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**CITY OF SENATOBIA, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2017**

**CITY OF SENATOBIA, MISSISSIPPI**

ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2017

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# 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 (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, 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, Budgetary Comparison Schedule and corresponding notes, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions 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 November 22, 2018 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 the effectiveness of the City of Senatobia's 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  
November 22, 2018

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

**CITY OF SENATOBIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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, 2017. 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 \$552,762 or approximately 17.7%.
- Total revenues on the government wide statements were \$10,981,596 compared to \$4,172,739 in the previous year. Property tax made up approximately 14.6% of total revenues.
- Total expenses on the government-wide financial statements were \$11,534,358, compared to \$11,921,758 in the previous year. This represents a 3.2% decrease in expense.
- Governmental fund balances decreased \$3,354,076, or approximately 70.5%, compared to a \$3,573,456 increase in the prior year.
- Proprietary fund's net position in the fund statements decreased \$210,071, or approximately 2.3%, compared to a \$264,184 decrease in the prior year.
- Governmental activities capital assets, net of accumulated depreciation, increased by \$4,290,497 compared to the prior year. This increase is mostly attributable to the construction of the Sportsplex recreational facility.
- Business-type activities capital assets, net of accumulated depreciation, decreased by \$358,323 compared to the prior year.
- Total capital debt decreased by \$148,918.

**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 and liabilities 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, 2017**

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



**CITY OF SENATOBIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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.

**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 (\$3,676,001) as of September 30, 2017, compared to (\$3,123,239) as of September 30, 2016.

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, 2017 and 2016.

	2017		2016	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Other Assets	\$ 3,890,889	\$ 2,489,470	\$ 6,464,341	\$ 2,842,427
Capital Assets, Net	27,100,441	10,135,232	22,809,944	10,493,555
Total Assets	<u>30,991,330</u>	<u>12,624,702</u>	<u>29,274,285</u>	<u>13,335,982</u>
Deferred Outflows-Pensions	1,129,922	191,006	1,395,088	239,922
Total Deferred Outflows	<u>1,129,922</u>	<u>191,006</u>	<u>1,395,088</u>	<u>239,922</u>
Other Liabilities	9,503,891	2,357,704	9,660,813	2,375,894
Long-term Debt Outstanding	33,153,631	1,428,457	31,798,578	2,054,442
Total Liabilities	<u>42,657,522</u>	<u>3,786,161</u>	<u>41,459,391</u>	<u>4,430,336</u>
Deferred Inflows-Pensions	576,052	97,378	18,032	3,228
Property Tax for Future Periods	1,495,848	-	1,457,429	-
Total Deferred Inflows	<u>2,071,900</u>	<u>97,378</u>	<u>1,475,461</u>	<u>3,228</u>
Invested in capital assets, net of related debt	(7,322,778)	8,048,353	(11,178,486)	7,822,969
Restricted	494,669	437,807	4,047,455	424,374
Unrestricted	(5,780,061)	446,009	(5,134,448)	894,897
Total Net Position	<u>\$ (12,608,170)</u>	<u>\$ 8,932,169</u>	<u>\$ (12,265,479)</u>	<u>\$ 9,142,240</u>

**Changes in Net Position** - The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2017 and 2016.

(See table on following page)

**CITY OF SENATOBIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	2017 Amount	2016 Amount
Governmental Activities		
Revenues		
Program Revenues:		
Charges for services	\$ 850,282	\$ 853,675
Operating grants and contributions	221,819	128,767
Capital grants and contributions	312,164	34,508
General Revenues:		
Property taxes	1,603,091	1,540,736
Transfers	110,801	305,199
Gain/loss on disposal of assets	16,347	(6,429,719)
Other	4,114,742	4,221,373
Total Revenues	<u>7,229,246</u>	<u>654,539</u>
Expenses		
General governments	1,402,848	2,652,045
Public safety	2,788,493	2,680,308
Public works	859,471	1,205,245
Culture and recreation	924,609	416,128
Library	113,021	114,627
Interest and other expenses on long-term debt	398,203	107,930
Pension expense	1,085,292	963,091
Total Expenses	<u>7,571,937</u>	<u>8,139,374</u>
Increase (Decrease) in Net Position	<u>\$ (342,691)</u>	<u>\$ (7,484,835)</u>
Business-type Activities		
Revenues		
Program Revenues		
Charges for services	\$ 3,853,303	\$ 3,784,660
General Revenues:		
Transfers	(110,801)	(305,199)
Other	9,848	38,739
Total Revenues	<u>3,752,350</u>	<u>3,518,200</u>
Expenses		
Utility	3,923,645	3,592,165
Hospital	-	96
Interest and other expenses on long-term debt	38,776	190,123
Total Expenses	<u>3,962,421</u>	<u>3,782,384</u>
Increase (Decrease) in Net Position	<u>\$ (210,071)</u>	<u>\$ (264,184)</u>

**CITY OF SENATOBIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**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.

