supplementary Information	
Schedule of Surety Bonds for Municipal Officials.....	44
Special Reports	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	46
Independent Auditors' Report on Compliance With State Laws and Regulations.....	48
Schedule of Findings and Responses .....	49

# F.O. GIVENS & COMPANY

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## INDEPENDENT AUDITORS' REPORT

Mayor and Board of Aldermen  
City of Senatobia  
Senatobia, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Senatobia, Mississippi as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Senatobia, Mississippi'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.

### 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Senatobia, Mississippi, as of September 30, 2016, 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 (pages 3-10), budgetary comparison schedule (page 39), Schedule of the City's Proportionate Share of the Net Pension Liability and of the City's Contributions (pages 40-41) with accompanying notes (page 42) 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 Senatobia, Mississippi's basic financial statements. The Schedule of Surety Bonds for Municipal Officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Surety Bonds for Municipal Officials 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2017, on our consideration of the City of Senatobia, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Senatobia, Mississippi's internal control over financial reporting and compliance



F.O. Givens & Co.  
Certified Public Accountants  
December 28, 2017

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

# **CITY OF SENATOBIA MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2016**

The discussion and analysis of the City of Senatobia's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2016. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the City's financial performance. Information contained in this selection is qualified by the more detailed information contained elsewhere in this city's financial statements, notes to financial statements and any accompanying materials.

The purpose of this discussion and analysis is twofold: 1) Comply with the Required Supplementary Information specified by the Governmental Accounting Standards Board's Statement 34 and 2) Give the reader a clear understanding of the financial activities that occurred during the fiscal year.

## **FINANCIAL HIGHLIGHTS**

- As a result of this year's operations, the change in net position was a decrease of \$7,749,019 or approximately 9%.
- Total revenues on the government wide statements were \$4,172,739 compared to \$11,118,846 in the previous year. Property tax made up approximately 37% of total revenues.
- Total expenses on the government-wide financial statements were \$11,921,758, compared to \$12,174,221 in the previous year. This represents a 2% decrease in expense.
- Governmental fund balances increased \$3,573,456, or approximately 302.5%, compared to a \$151,058 decrease in the prior year.
- Proprietary fund's net position in the fund statements decreased \$264,184, or approximately 2.8%, compared to a \$328,978 increase in the prior year.
- Governmental activities capital assets, net of accumulated depreciation, decreased by \$5,240,243 compared to the prior year. This decrease is mostly attributable to the disposition of obsolete manufacturing equipment.
- Business-type activities capital assets, net of accumulated depreciation, decreased by \$379,821 compared to the prior year.
- Total capital debt increased by \$4,583,000. The increase was the result of a \$5,000,000 GO bond issued for the purposes of constructing the Sportsplex recreational facility.

## **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City finances, in a manner similar to private-sector businesses. The government-wide financial statements consist of the statement of net position and the statement of activities. These statements are prepared on the accrual basis of accounting, which includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City, and can be found on pages 12 and 13 of this report.



**CITY OF SENATOBIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

The statement of net position presents information on all City assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these reported as net position. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, library, interest on long term debt, and pension expense. The business-type activities of the City include utility, hospital, interest on long-term debt, and pension expense.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into two categories: governmental funds or proprietary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Governmental funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash, which provides a detailed short-term view of the City's operations. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented with governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 15 and 17, respectively.

Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 14 through 17 of this report.

**Proprietary funds** are maintained to account for enterprise activities. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for utilities and hospital funds.

Fund financial statements for the proprietary funds provide the same type and basis of information as the business-type activities in the government-wide financial statements, only in more detail. The Utility Fund is a major fund of the City. Data from the other enterprise fund is combined into a single, aggregated presentation. The proprietary funds financial statements can be found on pages 18 through 20 of this report.

**CITY OF SENATOBIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**GOVERNMENT WIDE FINANCIAL ANALYSIS**

Net position may serve over time as an indicator of the City's financial position. For the City of Senatobia, the combined net position was (\$3,123,239) as of September 30, 2016, compared to \$4,625,780 as of September 30, 2015.

The largest portion of the City's net assets can be found in its investments in capital assets (land, buildings, building improvements, equipment) less any related debt. The City uses these capital assets to provide services; therefore, these assets may not be available for future spending.

The City's financial position is a product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the City's net position for the fiscal years ended September 30, 2016 and 2015.

	2016		2015	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Other Assets	\$ 6,464,341	\$ 2,842,427	\$ 2,901,949	\$ 3,294,602
Capital Assets, Net	22,809,944	10,493,555	28,050,187	10,873,376
Total Assets	29,274,285	13,335,982	30,952,136	14,167,978
Deferred Outflows-Pensions	1,395,088	239,922	1,040,411	184,178
Total Deferred Outflows	1,395,088	239,922	1,040,411	184,178
Other Liabilities	9,660,813	2,375,894	8,220,648	2,237,610
Long-term Debt Outstanding	31,798,578	2,054,442	27,037,734	2,708,122
Total Liabilities	41,459,391	4,430,336	35,258,382	4,945,732
Deferred Inflows-Pensions	18,032	3,228	-	-
Property Tax for Future Periods	1,457,429	-	1,514,809	-
Total Deferred Inflows	1,475,461	3,228	1,514,809	-
Invested in capital assets, net of related debt	(11,178,486)	7,822,969	(705,664)	7,553,211
Restricted	4,047,455	424,374	664,707	406,364
Unrestricted	(5,134,448)	894,897	(4,739,687)	1,446,849
Total Net Position	\$ (12,265,479)	\$ 9,142,240	\$ (4,780,644)	\$ 9,406,424

**Changes in Net Position** - The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2016 and 2015.

(See table on following page)

**CITY OF SENATOBIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	2016 Amount	2015 Amount
Governmental Activities		
Revenues		
Program Revenues:	\$ 853,675	\$ 850,013
Charges for services	128,767	118,429
Operating grants and contributions	34,508	295,309
Revenues		
General Revenues:		
Property taxes	1,540,736	1,425,603
Transfers	305,199	292,827
Loss on disposal of assets	(6,429,719)	
Other	4,221,373	3,544,160
Total Revenues	<u>654,539</u>	<u>6,526,341</u>
Expenses		
General governments	2,652,045	2,762,077
Public safety	2,680,308	2,616,628
Public works	1,205,245	1,169,315
Culture and recreation	416,128	373,419
Library	114,627	140,592
Interest and other expenses on long-term debt	107,930	150,748
Pension expense	963,091	697,915
Total Expenses	<u>8,139,374</u>	<u>7,910,694</u>
Increase (Decrease) in Net Position	<u>\$ (7,484,835)</u>	<u>\$ (1,384,353)</u>
Business-type Activities		
Revenues		
Program Revenues		
Charges for services	\$ 3,784,660	\$ 4,585,426
General Revenues:		
Transfers	(305,199)	(292,827)
Other	38,739	299,906
Total Revenues	<u>3,518,200</u>	<u>4,592,505</u>
Expenses		
Utility	3,544,214	4,079,605
Hospital	96	-
Interest and other expenses on long-term debt	190,123	123,556
Pension expense	47,951	60,366
Total Expenses	<u>3,782,384</u>	<u>4,263,527</u>
Increase (Decrease) in Net Posiiton	<u>\$ (264,184)</u>	<u>\$ 328,978</u>

# CITY OF SENATOBIA MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2016

**Governmental Activities** - The following table presents the cost of seven major functional activities of the City: General Government, Public Safety, Public Works, Culture and Recreation, Library, Interest on long-term liabilities, and Pension Expense. The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

	2016		2015	
	Total Costs	Net Costs	Total Costs	Net Costs
General government	\$ 2,652,045	\$ 2,459,293	\$ 2,762,077	\$ 2,520,873
Public safety	\$ 2,680,308	\$ 2,507,681	\$ 2,616,628	\$ 2,447,325
Public works	\$ 1,205,245	\$ 672,849	\$ 1,169,315	\$ 424,393
Culture and recreation	\$ 416,128	\$ 296,953	\$ 373,419	\$ 265,097
Library	\$ 114,627	\$ 114,627	\$ 140,592	\$ 140,592
Interest on long-term debt	\$ 107,930	\$ 107,930	\$ 150,748	\$ 150,748
Pension expense	\$ 963,091	\$ 963,091	\$ 697,915	\$ 697,915

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

**Governmental Funds** - At the close of the fiscal year, the City's governmental funds reported a combined fund balance of \$4,754,773 a increase of \$3,573,456.

The General Fund is the principal operating fund of the City. The increase in the fund balance of the General Fund for the fiscal year was \$153,316.

**Business-type funds** - The Enterprise Funds, including the Utility Fund, showed a decrease in net position for the year of \$264,184, compared to a \$328,978 increase in the prior year.

## BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Senatobia revised its annual operating budget to more closely reflect revenues and expenses. A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information.

## ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The City of Senatobia had been maintaining the former Twin Creeks solar facility for the past few years, and we were glad to land a new tenant in December 2015, ABB Inc. The city entered into a 10 year lease purchase agreement with ABB Inc. that paves the way to eventually eliminate any debt associated with the 2010 Twin Creeks solar project. Lease payments are flowing through the city's general fund directly to MDA. The outstanding debt from the Twin Creeks project continues to impact our financial statements.

Prior to the commencement of the ABB Inc. lease, the city was instructed by the Mississippi Development Authority to dispose of all contents and specialty solar equipment. The City of Senatobia incurred approx. \$120,000 in expenses to disassemble and relocate the solar equipment ahead of the equipment sale. Unfortunately, the subsequent sale of solar assets didn't cover the moving expense. Therefore, expenses exceeded revenues for FYE 09-30-2016.

# **CITY OF SENATOBIA MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2016**

The City of Senatobia Utility Fund delivered another solid performance for 2016; however, we had another milder winter that impacted our natural gas sales. We continue to manage our water, sewer and natural gas systems in a manner that promotes operational efficiency and keeps us current with new regulations. As of September 30, 2016, the City of Senatobia is contemplating an upgrade of the city's wastewater treatment plant to solve the day-to-day issues of an aging facility and to prepare for anticipated new permit requirements from the Mississippi Department of Environmental Quality. Any upgrade to the wastewater treatment plant will be a multi-year project that will span a few fiscal years.

In 2014, the City of Senatobia implemented a 2% tourism tax to fund new opportunities for tourism and recreation. The construction of a new sports park is underway and the 2% tourism revenues will service any associated debt incurred by the City to fund the sports park.

The City's millage rate was 27 mills for 2016, one of the lowest in the State of Mississippi for communities our size.

## **BUDGETARY HIGHLIGHTS**

The City's fiscal operating budget for both the General funds and the Utility fund are prepared, presented, and adopted by the Board of Aldermen prior to September 15 of each year for the upcoming fiscal year of October 1 to September 30. The City strives to determine accurate projections for revenues and expenses based on historical data and a reasonable forecast for the upcoming 12-month period. Due to unforeseen events throughout the year, it is necessary for the City to amend its budget from time to time during the fiscal year. For the fiscal year ending September 30, 2016, the City of Senatobia did have a few revisions that were required. Other revisions were attributed to variations in tax revenues, fluctuations in the cost of natural gas, and the timing of payments for construction and improvement projects that span multiple fiscal years.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - As of September 30, 2016, Senatobia's total capital assets were \$52,879,944. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, and leased property under capital lease.

Total accumulated depreciation as of September 30, 2016, was \$19,576,445, including \$2,832,316 of depreciation expense for the year. The balance in total net capital assets was \$33,303,499 at year-end.

Additional information on the City's capital assets can be found in Note 4 on pages 30 and 31 of this report.

**Debt Administration** - At September 30, 2016, Senatobia had \$33,853,020 in long-term debt outstanding. This includes general obligation bonds, revenue bonds, loans from Mississippi Development Authority, capital leases, and accrued vacation pay.

For the year ending September 30, 2016, Senatobia had entered into lease purchase agreements for \$1,192,870 for vehicles and equipment.

The State of Mississippi limits the amount of debt a city can issue to generally 15% of taxable assessed value. The City's outstanding debt is currently at 10.97% of the latest property assessments, well below the debt limit.

Additional information on Tate City's long-term debt can be found in Note 6 on pages 32 through 34 of this report.

## **CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

None that would have any financial impact on this audit report.