	2017		2016	
	Total Costs	Net Costs	Total Costs	Net Costs
General government	\$ 1,402,848	\$ 1,246,690	\$ 2,652,045	\$ 2,459,293
Public safety	\$ 2,788,493	\$ 2,631,584	\$ 2,680,308	\$ 2,507,681
Public works	\$ 859,471	\$ 5,288	\$ 1,205,245	\$ 672,849
Culture and recreation	\$ 924,609	\$ 707,594	\$ 416,128	\$ 296,953
Library	\$ 113,021	\$ 113,021	\$ 114,627	\$ 114,627
Interest on long-term debt	\$ 398,203	\$ 398,203	\$ 107,930	\$ 107,930
Pension expense	\$ 1,085,292	\$ 1,085,292	\$ 963,091	\$ 963,091

**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 \$1,400,697, a decrease of \$3,354,076.

The General Fund is the principal operating fund of the City. The decrease in the fund balance of the General Fund for the fiscal year was \$75,134.

**Business-type funds** - The Enterprise Funds, including the Utility Fund, showed a decrease in net position for the year of \$210,071, compared to a decrease of \$264,184 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 several years prior to leasing the facility beginning December, 2015. 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 the City's financial statements.

# **CITY OF SENATOBIA MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2017**

The City of Senatobia Utility Fund delivered another solid performance for 2017; 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, 2017, the City of Senatobia is moving forward with 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 complete 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 2017, 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, 2017, Senatobia's total capital assets were \$58,320,631. 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, 2017, was \$21,084,958 including \$1,636,313 of depreciation expense for the year. The balance in total net capital assets was \$37,235,673 at year-end.

Additional information on the City's capital assets can be found in Note 5 on pages 29 and 30 of this report.

**Debt Administration** - At September 30, 2017, Senatobia had \$34,582,088 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, 2017, Senatobia had entered into lease purchase agreements for \$1,201,064 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 at September 30, 2017 is 13.2% of the latest property assessments, which is below the debt limit.

Additional information on Tate City's long-term debt can be found in Note 6 on pages 30 through 33 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, 2017**

**CONTACT:**

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

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Telephone: 662-562-4474

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SENATOBIA, MISSISSIPPI**

**Statement of Net Position**

**September 30, 2017**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 910,304	\$ 790,994	\$ 1,701,298
Accounts receivable, net of allowance for doubtful accounts of \$78,801	-	378,070	378,070
Intergovernmental receivable	338,339	-	338,339
Franchise tax receivable	59,619	-	59,619
Property taxes receivable	1,495,848	-	1,495,848
Grants receivable	42,205		42,205
Rent receivable	10,000		10,000
Interest receivable	2,641	1,439	4,080
Prepaid expense	29,944	19,494	49,438
Internal balances	(409,705)	409,705	-
Inventory	-	471,455	471,455
Restricted assets:			
Cash in bank	1,411,694	2,188	1,413,882
Customer deposits	-	416,125	416,125
Capital assets, net of accumulated depreciation	27,100,441	10,135,232	37,235,673
<b>Total Assets</b>	<b>30,991,330</b>	<b>12,624,702</b>	<b>43,616,032</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows-pensions	1,129,922	191,006	1,320,928
<b>Total Deferred Inflows of Resources</b>	<b>1,129,922</b>	<b>191,006</b>	<b>1,320,928</b>
<b>LIABILITIES</b>			
Accounts payable	968,204	119,461	1,087,665
Accrued expenses	459,091	12,319	471,410
Customer deposits	-	416,125	416,125
Long-term liabilities			
Net pension liability	6,683,236	1,129,759	7,812,995
Due within one year:			
Capital debt	1,393,360	676,399	2,069,759
Due in more than one year:			
Capital debt	33,029,859	1,410,480	34,440,339
Non-capital debt	123,772	21,618	145,390
<b>Total Liabilities</b>	<b>42,657,522</b>	<b>3,786,161</b>	<b>46,443,683</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows-pensions	576,052	97,378	673,430
Property tax for future reporting periods	1,495,848	-	1,495,848
<b>Total Deferred Inflows of Resources</b>	<b>2,071,900</b>	<b>97,378</b>	<b>2,169,278</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	(7,322,778)	8,048,353	725,575
Restricted for:			
Expendable:			
General Government	255,638	-	255,638
Public safety	26,397	-	26,397
Debt service	182,690	2,188	184,878
Customer deposits	-	416,125	416,125
Nonexpendable	29,944	19,494	49,438
Unrestricted	(5,780,061)	446,009	(5,334,052)
<b>Total Net Position</b>	<b>\$ (12,608,170)</b>	<b>\$ 8,932,169</b>	<b>\$ (3,676,001)</b>