**CITY OF SENATOBIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**CONTACT:**

If you have any questions concerning this report, please contact:

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF SENATOBIA, MISSISSIPPI**

**Statement of Net Position**

**September 30, 2016**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 861,210	\$ 1,178,271	\$ 2,039,481
Accounts receivable, net of allowance for doubtful accounts of \$76,638	-	347,882	347,882
Intergovernmental receivable	383,544	-	383,544
Franchise tax receivable	54,948	-	54,948
Property taxes receivable	1,457,429	-	1,457,429
Interest receivable	2,641	1,439	4,080
Prepaid expense	26,428	19,494	45,922
Internal balances	(366,626)	366,626	-
Inventory	-	523,835	523,835
Restricted assets:			
Cash in bank	4,044,767	2,188	4,046,955
Customer deposits	-	402,692	402,692
Capital assets, net of accumulated depreciation	22,809,944	10,493,555	33,303,499
 Total Assets	 29,274,285	 13,335,982	 42,610,267
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred outflows related to pensions	1,395,088	239,922	1,635,010
 Total Deferred Inflows of Resources	 1,395,088	 239,922	 1,635,010
<b><u>LIABILITIES</u></b>			
Accounts payable	233,711	101,438	335,149
Accrued expenses	294,323	21,386	315,709
Customer deposits	-	402,692	402,692
Long-term liabilities			
Net pension liability	6,822,746	1,215,378	8,038,124
Due within one year:			
Capital debt	2,310,033	635,000	2,945,033
Due in more than one year:			
Capital debt	31,678,397	2,035,586	33,713,983
Non-capital debt	120,181	18,856	139,037
 Total Liabilities	 41,459,391	 4,430,336	 45,889,727
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Property tax for future reporting periods	1,457,429	-	1,457,429
Deferred inflows related to pensions	18,032	3,328	21,360
 Total Deferred Inflows of Resources	 1,475,461	 3,328	 1,478,789
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	(11,178,486)	7,822,969	(3,355,517)
Restricted for:			
Expendable:			
General Government	3,557,943	-	3,557,943
Public safety	24,552	-	24,552
Debt service	462,272	2,188	464,460
Customer deposits	-	402,692	402,692
Nonexpendable:			
Prepaid	26,428	19,494	45,922
Unrestricted	(5,158,188)	894,897	(4,263,291)
 Total Net Position	 \$ (12,265,479)	 \$ 9,142,240	 \$ (3,123,239)

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



**CITY OF SENATOBIA, MISSISSIPPI**  
**Statement of Activities**  
**For the Year Ended September 30, 2016**

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-Type	Total
	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Activities	
<b><u>Governmental Activities</u></b>							
General government	2,652,045	192,752	\$ -	\$ -	\$ (2,459,293)	\$ -	\$ (2,459,293)
Public safety	2,680,308	45,860	126,767	-	(2,507,681)	-	(2,507,681)
Public works	1,205,245	497,888	-	34,508	(672,849)	-	(672,849)
Culture and recreation	416,128	117,175	2,000	-	(296,953)	-	(296,953)
Library	114,627	-	-	-	(114,627)	-	(114,627)
Interest on long-term debt	107,930	-	-	-	(107,930)	-	(107,930)
Pension expense	963,091	-	-	-	(963,091)	-	(963,091)
Total governmental activities	8,139,374	853,675	128,767	34,508	(7,122,424)	-	(7,122,424)
<b><u>Business-Type Activities</u></b>							
Utility	3,544,214	3,784,660	-	-	-	240,446	240,446
Hospital	96	-	-	-	-	(96)	(96)
Interest on long-term debt	47,951	-	-	-	-	(47,951)	(47,951)
Pension expense	190,123	-	-	-	-	(190,123)	(190,123)
Total business-type activities	3,782,384	3,784,660	-	-	-	2,276	2,276
Total government	\$ 11,921,758	\$ 4,638,335	\$ 128,767	\$ 34,508	(7,122,424)	2,276	(7,120,148)
General Revenue:							
Property taxes					1,540,736	-	1,540,736
Intergovernmental					335,168	-	335,168
Sales tax					2,707,519	-	2,707,519
Franchise taxes					197,858	-	197,858
Rents					493,473	-	493,473
Interest					12,607	6,048	18,655
Miscellaneous					474,748	32,691	507,439
Gain (Loss) on disposal of assets					(6,429,719)	-	(6,429,719)
Transfers					305,199	(305,199)	-
Total General Revenues & Transfers					(362,411)	(266,460)	(628,871)
Change in Net Position					(7,484,835)	(264,184)	(7,749,019)
Net Position - Beginning of Year					(4,780,644)	9,406,424	4,625,780
Net Position - End of Year					\$ (12,265,479)	\$ 9,142,240	\$ (3,123,239)

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

**CITY OF SENATOBIA, MISSISSIPPI**

**Balance Sheet**

**Governmental Funds**

**September 30, 2016**

	<b>General Fund</b>	<b>Sportsplex Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 861,210	-	-	\$ 861,210
Intergovernmental receivable	344,694	-	38,850	383,544
Franchise tax receivable	54,948	-	-	54,948
Property tax receivable	1,217,763	-	239,666	1,457,429
Interest receivable	2,641	-	-	2,641
Prepaid expenses	26,428	-	-	26,428
Restricted cash	24,552	3,399,137	621,078	4,044,767
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 2,532,236	\$ 3,399,137	\$ 899,594	\$ 6,830,967
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 233,469	\$ -	242	\$ 233,711
Accrued expenses	18,428	-	-	18,428
Due to/(from) other funds	387,642	-	(21,016)	366,626
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	639,539	-	(20,774)	618,765
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable revenue - property taxes	1,217,763	-	239,666	1,457,429
	<hr/>	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	1,217,763	-	239,666	1,457,429
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>FUND BALANCES</u></b>				
Nonspendable:				
Prepaid expenses	26,428	-	-	26,428
Restricted:				
General government	-	3,399,137	158,806	3,557,943
Public safety	24,552	-	-	24,552
Debt service	-	-	462,272	462,272
Assigned:				
General government	-	-	-	-
Public Safety	96,241	-	-	96,241
Public Works	-	-	-	-
Unassigned	527,713	-	59,624	587,337
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	674,934	3,399,137	680,702	4,754,773
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows and Fund Balances	\$ 2,532,236	\$ 3,399,137	\$ 899,594	\$ 6,830,967
	<hr/>	<hr/>	<hr/>	<hr/>

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

**CITY OF SENATOBIA , MISSISSIPPI**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2016**

Total Fund Balance - Governmental Funds \$ 4,754,773

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds. These assets consist of:

Land	1,225,102	
Buildings and improvements	19,034,001	
Equipment and vehicles	4,236,801	
Infrastructure	6,580,212	
Construction in progress	2,759,038	
Accumulated depreciation	<u>(11,025,210)</u>	
		22,809,944

Deferred outflows of resources related to pensions are applicable to  
future periods and, therefore, are not reported in the funds. 1,395,088

Some liabilities are not due and payable in the current period and  
therefore are not reported in the funds. Those liabilities consist of:

Pension liability	(6,822,746)	
Notes payable	(26,600,960)	
Leases payable	(1,192,870)	
General obligation and revenue bonds	(6,150,031)	
Bond Premium	(44,569)	
Compensated absences	(120,181)	
Accrued interest	<u>(275,895)</u>	
		(41,207,252)

Deferred inflows of resources related to pensions are applicable to  
future periods and, therefore, are not reported in the funds. (18,032)

Net Position of Governmental Activities \$ (12,265,479)