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

**CITY OF SENATOBIA, MISSISSIPPI**  
**Statement of Activities**  
**For the Year Ended September 30, 2017**

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
			Operating	Capital			
	Expenses	Charges for	Grants and	Grants and	Governmental	Business-Type	Total
		Services	Contributions	Contributions	Activities	Activities	
<b><u>Governmental Activities</u></b>							
General government	1,402,848	156,158	\$ -	\$ -	\$ (1,246,690)	\$ -	\$ (1,246,690)
Public safety	2,788,493	39,090	117,819	-	(2,631,584)	-	(2,631,584)
Public works	859,471	542,019	-	312,164	(5,288)	-	(5,288)
Culture and recreation	924,609	113,015	104,000	-	(707,594)	-	(707,594)
Library	113,021	-	-	-	(113,021)	-	(113,021)
Interest on long-term debt	398,203	-	-	-	(398,203)	-	(398,203)
Pension expense	1,085,292	-	-	-	(1,085,292)	-	(1,085,292)
Total governmental activities	7,571,937	850,282	221,819	312,164	(6,187,672)	-	(6,187,672)
<b><u>Business-Type Activities</u></b>							
Utility	3,923,645	3,853,303	-	-	-	(70,342)	(70,342)
Hospital	-	-	-	-	-	-	-
Interest on long-term debt	38,776	-	-	-	-	(38,776)	(38,776)
Total business-type activities	3,962,421	3,853,303	-	-	-	(109,118)	(109,118)
Total government	\$ 11,534,358	\$ 4,703,585	\$ 221,819	\$ 312,164	(6,187,672)	(109,118)	(6,296,790)
General Revenue:							
					1,603,091	-	1,603,091
					349,029	-	349,029
					2,715,294	-	2,715,294
					206,539	-	206,539
					653,890	-	653,890
					11,278	8,965	20,243
					178,712	883	179,595
					16,347	-	16,347
					110,801	(110,801)	-
					5,844,981	(100,953)	5,744,028
					(342,691)	(210,071)	(552,762)

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



**CITY OF SENATOBIA, MISSISSIPPI**

**Balance Sheet**

**Governmental Funds**

**September 30, 2017**

	<b>General Fund</b>	<b>Sportsplex Fund</b>	<b>Street Bond Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 910,304	\$ -	\$ -	\$ -	\$ 910,304
Due from other funds	-	-	-	-	-
Intergovernmental receivable	299,049	-	-	39,290	338,339
Franchise tax receivable	59,619	-	-	-	59,619
Property tax receivable	1,249,864	-	-	245,984	1,495,848
Grants receivable	42,205	-	-	-	42,205
Rent receivable	10,000	-	-	-	10,000
Interest receivable	2,641	-	-	-	2,641
Prepaid expenses	29,944	-	-	-	29,944
Restricted cash	-	517,015	490,692	403,987	1,411,694
Total Assets	<u>\$ 2,603,626</u>	<u>\$ 517,015</u>	<u>\$ 490,692</u>	<u>\$ 689,261</u>	<u>\$ 4,300,594</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 321,604	\$ 345,809	279,918	20,873	\$ 968,204
Accrued expenses	26,140	-	-	-	26,140
Due to/(from) other funds	406,218	-	-	3,487	409,705
Total Liabilities	<u>753,962</u>	<u>345,809</u>	<u>279,918</u>	<u>24,360</u>	<u>1,404,049</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Unavailable revenue - property taxes	<u>1,249,864</u>	<u>-</u>	<u>-</u>	<u>245,984</u>	<u>1,495,848</u>
Total Deferred Inflows of Resources	<u>1,249,864</u>	<u>-</u>	<u>-</u>	<u>245,984</u>	<u>1,495,848</u>
<b><u>FUND BALANCES</u></b>					
Nonspendable:					
Prepaid expenses	29,944	-	-	-	29,944
Restricted:					
General government	-	-	-	255,638	255,638
Public safety	26,397	-	-	-	26,397
Debt service	-	-	-	182,690	182,690
Assigned:					
General government	-	171,206	-	-	171,206
Public Safety	91,573	-	-	-	91,573
Public Works	-	-	210,774	-	210,774
Unassigned	<u>451,886</u>	<u>-</u>	<u>-</u>	<u>(19,411)</u>	<u>432,475</u>
Total Fund Balances	<u>599,800</u>	<u>171,206</u>	<u>210,774</u>	<u>418,917</u>	<u>1,400,697</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,603,626</u>	<u>\$ 517,015</u>	<u>\$ 490,692</u>	<u>\$ 689,261</u>	<u>\$ 4,300,594</u>

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, 2017**

Total Fund Balance - Governmental Funds \$ 1,400,697

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	4,559,875	
Infrastructure	6,906,168	
Construction in progress	7,435,209	
Accumulated depreciation	<u>(12,059,914)</u>	
		27,100,441

Deferred outflows of resources related to pensions are applicable  
to future periods and, therefore, are not reported in the funds. 1,129,922

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	(6,683,236)	
Notes payable	(25,923,710)	
Leases payable	(1,125,192)	
General obligation and revenue bonds	(7,329,424)	
Bond premium	(44,893)	
Compensated absences	(123,772)	
Accrued interest	<u>(432,951)</u>	
		(41,663,178)

Deferred inflows of resources related to pensions are applicable  
to future periods and, therefore, are not reported in the funds. (576,052)

Net Position of Governmental Activities \$ (12,608,170)

**CITY OF SENATOBIA, MISSISSIPPI**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Governmental Funds**  
**For the Year Ended September 30, 2017**

	General Fund	Sportsplex Fund	Street Bond Fund	Other Governmental Funds	Total Governmental Funds
<b><u>REVENUES</u></b>					
General property taxes	\$ 1,351,357	\$ -	\$ -	\$ 251,734	\$ 1,603,091
Licenses and permits	64,591	-	-	-	64,591
Intergovernmental	2,643,994	-	-	466,045	3,110,039
Charges for services	857,794	-	-	-	857,794
Franchise taxes	206,539	-	-	-	206,539
Interest	4,957	4,207	260	1,854	11,278
Miscellaneous	178,712	-	-	-	178,712
Total Revenues	<u>5,307,944</u>	<u>4,207</u>	<u>260</u>	<u>719,633</u>	<u>6,032,044</u>
<b><u>EXPENDITURES</u></b>					
General government	897,111	-	-	70,082	967,193
Public safety	2,938,678	-	-	-	2,938,678
Public works	1,522,066	-	1,392,206	6,784	2,921,056
Culture and recreation	631,225	3,269,669	-	-	3,900,894
Library	101,240	-	-	-	101,240
Debt service:	-	-	-	-	-
Principal	338,153	175,000	-	922,857	1,436,010
Interest	25,915	169,986	-	45,245	241,146
Total Expenditures	<u>6,454,388</u>	<u>3,614,655</u>	<u>1,392,206</u>	<u>1,044,968</u>	<u>12,506,217</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,146,444)</u>	<u>(3,610,448)</u>	<u>(1,391,946)</u>	<u>(325,335)</u>	<u>(6,474,173)</u>
<b><u>OTHER FINANCIAL SOURCES</u></b>					
Rents	266,890	-	-	387,000	653,890
Grant revenue	416,164	-	-	-	416,164
Sale of assets	66,047	-	-	-	66,047
Interfund transfers	51,734	382,517	-	(323,450)	110,801
Debt proceeds	270,475	-	1,602,720	-	1,873,195
Total Other Financing Sources	<u>1,071,310</u>	<u>382,517</u>	<u>1,602,720</u>	<u>63,550</u>	<u>3,120,097</u>
Net Change in Fund Balances	(75,134)	(3,227,931)	210,774	(261,785)	(3,354,076)
Fund Balance - Beginning of Year	674,934	3,399,137	-	680,702	4,754,773
Fund Balance - End of Year	<u>\$ 599,800</u>	<u>\$ 171,206</u>	<u>\$ 210,774</u>	<u>\$ 418,917</u>	<u>\$ 1,400,697</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, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ (3,354,076)

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 capital outlays (\$5,502,701) exceeded depreciation (\$1,162,504). 4,340,197

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 (\$1,873,195) in the current period exceeded repayments (\$1,436,010). (437,185)

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	(3,591)
Accrued interest expense	(157,057)
Pension expense	(683,676)
Sale of capital assets	(49,700)
Bond premium amortization	2,396
Rounding	1
	1

Change in Net Position of Governmental Activities \$ (342,691)

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

**CITY OF SENATOBIA, MISSISSIPPI**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2017**

	<b>Utility Fund</b>	<b>Hospital Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 790,994	\$ -	\$ 790,994
Accounts receivable, net of allowance for doubtful accounts of \$68,360	378,070	-	378,070
Inventory	471,455	-	471,455
Interest receivable	1,439	-	1,439
Due from other funds	409,705	-	409,705
Prepaid expenses	19,494	-	19,494
Total Current Assets	<u>2,071,157</u>	<u>-</u>	<u>2,071,157</u>
Noncurrent assets			
Restricted assets:			
Cash - debt service	-	2,188	2,188
Cash - customer deposits	416,125	-	416,125
Capital assets, net of accumulated depreciation	10,135,232	-	10,135,232
Total Noncurrent Assets	<u>10,551,357</u>	<u>2,188</u>	<u>10,553,545</u>
Total Assets	<u>12,622,514</u>	<u>2,188</u>	<u>12,624,702</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows-pensions	191,006	-	191,006
Total Deferred Outflows of Resources	<u>191,006</u>	<u>-</u>	<u>191,006</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	119,461	-	119,461
Accrued expenses	12,319	-	12,319
Customer deposits	416,125	-	416,125
Capital debt			
Bonds payable	660,000	-	660,000
Capital leases payable	16,399	-	16,399
Total Current Liabilities	<u>1,224,304</u>	<u>-</u>	<u>1,224,304</u>
Noncurrent liabilities			
Capital debt			
Bonds payable	1,351,007	-	1,351,007
Capital leases payable	59,473	-	59,473
Non-capital debt			
Compensated absences payable	21,618	-	21,618
Net pension liability	1,129,759	-	1,129,759
Total Noncurrent Liabilities	<u>2,561,857</u>	<u>-</u>	<u>2,561,857</u>
Total Liabilities	<u>3,786,161</u>	<u>-</u>	<u>3,786,161</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows-pensions	97,378	-	97,378
Total Deferred Inflows of Resources	<u>97,378</u>	<u>-</u>	<u>97,378</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,048,353	-	8,048,353
Restricted for:			
Debt service	-	2,188	2,188
Customer deposits	416,125	-	416,125
Prepaid expenses	19,494	-	19,494
Unrestricted	446,009	-	446,009
Total Net Position	<u>\$ 8,929,981</u>	<u>\$ 2,188</u>	<u>\$ 8,932,169</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, 2017**