**CITY OF SENATOBIA, MISSISSIPPI**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Governmental Funds**  
**For the Year Ended September 30, 2016**

	<b>General Fund</b>	<b>Sportsplex Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES</u></b>				
General property taxes	1,304,043	\$ -	236,693	\$ 1,540,736
Licenses and permits	69,837	-	-	69,837
Intergovernmental	2,642,034	-	453,020	3,095,054
Charges for services	854,638	-	-	854,638
Franchise taxes	197,858	-	-	197,858
Interest	3,616	7,946	1,045	12,607
Miscellaneous	474,748	-	-	474,748
Total Revenues	<u>5,546,774</u>	<u>7,946</u>	<u>690,758</u>	<u>6,245,478</u>
<b><u>EXPENDITURES</u></b>				
General government	859,138		403,286	1,262,424
Public safety	3,463,684	-	-	3,463,684
Public works	1,403,213	-	51,298	1,454,511
Culture and recreation	416,464	1,851,574	-	2,268,038
Library	102,845	-	-	102,845
Debt service:				
Principal	264,479	-	218,290	482,769
Interest	27,193		68,922	96,115
Bond issue costs		95,500		95,500
Total Expenditures	<u>6,537,016</u>	<u>1,947,074</u>	<u>741,796</u>	<u>9,225,886</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(990,242)</u>	<u>(1,939,128)</u>	<u>(51,038)</u>	<u>(2,980,408)</u>
<b><u>OTHER FINANCIAL (USES)</u></b>				
Rents	203,223	-	290,250	493,473
Grant revenue	5,600	-	34,508	40,108
Sale of assets	(2,093)	-	-	(2,093)
Interfund transfers	266,049	291,867	(252,717)	305,199
Debt proceeds	670,779	5,046,398	-	5,717,177
Total Other Financing Sources (Uses)	<u>1,143,558</u>	<u>5,338,265</u>	<u>72,041</u>	<u>6,553,864</u>
Net Change in Fund Balances	153,316	3,399,137	21,003	3,573,456
Fund Balance - Beginning of Year	521,618	-	659,699	1,181,317
Fund Balance - End of Year	<u>\$ 674,934</u>	<u>\$ 3,399,137</u>	<u>\$ 680,702</u>	<u>\$ 4,754,773</u>

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

**CITY OF SENATOBIA, MISSISSIPPI**  
**Reconciliation of Revenues, Expenditures, and Changes in**  
**Fund Balances of Government Funds to the Statement of Activities**  
**For the Year Ended September 30, 2016**

Net Change in Fund Balances - Total Governmental Funds	\$ 3,573,456
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$2,380,961) exceeded capital outlays (\$3,568,344).	1,187,383
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds (\$5,717,177) in the current period exceeded repayments (\$482,769).	(5,234,408)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in netposition differs from the change in fund balances by a combination of the following items:

Compensated absences	2,535
Accrued interest expense	(11,815)
Pension expense	(576,189)
Sale of capital assets	(6,427,626)
Bond premium, discount and deferred loss amortization	1,829
	1,829

Change in Net Position of Governmental Activities	\$ (7,484,835)
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The accompanying notes are an integral part of the financial statements.

**CITY OF SENATOBIA, MISSISSIPPI**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2016**

	<u>Utility Fund</u>	<u>Hospital Fund</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Current Assets			
Cash and cash equivalents	\$ 1,178,271	\$ -	\$ 1,178,271
Accounts receivable, net of allowance for doubtful accounts of \$76,638	347,882	-	347,882
Inventory	523,835	-	523,835
Interest receivable	1,439	-	1,439
Due from other funds	366,626	-	366,626
Prepaid Expenses	19,494	-	19,494
Total Current Assets	<u>2,437,547</u>	<u>-</u>	<u>2,437,547</u>
Noncurrent Assets			
Restricted assets:			
Cash - debt service	-	2,188	2,188
Cash - customer deposits	402,692	-	402,692
Capital assets, net of accumulated depreciation	10,493,555	-	10,493,555
Total Noncurrent Assets	<u>10,896,247</u>	<u>2,188</u>	<u>10,898,435</u>
Total Assets	<u>13,333,794</u>	<u>2,188</u>	<u>13,335,982</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred outflows related to pensions	<u>239,922</u>	<u>-</u>	<u>239,922</u>
Total deferred outflows of resources	<u>239,922</u>	<u>-</u>	<u>239,922</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Current Liabilities			
Accounts payable	101,438	-	101,438
Accrued expenses	21,386	-	21,386
Customer deposits	402,692	-	402,692
Bonds payable - Capital Debt	635,000	-	635,000
Total Current Liabilities	<u>1,160,516</u>	<u>-</u>	<u>1,160,516</u>
Long-term liabilities due in more than one year:			
Pension Liability	1,215,378	-	1,215,378
Bonds Payable - Capital Debt	2,035,586	-	2,035,586
Compensated Absences	18,856	-	18,856
Total Long-term Liabilities	<u>3,269,820</u>	<u>-</u>	<u>3,269,820</u>
Total Liabilities	<u>4,430,336</u>	<u>-</u>	<u>4,430,336</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred inflows related to pensions	<u>3,328</u>	<u>-</u>	<u>3,328</u>
Total Deferred Inflows of Resources	<u>3,328</u>	<u>-</u>	<u>3,328</u>
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	7,822,969	-	7,822,969
Restricted for:			
Debt service	402,692	2,188	404,880
Prepaid expenses	19,494	-	19,494
Unrestricted	894,897	-	894,897
Total Net Position	<u>\$ 9,140,052</u>	<u>\$ 2,188</u>	<u>\$ 9,142,240</u>

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

**CITY OF SENATOBIA, MISSISSIPPI**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2016**

	<u>Utility Fund</u>	<u>Hospital Fund</u>	<u>Total</u>
<b><u>OPERATING REVENUES</u></b>			
Charges for services	\$ 3,784,660	\$ -	\$ 3,784,660
Total Operating Revenues	<u>3,784,660</u>	<u>-</u>	<u>3,784,660</u>
<b><u>OPERATING EXPENSES</u></b>			
Cost of Sales	1,137,070	-	1,137,070
Personnel	646,897	-	646,897
Pension	190,123	-	190,123
Depreciation and amortization	451,355	-	451,355
Material and supplies	192,231	-	192,231
Professional services	607,360	-	607,360
Other	509,301	96	509,397
Total Operating Expenses	<u>3,734,337</u>	<u>96</u>	<u>3,734,433</u>
Operating Income	<u>50,323</u>	<u>(96)</u>	<u>50,227</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Interest income	6,047	1	6,048
Interest expense	(47,951)	-	(47,951)
Miscellaneous revenue	32,691	-	32,691
Net Nonoperating Revenue(Expenses)	<u>(9,213)</u>	<u>1</u>	<u>(9,212)</u>
Net Income (Loss) Before Transfers	41,110	(95)	41,015
Interfund transfers	<u>(305,199)</u>	<u>-</u>	<u>(305,199)</u>
Change in Net Position	<u>(264,089)</u>	<u>(95)</u>	<u>(264,184)</u>
Net Position - Beginning of Year	9,404,141	2,283	9,406,424
Net Position - End of Year	<u>\$ 9,140,052</u>	<u>\$ 2,188</u>	<u>\$ 9,142,240</u>