	<b>Utility Fund</b>	<b>Hospital Fund</b>	<b>Total</b>
OPERATING REVENUES			
Charges for services	\$ 3,853,303	\$ -	\$ 3,853,303
Total Operating Revenues	<u>3,853,303</u>	<u>-</u>	<u>3,853,303</u>
OPERATING EXPENSES			
Cost of Sales	1,344,749	-	1,344,749
Personnel	737,823	-	737,823
Pension	0	-	-
Depreciation and amortization	473,809	-	473,809
Material and supplies	207,157	-	207,157
Professional services	680,125	-	680,125
Other	479,982	-	479,982
Total Operating Expenses	<u>3,923,645</u>	<u>-</u>	<u>3,923,645</u>
Operating Income	<u>(70,342)</u>	<u>-</u>	<u>(70,342)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	8,965	-	8,965
Interest expense	(38,776)	-	(38,776)
Miscellaneous revenue	883	-	883
Net Nonoperating Revenue(Expenses)	<u>(28,928)</u>	<u>-</u>	<u>(28,928)</u>
Net Income (Loss) Before Transfers	(99,270)	-	(99,270)
Interfund transfers	(110,801)	-	(110,801)
Change in Net Position	<u>(210,071)</u>	<u>-</u>	<u>(210,071)</u>
Net Position - Beginning of Year	9,140,052	2,188	9,142,240
Prior period adjustment	-	-	-
Net Position - End of Year	<u>\$ 8,929,981</u>	<u>\$ 2,188</u>	<u>\$ 8,932,169</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, 2017**

	<b>Utility Fund</b>	<b>Hospital Fund</b>	<b>Total</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Cash received from customers	\$ 3,823,115	\$ -	\$ 3,823,115
Cash payments for goods and services	(2,647,452)	-	(2,647,452)
Cash payments to employees	(677,714)	-	(677,714)
Net Cash Provided By (Used In) Operating Activities	<u>497,949</u>	<u>-</u>	<u>497,949</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>			
Interfund Activity	(153,880)	-	(153,880)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(153,880)</u>	<u>-</u>	<u>(153,880)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Payments for capital acquisitions	(115,486)		(115,486)
Lease proceeds	84,646		84,646
Principal payments on debt	(653,775)	-	(653,775)
Interest payments on debt	(56,580)	-	(56,580)
Capital acquisitions reimbursements	884		884
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(740,311)</u>	<u>-</u>	<u>(824,957)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Interest on investments	8,965	-	8,965
Net Cash Provided By (Used In) Investing Activities	<u>8,965</u>	<u>-</u>	<u>8,965</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(387,277)	-	(471,923)
Cash and Cash Equivalents-Beginning of Year	1,178,271	2,188	1,180,459
Cash and Cash Equivalents-End of Year	<u>\$ 790,994</u>	<u>\$ 2,188</u>	<u>\$ 708,536</u>
Reconciliation of Operating Income to Net Cash Provided By (Used In)			
Operating Activities			
Operating Income	<u>\$ (70,342)</u>	<u>\$ -</u>	<u>\$ (70,342)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	473,809	-	473,809
(Increase) decrease in customer receivables	(30,188)	-	(30,188)
Increase (decrease) in accounts payable	18,023	-	18,023
Increase (decrease) in compensated absences	2,762	-	2,762
(Increase) decrease in deferred outflows	48,916	-	48,916
Increase (decrease) in deferred inflows	94,050	-	94,050
Increase (decrease) in net pension liability	(85,619)	-	(85,619)
Increase (decrease) in accrued expenses	(5,842)	-	(5,842)
(Increase) decrease in inventory	52,380	-	52,380
Total adjustments	<u>568,291</u>	<u>-</u>	<u>568,291</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 497,949</u>	<u>\$ -</u>	<u>\$ 497,949</u>

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

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

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

**A. Financial Reporting Entity**

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 and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City 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. These financial statements present all the accounts of the City. There are no component units as defined by GASB Statement 14, *The Financial Reporting Entity*.

**B. Basis of Presentation**

The City’s basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes and intergovernmental revenues and are reported separately from business type activities. Business type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the City at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City’s governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures/expenses. Funds are organized into governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

**C. Measurement Focus and Basis of Accounting**

The Government-wide and Proprietary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are



**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the City. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

The revenues and expenses of proprietary funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recognized only when payment is due. Property, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports 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.

*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.

*Street Bond Fund.* This fund is used to account for the accumulation of financial resources to be used for the construction of and improvements to various street projects throughout the City.

The City reports the following major enterprise fund:

*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.

Additionally, the City reports the following fund types:

**Governmental Fund Types**

*Debt Service Fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

**D. Account Classifications**

The account classifications used in the financial statements conform to the board classifications recommended in Governmental Accounting, Auditing and Financial Reporting as issued in 2012 by the Government Finance Officers Association.

**E. Cash and Cash Equivalents**

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. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the City did not invest in any governmental securities during the fiscal year.

**F. Receivables**

Receivables are reported net of allowances for uncollectible accounts, where applicable.

**G. 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.”

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 and Prepaid Items**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

**I. Restricted Assets**

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

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

**J. Capital Assets**

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. Donated capital assets are recorded at estimated fair market value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\*Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

**K. 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 City participates. See Note 8 for additional details.

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. See Note 8 for additional details

**CITY OF SENATOBIA, MISSISSIPPI**  
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**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. 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 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.

**N. 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.

**O. 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

**CITY OF SENATOBIA, MISSISSIPPI**  
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**Year Ended September 30, 2017**

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.

*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.

**P. 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.

**CITY OF SENATOBIA, MISSISSIPPI**  
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**Q. 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.

**R. Changes in Accounting Standards**

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.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The carrying amount of the City’s total deposits with financial institutions at September 30, 2017 was \$3,526,512 and the bank balances totaled \$4,376,568. The collateral for public entities’ deposits in financial institutions is 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 – Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. 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 Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution’s trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

**NOTE 3 – INTERFUND TRANSACTIONS AND BALANCES**

The following is a summary of interfund balances at September 30, 2017:

(See table on next page.)

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**Year Ended September 30, 2017**

A. Due to/from other funds	<u>Due to</u>	<u>Due from</u>
Major funds:		
General fund	\$ -	\$ 406,218
Utility fund	409,705	-
Other governmental funds	-	3,487
	<u>-</u>	<u>3,487</u>
Total funds	<u>\$ 409,705</u>	<u>\$ 409,705</u>

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

B. Transfers In/Out	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ 51,734	\$ -
Sportsplex fund	382,517	-
Other governmental funds	-	323,450
Utility fund	-	110,801
	<u>-</u>	<u>110,801</u>
Total funds	<u>\$ 434,251</u>	<u>\$ 434,251</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.

**NOTE 4 –INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at September 30, 2017, consisted of the following:

Sales Tax	\$ 224,332
Interlocal Agreement	35,507
Ad Valorem Tax	<u>78,500</u>
Total	<u>\$ 338,339</u>

**CITY OF SENATOBIA, MISSISSIPPI**  
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**NOTE 5-CAPITAL ASSETS**

The following is a summary of capital assets activity for the year ended September 30, 2017:

	Balance at 10/1/16	Additions	Deletions	Transfers/ Adjustments	Balance at 9/30/17
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
Capital assets, not being depreciated:					
Land	\$ 1,225,102	\$ -	\$ -	\$ -	\$ 1,225,102
Construction in progress	2,759,038	5,002,127	-	(325,956)	7,435,209
Total capital assets, not being depreciated:	3,984,140	5,002,127	-	(325,956)	8,660,311
Capital assets, being depreciated:					
Buildings and improvements	19,034,001	-	-	-	19,034,001
Infrastructure	6,580,212	-	-	325,956	6,906,168
Equipment and vehicles	4,236,801	500,574	177,500	-	4,559,875
Total capital assets, being depreciated:	29,851,014	500,574	177,500	325,956	30,500,044
Less accumulated depreciation for:					
Buildings and improvements	6,608,599	387,266	-	-	6,995,865
Infrastructure	1,722,871	272,569	-	-	1,995,440
Equipment and vehicles	2,693,740	502,669	127,800	-	3,068,609
Total accumulated depreciation	11,025,210	1,162,504	127,800	-	12,059,914
Total capital assets, being depreciated, net	18,825,804	(661,930)	49,700	325,956	18,440,130
Governmental activities capital assets, net	<u>\$ 22,809,944</u>	<u>\$ 4,018,982</u>	<u>\$ 49,700</u>	<u>\$ -</u>	<u>\$ 27,100,441</u>
<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	823,155	115,486	-	-	938,641
Total capital assets, being depreciated:	18,980,499	115,486	-	-	19,095,985
Less accumulated depreciation for:					
Buildings	282,604	7,449	-	-	290,053
Infrastructure	7,575,980	420,046	-	-	7,996,026
Equipment and vehicles	692,651	46,314	-	-	738,965
Total accumulated depreciation	8,551,235	473,809	-	-	9,025,044
Total capital assets, being depreciated, net	10,429,264	(358,323)	-	-	10,070,941
Business-type activities capital assets, net	<u>\$ 10,493,555</u>	<u>\$ (358,323)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,135,232</u>

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



**CITY OF SENATOBIA, MISSISSIPPI**  
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Depreciation expense was charged to the following functions:

Governmental Activities Function	Depreciation Expense	Business Type Activities Function	Depreciation Expense
General Government	\$ 486,733	Utility	\$ 473,809
Public Safety	270,292		
Public Works	343,966		
Culture and Recreation	49,732		
Library	11,781		
Total depreciation expense	<u>\$ 1,162,504</u>	Total depreciation Expense	<u>\$ 473,809</u>

Commitments with respect to unfinished capital projects at September 30, 2017 consisted of the following:

Project	Contract Amount	Remaining Balance	Fund
Street Surface Improvements Project	1,519,714	218,720	Other Governmental Funds
Sportsplex Maintenance Building	225,488	39,059	Other Governmental Funds
Total	<u>\$ 1,745,202</u>	<u>\$ 257,779</u>	