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

**CITY OF SENATOBIA, MISSISSIPPI**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2016**

	<u>Utility Fund</u>	<u>Hospital Fund</u>	<u>Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Cash received from customers	\$ 3,779,058	\$ -	\$ 3,779,058
Cash payments for goods and services	(2,485,706)	(96)	(2,485,802)
Cash payments to employees	(724,358)	-	(724,358)
Net Cash Provided By (Used In) Operating Activities	<u>568,994</u>	<u>(96)</u>	<u>568,898</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>			
Interfund Activity	(211,307)	-	(211,307)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(211,307)</u>	<u>-</u>	<u>(211,307)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Payments for capital acquisitions	(71,534)		(71,534)
Principal payments on debt	(649,579)	-	(649,579)
Interest payments on debt	(51,126)	-	(51,126)
Capital acquisitions reimbursements	32,691		32,691
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(739,548)</u>	<u>-</u>	<u>(739,548)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Interest on investments	6,047	1	6,048
Net Cash Provided By (Used In) Investing Activities	<u>6,047</u>	<u>1</u>	<u>6,048</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(375,814)	(95)	(375,909)
Cash and Cash Equivalents-Beginning of Year	1,554,085	2,283	1,556,368
Cash and Cash Equivalents-End of Year	<u>\$ 1,178,271</u>	<u>\$ 2,188</u>	<u>\$ 1,180,459</u>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u></b>			
Operating Income	\$ 64,967	\$ (96)	\$ 64,871
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	451,355	-	451,355
(Increase) decrease in customer receivables	(5,602)	-	(5,602)
Increase (decrease) in accounts payable	(44,941)	-	(44,941)
Increase (decrease) in compensated absences	(4,101)	-	(4,101)
(Increase) decrease in deferred outflows	(71,597)	-	(71,597)
Increase (decrease) in deferred inflows	4,536	-	4,536
Increase (decrease) in net pension liability	169,179	-	169,179
Increase (decrease) in accrued expenses	505	-	505
(Increase) decrease in prepaid expenses	(1,388)	-	(1,388)
(Increase) decrease in inventory	6,081	-	6,081
Total adjustments	<u>504,027</u>	<u>-</u>	<u>504,027</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 568,994</u>	<u>\$ (96)</u>	<u>\$ 568,898</u>

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



**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

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

**A. General Statement**

The City of Senatobia (“the City”) was incorporated in 1849. The City operates under the Board of Aldermen-Mayor form of government and provides the following services: public safety (police and fire), public works (streets and sanitation), culture, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Senatobia have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

**B. Financial Reporting Entity**

These financial statements present all the accounts of the City. There are no component units based upon the criteria set forth in generally accepted accounting principals.

**C. Basis of Presentation**

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

*Fund Financial Statements*

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

*Governmental Funds*

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

*General Fund.* The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

*Sportsplex Fund.* This fund is used to account for the accumulation of financial resources to be used for the construction, maintenance, operations and debt obligations of the Sportsplex recreational facility.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental funds column of the fund financial statements.

*Proprietary Funds*

All proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

*Utility Fund.* The Utility Fund is used to account for the provision of gas, water, and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the gas, water, and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for gas, water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they both become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A two-month availability period is used for recognition of all other Government Fund revenues. Expenditures are recognized when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. Also, taxes held by the county tax collector at year end are recognized as revenue. All

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

other governmental fund revenues are recognized when received, as they are deemed immaterial.

**E. Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year after which the City Clerk submits a budget of estimated expenditures and revenues to the Mayor and Board of Aldermen by August 1.

Upon receipt of the budget estimates, the Board of Aldermen holds a public hearing on the proposed budget. Information about the Budget Ordinance is then published in the official newspaper of the City.

At the September board meeting, the budget is legally enacted through passage of ordinance. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.

The actual receipts and disbursements are accumulated each month and compared to the budgeted amounts and reviewed by the Mayor and Board of Aldermen. Any revisions on the budget during the year are approved by the Board of Aldermen.

**F. Cash and Cash Equivalents**

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

**G. Prepaid Expenses**

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the nonspendable portion of prepaid expenses in the governmental funds has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

**H. Inventories**

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in/first-out method.

**I. Interfund Transactions and Balances**

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business type activities are reported in the government-wide financial statements as "internal balances."

**J. Restricted Assets**

Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements,

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

board resolutions and donor specifications have been reported as restricted assets. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

**K. Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

- Buildings - 20 to 50 years
- Improvements/infrastructure - 5 to 50 years
- Equipment - 2 to 15 years

**L. Compensated Absences**

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and proprietary funds financial statements. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured, for example, an employee resigns.

**M. 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 will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows related to pensions – This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates.

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

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Deferred inflows related to pensions – This amount represents the City's proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates.

**N. 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 Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**O. Long Term Liabilities**

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

**P. Equity Classifications**

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of the governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position is all other net position not meeting the definition of “net investment in capital assets” or “restricted.”

**Net Position Flow Assumption**

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the City’s general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these restricted classifications could be used, it is the City’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**Fund Financial Statements:**

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Following are descriptions of fund classifications used by the City:

*Nonspendable fund balance* includes items that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

*Assigned fund balance* includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Mayor pursuant to authorization established by the Board of Aldermen.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

**Fund Balance Flow Assumption**

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**Q. Property Tax Revenues**

Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of the original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date the original purchase occurs.

**R. Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts.

**S. Intergovernmental Revenues in Governmental Funds**

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

**T. Recent Accounting Pronouncements**

In February, 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Applications." This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In June, 2015, the GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." This statement will improve the usefulness of information for decisions made by the various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June, 2015, the GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June, 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June, 2015, the GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." This statement will establish the hierarchy of GAAP for state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures". This statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In December 2015, the GASB issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans". This statement will address a practice issue regarding the scope and applicability of Statement No. 68. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In December 2015, the GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants". This statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

In January 2016, the GASB issued Statement No. 80, "Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14". This statement will enhance the comparability of financial statements among governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In March 2016, the GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements". This statement will enhance the comparability of financial statements by providing accounting and reporting guidance for irrevocable split-interest agreements in which government is a beneficiary. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In March 2016, the GASB issued Statement No. 82, "Pension Issues". This statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The collateral for public entities' deposits in financial institutions are 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 entity'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 ("FDIC").

Custodial credit risk is the risk that, in the event of a financial institution's failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. As of September 30, 2016, the City's bank balance was not exposed to custodial credit risk.

As of September 30, 2016, the carrying amount of the City's deposits was \$6,489,125 and the bank balances totaled \$6,684,496. Of the bank balances, \$252,187 was insured by the FDIC and \$6,432,309 was covered by pooled and/or pledged collateral.

State law authorizes the city to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state.

**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables consist of the following:

Description	Amount
Sales Tax	\$ 220,596
Interlocal Agreement	77,424
Ad Valorem Tax	88,554
Total	<u>\$ 386,574</u>



**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

**NOTE 4 –CAPITAL ASSETS**

	Balance at 9/30/15	Additions	Deletions	Transfers / Adjustments	Balance at 9/30/16
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
Capital assets, not being depreciated:					
Land	\$ 1,225,102	\$ -	\$ -	\$ -	\$ 1,225,102
Construction in progress	484,306	2,660,431	-	(385,699)	2,759,038
Total capital assets, not being depreciated:	1,709,408	2,660,431	-	(385,699)	3,984,140
Capital assets, being depreciated:					
Buildings and improvements	19,034,001	-	-	-	19,034,001
Infrastructure	6,194,513	-	-	385,699	6,580,212
Equipment and vehicles	16,472,453	907,913	13,143,565	-	4,236,801
Total capital assets, being depreciated:	41,700,967	907,913	13,143,565	385,699	29,851,014
Less accumulated depreciation for:					
Buildings and improvements	6,219,342	389,257	-	-	6,608,599
Infrastructure	1,450,302	272,569	-	-	1,722,871
Equipment and vehicles	7,690,544	1,719,135	6,715,939	-	2,693,740
Total accumulated depreciation	15,360,188	2,380,961	6,715,939	-	11,025,210
Total capital assets, being depreciated, net	26,340,779	(1,473,048)	6,427,626	385,699	18,825,804
Governmental activities capital assets, net	\$ 28,050,187	\$ 1,187,383	\$ 6,427,626	\$ -	\$ 22,809,944
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>					
Capital assets, not being depreciated:					
Land	\$ 46,000	\$ -	\$ -	\$ -	\$ 46,000
Easements	18,291	-	-	-	18,291
Total capital assets, not being depreciated:	64,291	-	-	-	64,291
Capital assets, being depreciated:					
Buildings	477,259	-	-	-	477,259
Infrastructure	17,680,085	-	-	-	17,680,085
Equipment and vehicles	751,621	71,534	-	-	823,155
Total capital assets, being depreciated:	18,908,965	71,534	-	-	18,980,499
Less accumulated depreciation for:					
Buildings	275,155	7,449	-	-	282,604
Infrastructure	7,155,935	420,045	-	-	7,575,980
Equipment and vehicles	668,790	23,861	-	-	692,651
Total accumulated depreciation	8,099,880	451,355	-	-	8,551,235
Total capital assets, being depreciated, net	10,809,085	(379,821)	-	-	10,429,264
Business-type activities capital assets, net	\$ 10,873,376	\$ (379,821)	\$ -	\$ -	\$ 10,493,555

No interest was capitalized during the year due to immateriality. See long-term debt note for assets under capital leases.

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

A summary of depreciation expense is as follows:

Governmental Activities Function	Depreciation Expense	Business Type Activities Function	Depreciation Expense
General Government	\$ 1,796,797	Utility	\$ 451,355
Public Safety	240,020		-
Public Works	301,629		-
Culture and Recreation	30,733		-
Library	11,782		-
Total depreciation expense	<u>\$ 2,380,961</u>	Total depreciation Expense	<u>\$ 451,355</u>

Commitment under construction contracts at September 30, 2016 are summarized as follows:

Project	Contract Amount	Remaining Balance	Fund
Safe Routes to School	338,910	338,910	General Fund
Sidewalk Project	272,904	5,458	Other Governmental Funds
Sportsplex Recreational Facility	4,774,550	2,912,476	Other Governmental Funds
Total	<u>\$ 5,386,364</u>	<u>\$ 3,256,844</u>	

**NOTE 5 – INTERFUND TRANSFERS AND BALANCES**

The following is a summary of interfund transactions and balances:

A. Due to/from other funds	Due to	Due from
Major funds:		
General fund	\$ -	\$ 387,642
Utility fund	366,626	-
Sportsplex recreational facility fund	21,016	-
Other governmental funds	-	-
Total funds	<u>\$ 387,642</u>	<u>\$ 387,642</u>

These are for payment of monthly claims. All interfund balances are expected to be repaid within a year.

B. Transfers In/Out	Transfers In	Transfers Out
Major funds:		
General fund	\$ 329,123	\$ 63,074
Sportsplex recreational facility fund	291,867	-
Other governmental funds	67,996	320,713
Utility fund	-	305,199
Total funds	<u>\$ 688,986</u>	<u>\$ 688,986</u>

The principal purpose of interfund transfers was to provide funds to pay for debt service. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

**NOTE 6 – LONG-TERM DEBT**

Long-term activity for the year ended September 30, 2016 was as follows:

	Balance at 9/30/15	Additions	Deletions	Balance at 9/30/16	Amounts Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 645,000	\$ 5,000,000	\$ 205,000	\$ 5,440,000	\$ 390,000
Revenue bonds payable	723,321	-	13,290	710,031	20,015
Loans payable	26,600,960	-	-	26,600,960	1,428,540
Leases payable	786,570	670,779	264,479	1,192,870	471,478
Compensated absences payable	118,331	1,850	-	120,181	-
Governmental activities long-term liabilities	<u>\$ 28,874,182</u>	<u>\$ 5,672,629</u>	<u>\$ 482,769</u>	<u>\$ 34,064,042</u>	<u>\$ 2,310,033</u>
Business-type activities:					
Revenue bonds payable	\$ 3,240,000	\$ -	\$ 635,000	2,605,000	\$ 645,000
Bond Premium	94,744	-	14,579	80,165	-
Compensated absences payable	20,876	2,081	-	22,957	-
Business-type activities long-term liabilities	<u>\$ 3,355,620</u>	<u>\$ 2,081</u>	<u>\$ 649,579</u>	<u>\$ 2,708,122</u>	<u>\$ 645,000</u>

General obligation bonds are direct obligations and pledge full faith and credit of the City. General obligation bonds outstanding at year end are as follows:

	Interest Rate	Maturity	Issued	Outstanding
2003 Road and Bridge	Various	2018	\$ 2,500,000	\$ 440,000
2015 Public Improvement	Various	2035	5,000,000	5,000,000
Total			<u>\$ 7,500,000</u>	<u>\$ 5,440,000</u>

The City also issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

	Interest Rate	Maturity	Issued	Outstanding
2000 Urban Renewal	5.50%	2035	\$ 900,000	\$ 710,031
2012 Water, Sewer & Gas Refunding Bonds	2.00%	2021	5,105,000	2,605,000
Total			<u>\$ 6,005,000</u>	<u>\$ 3,315,031</u>

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

The City also uses loans to finance its projects. Loans outstanding at year end are as follows:

	Rate	Maturity	Outstanding
Development Infrastructure Program - Twin Creeks	2.00%	2026	2,820,682
Twin Creeks Technologies - MMEIA Loan	0.00%	2032	23,780,278
Total			<u>\$ 26,600,960</u>

The aggregate maturities of general obligation bonds, revenue bonds, and loans for the years subsequent to September 30, 2016 are as follows:

Year(s) Ending September 30	Governmental Fund		Enterprise Fund	
	Principal	Interest	Principal	Interest
2017	\$ 1,838,555	\$ 95,296	\$ 645,000	\$ 52,100
2018	1,863,194	83,377	660,000	39,200
2019	1,647,966	70,996	670,000	26,000
2020	1,657,873	65,785	310,000	12,600
2021-2025	8,488,093	236,362	320,000	6,400
2026-2030	8,823,472	128,115	-	-
Thereafter	8,431,838	62,664	-	-
Total	<u>\$ 32,750,991</u>	<u>\$ 742,595</u>	<u>\$ 2,605,000</u>	<u>\$ 136,300</u>

Future minimum capital lease payments and the net present value of these minimum lease payments as of September 30, 2016 is as follows:

**LEASES**

Year(s) Ending September 30	Governmental Fund	
	Principal	Interest
2017	\$ 471,479	\$ 31,493
2018	263,459	17,830
2019	178,236	10,772
2020	46,474	7,588
2021	41,701	6,299
Thereafter	191,521	12,450
Total	<u>\$ 1,192,870</u>	<u>\$ 86,432</u>

**Legal Debt Margin** – The City is subject to the limitations of indebtedness prescribed by Section 21-33-303, Mississippi Code 1972. No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bond indebtedness of such municipality, would exceed the 15% and 20% tests prescribed in Section 21-33-303. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of bond issues being excluded from the authorized debt limit tests. Presented in the schedule below are the calculations of the applicable statutory debt limitations and the resulting margin for further debt in the amount of \$2,261,235 (the smaller of the two computed margins) as of September 30, 2016.

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

	<u>15% Test</u>	<u>20% Test</u>
Net Assessed Value as of September 30, 2016 (\$56,075,104 times applicable percentage)	\$ 8,411,266	\$ 11,215,021
Present debt subject to debt limit as of September 30, 2016: Total bonds outstanding (exclude proprietary)	<u>6,150,031</u>	<u>6,150,031</u>
Margin for additional debt	<u>\$ 2,261,235</u>	<u>\$ 5,064,990</u>

During the year ended September 30, 2013 the City became aware Twin Creeks Technologies South East, LLC would not be able to fulfill the lease agreement entered into by both parties. The Twin Creeks Project was funded through MMEIA and DIP loans through the State of Mississippi, and the City of Senatobia's liability for the debt was expected to be retired with the Twin Creeks lease agreement revenues. The balance of the MMEIA debt totaled \$23,780,279 and the DIP debt totaled \$2,820,682 at September 30, 2013. The settlement and release agreement filed in Tate County Chancery Court during 2013 modified the debt repayment schedule to match any revenues generated from the Twin Creek Project's assets.

The City entered into a lease agreement with ABB, Inc. dated December 11, 2015. ABB, Inc. is the tenant of the former Twin Creeks building. The lease agreement is for a 10 year initial period with an option to extend the term or purchase the property for \$5,000,000 less any and all rental payments as of the date the option is exercised. During the year, the City collected rental income of \$290,250 from ABB. The outstanding balance of the MMEIA and DIP loans will be reduced by this amount once it is remitted to the State.

At the report date the inflows of revenue are uncertain; therefore, an exact schedule of debt repayment is not available. The above schedules in this note include these debt obligations at the original repayment schedules due to the uncertainty of changes. The State of Mississippi and the City were also assigned certain rights to royalties and other legal claims that, if and when collected, will also be considered payments to reduce the outstanding liability.

**NOTE 7 – SHORT-TERM DEBT**

The City did not engage in any short-term debt activity in the current or prior fiscal year.

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

**Plan Description**

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

**Benefits Provided**

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

public school districts. For those employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the PERS Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of their accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become 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% 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 2.5% for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that 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. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of Living Adjustment (COLA) is made to eligible retirees and beneficiaries. 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.

**Contributions**

PERS members are required to contribute 9% of their annual covered salary and the City of Senatobia is required to contribute at an actuarially determined rate. At September 30, 2016, the current rate was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Senatobia's contributions to PERS for the year ending September 30, 2016, 2015 and 2014 were \$470,954, \$447,228, and \$421,681, respectively, equal to the required contributions for each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2016, the City reported a liability of \$8,038,124 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's employer contributions to the pension plan relative to total contributions of all participating employers. At June 30, 2016, the City's proportionate share was .045%, which was no change from its portion measured as of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$1,052,671. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 200,390	\$ -
Changes of assumptions	378,698	21,360
Net difference between projected and actual earnings on pensio plan investments	940,435	-
Changes in the City's proportion and differences between the City's contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	<u>115,487</u>	<u>-</u>
Total	<u>\$ 1,635,010</u>	<u>\$ 21,360</u>

The \$115,487 reported as deferred outflows of resources related to pensions resulting from 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total</u>
2017	\$ 573,737	\$ 8,613	\$ 582,350
2018	500,779	8,613	509,392
2019	286,212	4,134	290,346
2020	<u>158,795</u>	<u>-</u>	<u>158,795</u>
	<u>\$ 1,519,523</u>	<u>\$ 21,360</u>	<u>\$ 1,540,883</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary Increases	3.75% – 19%, 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 males' rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

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, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34.0%	5.2%
International Equity	19.0%	5.0%
Emerging Markets Equity	8.0%	5.5%
Fixed Income Real Assets	20.0%	0.3%
Real Assets	10.0%	4.0%
Private Equity	8.0%	6.2%
Cash	1.0%	-0.5%
Total	<u>100.0%</u>	

**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%) 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's proportionate share of the net pension liability to changes in the discount rate.**

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the County'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.