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

	Balance at 10/1/16	Additions	Deletions	Balance at 9/30/17	Amounts Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 5,440,000	\$ 1,600,000	\$ 390,000	\$ 6,650,000	\$ 520,000
Revenue bonds payable	710,031	-	30,607	679,424	22,825
Bond Premium	44,569	-	(324)	44,893	-
Loans payable	26,600,960	-	677,250	25,923,710	387,000
Leases payable	1,192,870	270,475	338,153	1,125,192	463,535
Compensated absences payable	120,181	3,591	-	123,772	-
Governmental activities long-term liabilities	<u>\$ 34,108,611</u>	<u>\$ 1,874,066</u>	<u>\$ 1,435,686</u>	<u>\$ 34,546,991</u>	<u>\$ 1,393,360</u>
Business-type activities:					
Revenue bonds payable	\$ 2,605,000	\$ -	\$ 645,000	1,960,000	\$ 660,000
Bond Premium	65,586	-	14,579	51,007	-
Leases payable	-	84,646	8,774	75,872	16,399
Compensated absences payable	18,856	2,762	-	21,618	-
Business-type activities long-term liabilities	<u>\$ 2,689,442</u>	<u>\$ 87,408</u>	<u>\$ 668,353</u>	<u>\$ 2,108,497</u>	<u>\$ 676,399</u>

**CITY OF SENATOBIA, MISSISSIPPI**  
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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	\$ 225,000
2015 Public Improvement	Various	2035	5,000,000	4,825,000
2017 Street Improvement	Various	2029	1,600,000	1,600,000
Total			<u>\$ 9,100,000</u>	<u>\$ 6,650,000</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	679,424
2012 Water, Sewer and Gas Refunding Bonds	2.00%	2021	5,105,000	1,960,000
Total			<u>\$ 6,005,000</u>	<u>\$ 2,639,424</u>

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	23,103,028
Total			<u>\$ 25,923,710</u>

The aggregate maturities of general obligation bonds, revenue bonds, and loans for the years subsequent to September 30, 2017 are as follows:

Year(s) Ending September 30	Governmental Fund		Enterprise Fund	
	Principal	Interest	Principal	Interest
2018	1,989,782	258,173	660,000	41,369
2019	1,778,141	220,423	670,000	27,588
2020	1,793,352	208,041	310,000	13,261
2021	1,808,709	195,283	320,000	6,400
2022	1,824,579	182,145	-	-
2023-2027	20,673,094	950,488	-	-
2028-2032	1,880,811	437,460	-	-
2033-2037	1,504,666	61,037	-	-
Total	<u>\$ 33,253,134</u>	<u>\$ 2,513,050</u>	<u>\$ 1,960,000</u>	<u>\$ 88,618</u>

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

Future minimum capital lease payments and the net present value of these minimum lease payments as of September 30, 2017 are as follows:

Year(s) Ending September 30	Governmental Fund		Enterprise Fund	
	Principal	Interest	Principal	Interest
2018	\$ 463,535	\$ 24,771	\$ 16,399	\$ 2,169
2019	233,364	16,268	18,446	1,588
2020	182,953	11,564	41,027	661
2021	55,916	6,299	-	-
2022	42,914	5,056	-	-
2023-2027	146,510	7,394	-	-
Total	<u>\$ 1,125,192</u>	<u>\$ 71,352</u>	<u>\$ 75,872</u>	<u>\$ 4,418</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 \$980,844 (the smaller of the two computed margins) as of September 30, 2017.

	15% Test	20% Test
Net Assessed Value as of September 30, 2017 (\$55,401,785 times applicable percentage)	\$ 8,310,268	\$ 11,080,357
Present debt subject to debt limit as of September 30, 2017 Total bonds outstanding (exclude proprietary)	<u>7,329,424</u>	<u>7,329,424</u>
Margin for additional debt	<u>\$ 980,844</u>	<u>\$ 3,750,933</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 amended the original loan agreement. The amended agreement stipulated that once the property was re-let, the City's MMEIA debt repayment obligations would resume; however, the repayments required are equal to the lease payments received by the City. The City's repayment obligation under the DIP loan agreement shall resume if the City enters into a Tax Fee-In-Lieu Agreement with the new tenant or the City receives additional lease payments after the MMEIA loan has been fully repaid.

On December 11, 2015, the City re-let the Twin Creeks facility to ABB, Inc. 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 \$387,000 from

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
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ABB, which was remitted to the State as MMEIA loan repayment. Additionally, rental income of \$290,250 collected during the previous year was remitted to the State during the current year.

**Prior Year Defeasance of Debt**

In 2013, the City defeased utility bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2017, \$630,000 of the outstanding bonds are defeased.

**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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended by 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 1-800-444 PERS.

**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 public school districts. For those employed by political subdivisions and instrumentalities of the State of Mississippi, 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. 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 2.0 percent 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 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age 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. 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. A Cost-of Living (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent 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 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

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**Contributions**

At September 30, 2017, PERS members were required to contribute 9.00% of their annual covered salary and the City of Senatobia is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2017, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City of Senatobia's contributions (employer share only) to PERS for the year ending September 30, 2017, 2016 and 2015 were \$470,887, \$470,954, and \$446,825, 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, 2017, the City reported a liability of \$7,812,995 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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 a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2017 net pension liability was .047 percent, which was based on a measurement date of June 30, 2017. This was an increase of .02 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the City recognized pension expense of \$1,227,188. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 107,471	\$ 57,009
Changes of assumptions	166,603	12,747
Net difference between projected and actual earnings on pension plan investments	679,888	603,674
Changes in the City's proportion and differences between the City's contributions and proportionate share of contributions	251,241	-
City contributions subsequent to the measurement date	<u>115,725</u>	<u>-</u>
Total	<u>\$ 1,320,928</u>	<u>\$ 673,430</u>

\$115,725 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ending September 30	Amount
2018	\$ 426,766
2019	216,479
2020	39,445
2021	(150,917)
Total	<u>\$ 531,773</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00%
Salary Increases	3.75% – 18.50%, 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 2022, with males' rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Assets	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Debt	2.00%	2.50%
Cash	1.00%	-
Total	<u>100.00%</u>	

**Discount Rate**

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

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

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.**

The following 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 6.75%	Discount Rate 7.75%	1% Increase 8.75%
City's proportionate share of the net pension liability	\$ 10,247,265	\$ 7,812,995	\$ 5,792,022

**Pension Plan Fiduciary Net Position.**

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**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.