	1% Decrease <u>6.75%</u>	Discount Rate <u>7.75%</u>	1% Increase <u>8.75%</u>
City's proportionate share of the net pension liability	\$ 10,306,677	\$ 8,038,124	\$ 6,155,960

**Pension plan fiduciary net position.**

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at [www.pers.ms.gov](http://www.pers.ms.gov).

**NOTE 9 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. This exposure is covered by purchase of commercial insurance.

**NOTE 10 – LITIGATION**

The City is subject to various legal proceedings in various stages of litigation, the outcome of which is not determinable at this time. Management of the City and its legal counsel do not anticipate that there will be a material effect on the financial statements as a result of the cases presently in progress.



**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2016**

**NOTE 11 – SUBSEQUENT EVENTS**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition of disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Senatobia evaluated the activity of the city through December 28, 2017, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

On May 9, 2017 the City authorized the issuance of General Obligation Bonds, Series 2017 in the Principle amount of \$1,600,000.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SENATOBIA, MISSISSIPPI**  
**Budgetary Comparison Schedule – General Fund**  
**September 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Final Budget</b>
<b><u>REVENUES</u></b>				
General property taxes	\$ 1,201,801	\$ 1,201,801	\$ 1,304,043	\$ 102,242
Licenses and permits	116,919	116,919	69,837	(47,082)
Intergovernmental	2,430,106	2,430,106	2,639,072	208,966
Charges for services	670,450	670,450	854,638	184,188
Franchise Tax	200,000	200,000	211,416	11,416
Interest	-	-	3,616	3,616
Miscellaneous	430,810	430,810	474,748	43,938
Total revenues	5,050,086	5,050,086	5,557,370	507,284
<b><u>EXPENDITURES</u></b>				
General government	904,122	952,355	855,537	96,818
Public safety	2,857,414	3,027,624	2,923,430	104,194
Public works	1,322,253	1,336,011	1,295,086	40,925
Culture and recreation	477,717	420,062	410,146	9,916
Library	102,500	102,500	102,845	(345)
Total expenditures	5,664,006	5,838,552	6,489,978	251,508
Excess (Deficiency) of Revenues Over (Under) Expenditures	(613,920)	(788,466)	(932,608)	758,792
Other Financing Sources (Uses)				
Grant revenue	492,631	492,631	5,600	(487,031)
Rents	30,000	30,000	203,223	173,223
Sale of assets	-	-	(2,093)	(2,093)
Lease proceeds	-	-	670,779	670,779
Interfund transfers in	300,000	300,000	329,123	29,123
Interfund transfers out	(104,067)	(63,074)	(63,074)	-
Total Other Financing Sources (Uses)	718,564	759,557	1,143,558	384,001
Net change in fund balances	\$ 104,644	\$ (28,909)	\$ 1,113,884	\$ 1,142,793
Fund Balance - Beginning of Year			521,618	
Fund Balance - End of Year			1,635,502	
Adjustments to conform with GAAP:				
Revenues			(10,596)	
Expenditures			(949,972)	
Fund Balance - End of Year (GAAP basis)			\$ 674,934	

The accompanying notes to the required supplementary information are an integral part of the Statement.

**CITY OF SENATOBIA, MISSISSIPPI**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years\***

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	\$ 8,038,124	\$ 6,956,112
City's proportionate share of the net pension liability	0.045%	0.045%
City's covered employee payroll	2,896,441	2,859,027
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	277.52%	243.30%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%

\*The amounts for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented.

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF SENATOBIA, MISSISSIPPI**  
**Schedule of Contributions**  
**PERS**  
**Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 470,954	\$ 446,825
Contributions in relation to the contractually required contribution	<u>470,954</u>	<u>446,825</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>
City's covered - employee payroll	2,990,184	2,836,984
Contributions as a percentage of covered- employee payroll	15.75%	15.75%

\*The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to the Required Supplementary Information**  
**September 30, 2016**

Budgetary Comparison Schedule

(1) Budgetary Information.

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Mayor and Board of Aldermen, using historical and anticipated fiscal data and proposed budgets submitted by the various department managers for his or her respective department, prepare an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Alderman that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting modified to include recognition of expenditures incurred before year end and paid within 30 days after year end as required by the State of Mississippi. This method is not consistent with U.S. generally accepted accounting principles.

(2) Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary non-GAAP basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund only. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

Pension Schedules

(1) Change of Benefit Terms

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(2) Change of Assumptions

The assumed rate of interest credited to employee contributions was changed from 3.5% to 2.0%.

## **SUPPLEMENTARY INFORMATION**

**CITY OF SENATOBIA, MISSISSIPPI**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2016**

Fidelity bonds in force at September 30, 2016 were as follows:

<u>Position</u>	<u>Amount of Bond</u>
Mayor	\$ 50,000
City Clerk	50,000
Deputy Clerk	50,000
City Clerk, Urban Renewal	61,000
Aldermen	100,000 each
Police Chief	50,000
All Personnel - Blanket	50,000



## **SPECIAL REPORTS**

# F.O. GIVENS & COMPANY

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FRANK O. GIVENS, III  
Certified Public Accountant

W. BUFORD GIVENS  
Certified Public Accountant

## 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*

Mayor and Board of Aldermen  
City of Senatobia  
Senatobia, 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 Senatobia, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Senatobia, Mississippi's basic financial statements and have issued our report thereon dated December 28, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Senatobia'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 City of Senatobia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Senatobia's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist and not be identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Senatobia'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*.

**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.

A handwritten signature in cursive script that reads "F.O. Givens & Co".

F. O. Givens & Company  
Senatobia, Mississippi  
December 28, 2017

# F.O. GIVENS & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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FRANK O. GIVENS, III  
Certified Public Accountant

W. BUFORD GIVENS  
Certified Public Accountant

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

Honorable Mayor and Board of Aldermen  
City of Senatobia, Mississippi

We have audited the financial statements of the City of Senatobia as of and for the year ended September 30, 2016, and have issued our report thereon dated December 28, 2017. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standard*, issued by the Comptroller General of the United States of America.

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 performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's 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.

*F.O. Givens & Co*

F.O. Givens & Co.  
Senatobia, Mississippi  
December 28, 2017

**CITY OF SENATOBIA, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**September 30, 2016**

Section 1: Summary of Auditor's Results

**Financial Statements:**

- |  |                               |
|--|-------------------------------|
| 1. Type of auditor's report issued on the financial statements.                              | <u>Unmodified</u>             |
| 2. Internal control over financial reporting:  |                               |
| a. Material weakness(es) identified?   | <u>          No          </u> |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>None Reported</u>          |
| 3. Material noncompliance relating to the general purpose financial statements?              | <u>          No          </u> |