**NOTE 11 – TAX ABATEMENTS**

The City enters into property tax abatement agreements with local enterprises as provided for by Mississippi state statute. Mississippi Code Section 27-31-101 allows municipal authorities to grant ad valorem tax exemptions to certain classes of new enterprises, while Code Section 27-31-105 allows for ad valorem tax exemptions for additions to or expansions of facilities or properties or replacement of equipment used in connection with certain enterprises. The abatements may be granted for a period not to exceed ten years.

For the fiscal year ended September 30, 2017, the City abated ad valorem taxes totaling \$61,730. The recipients of the tax abatements were not required to comply with any special provisions in order to receive the abatements and the City made no commitments as part of the agreements other than to reduce taxes.

**NOTE 12 – SUBSEQUENT EVENTS**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

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 November 22, 2018, (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:

The City entered into two lease purchase agreements dated February 23, 2018 to finance the purchase of two high compaction refuse collection trucks. The principal amount of the leases are \$293,456 and \$205,427, both of which have a 36 month lease term and a 4.11% interest rate.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SENATOBIA, MISSISSIPPI**  
**Budgetary Comparison Schedule – General Fund**  
**September 30, 2017**

	<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	\$ 1,241,969	\$ 1,230,429	\$ 1,351,357	\$ 120,928
Licenses and permits	125,862	121,956	64,591	(57,365)
Intergovernmental	2,537,013	2,612,642	2,689,639	76,997
Charges for services	830,350	700,867	857,794	156,927
Franchise Tax	211,000	177,602	201,868	24,266
Interest	-	-	4,957	4,957
Miscellaneous	443,407	522,912	178,712	(344,200)
Total revenues	5,389,601	5,366,408	5,348,918	(17,490)
<b><u>EXPENDITURES</u></b>				
General government	887,320	879,923	896,646	(16,723)
Public safety	3,043,762	3,097,066	3,070,900	26,166
Public works	2,890,976	1,443,741	1,697,571	(253,830)
Culture and recreation	624,693	556,365	631,233	(74,868)
Library	103,500	101,240	101,240	-
Total expenditures	7,550,251	6,078,335	6,397,590	(319,255)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(2,160,650)	(711,927)	(1,048,672)	(336,745)
Other Financing Sources (Uses)				
Grant revenue	523,606	478,872	373,959	(104,913)
Rents	1,535,000	32,030	256,890	224,860
Sale of assets	-	-	66,047	66,047
Lease proceeds	-	-	270,475	270,475
Interfund transfers in	162,300	107,378	51,734	(55,644)
Interfund transfers out	(60,067)	(63,989)	-	63,989
Total Other Financing Sources (Uses)	2,160,839	554,291	1,019,105	464,814
Net change in fund balances	\$ 189	\$ (157,636)	(29,567)	\$ 128,069
Fund Balance - Beginning of Year			674,934	
Fund Balance - End of Year			645,367	
Adjustments to conform with GAAP:				
Revenues			11,231	
Expenditures			(56,798)	
Fund Balance - End of Year (GAAP basis)			\$ 599,800	

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	\$ 7,812,995	\$8,038,124	\$ 6,956,112	\$ 5,462,176
City's proportionate share of the net pension liability	0.047%	0.045%	0.045%	0.045%
City's covered employee payroll	2,988,000	2,896,441	2,859,027	2,757,853
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	261.48%	277.52%	243.30%	198.06%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

\*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>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	470,877	470,954	446,825
Contributions in relation to the contractually required contribution	<u>470,877</u>	<u>470,954</u>	<u>446,825</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
City's covered - employee payroll	2,989,695	2,990,184	2,836,984
Contributions as a percentage of covered-employee payroll	15.75%	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, 2017**

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) Changes of Assumptions

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

**CITY OF SENATOBIA, MISSISSIPPI**  
**Notes to the Required Supplementary Information**  
**September 30, 2017**

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

(2) Changes in benefit provisions

2016

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 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

## **SUPPLEMENTARY INFORMATION**

**CITY OF SENATOBIA, MISSISSIPPI**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2017**

Fidelity bonds in force at September 30, 2017 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

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, 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 November 22, 2018.

### 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 blue ink that reads "F.O. Givens & Co." with a stylized flourish at the end.

F. O. Givens & Company  
Senatobia, Mississippi  
November 22, 2018

# 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, 2017, and have issued our report thereon dated November 22, 2018. 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.  
Senatobia, Mississippi  
November 22, 2018

**CITY OF SENATOBIA, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**September 30, 2017**

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>            |