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FINANCIAL STATEMENTS  
City of Saltillo, Mississippi

For the Year Ended  
September 30, 2020

# CITY OF SALTILLO, MISSISSIPPI

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen  
City of Saltillo, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Saltillo, Mississippi, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saltillo, Mississippi, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions on pages 42 through 45 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 Saltillo, Mississippi's basic financial statements. The individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and other supplemental information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2021 on our consideration of the City of Saltillo, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Saltillo's internal control over financial reporting and compliance.

*Franks, Franks, Wilemon & Hagood P.A.*

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.  
Tupelo, Mississippi  
August 10, 2021

# **CITY OF SALTILLO, MISSISSIPPI**

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

### **Required Supplementary Information for the Year Ended September 30, 2020**

This section of the City of Saltillo's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2020. Please read it in conjunction with the City of Saltillo's financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,160,750. Of this amount, \$1,143,141 may be used to meet the City of Saltillo's ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$5,391,789, of which \$0 was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Saltillo's governmental funds reported combined ending fund balances of \$2,392,456, a decrease of \$273,934 in comparison to the prior year. Approximately 90% of the combined fund balances, \$2,143,871 is considered unassigned and is available for spending at the City of Saltillo's discretion.
- The City of Saltillo's total debt is \$2,312,814. New debt in the amount of \$278,497 was issued in the current fiscal year. Debt in the amount of \$1,757,625 was repaid during the current fiscal year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

# CITY OF SALTILLO, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

Figure A-1

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

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

# **CITY OF SALTILLO, MISSISSIPPI**

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

### **Government-Wide Statements**

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

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

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

### **Fund Financial Statements**

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

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

## **CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Saltillo has two types of funds:

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

### **Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. The City of Saltillo's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,160,750 at the close of the most recent fiscal year.

# CITY OF SALTILLO, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

A large portion, 79%, of the City's net position reflect its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1

### City of Saltillo's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 2,782,407	\$ 3,024,059	\$ 2,929,073	\$ 1,276,230	\$ 5,711,480	\$ 4,300,289
Noncurrent Assets	<u>2,154,800</u>	<u>1,763,505</u>	<u>5,054,588</u>	<u>7,382,112</u>	<u>7,209,388</u>	<u>9,145,617</u>
Total Assets	4,937,207	4,787,564	7,983,661	8,658,342	12,920,868	13,445,906
Deferred Outflows	<u>205,700</u>	<u>69,270</u>	<u>64,434</u>	<u>21,854</u>	<u>270,134</u>	<u>91,124</u>
Total Deferred Outflows	205,700	69,270	64,434	21,854	270,134	91,124
Current and Other Liabilities	141,435	116,255	250,524	258,374	416,825	374,629
Long-Term Liabilities	<u>3,187,866</u>	<u>3,020,161</u>	<u>3,074,625</u>	<u>4,415,782</u>	<u>6,237,625</u>	<u>7,435,943</u>
Total Liabilities	3,329,301	3,136,416	3,325,149	4,674,156	6,654,450	7,810,572
Deferred Inflows	<u>286,162</u>	<u>254,408</u>	<u>89,640</u>	<u>80,261</u>	<u>375,802</u>	<u>334,669</u>
Total Deferred Inflows	286,162	254,408	89,640	80,261	375,802	334,669
Net Investment in Capital Assets	1,955,564	1,495,693	2,941,010	3,840,243	4,896,574	5,335,936
Restricted	121,035	111,092	0	0	121,035	111,092
Unrestricted (Deficit)	<u>(549,155)</u>	<u>(140,775)</u>	<u>1,692,296</u>	<u>85,536</u>	<u>1,143,141</u>	<u>(55,239)</u>
Total Net Position	\$ 1,527,444	\$ 1,466,010	\$ 4,633,306	\$ 3,925,779	\$ 6,160,750	\$ 5,391,789

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position of the business-type activities was \$1,692,296 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City of Saltillo generally can only use this net position to finance the continuing operations of the business type activities.

# CITY OF SALTILLO, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Changes in net position.** Approximately 20.16% of the City of Saltillo's revenue comes from property taxes, with 45.46% of all revenue coming from some type of tax. (See Table A-2.) Another 43.53% comes from fees charged for services and the balance is from intergovernmental revenue, investment earnings and other miscellaneous receipts.

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

Table A-2

### Changes in The City of Saltillo's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 141,606	\$ 160,389	\$ 1,945,751	\$ 1,664,926	\$ 2,087,357	\$ 1,825,315
Operating Grants & Contributions	0	0	0	0	0	0
Capital Grants & Contributions	37,815	458,754	108,926	0	146,741	458,754
General Revenues:						
Property Taxes	966,574	958,755	0	0	966,574	958,755
Other Taxes	1,213,284	1,168,185	0	0	1,213,284	1,168,185
Intergovernmental Revenues	100,873	103,733	0	0	100,873	103,733
Investment Income	50,579	39,310	2,023	1,985	52,602	41,295
Other	77,760	66,459	150,105	(1,580)	227,865	66,301
Total Revenues	<u>2,588,491</u>	<u>2,955,585</u>	<u>2,206,805</u>	<u>1,666,753</u>	<u>4,795,296</u>	<u>4,622,338</u>
Expenses						
General Government	597,772	665,041	0	0	597,772	665,041
Public Safety	1,231,774	1,213,507	0	0	1,231,774	1,213,507
Public Works	195,954	171,949	0	0	195,954	171,949
Culture & Recreation	284,729	318,790	0	0	284,729	318,790
Interest on Long-Term Debt	11,741	14,244	0	0	11,741	14,244
Water and Sewer System	0	0	1,704,365	1,610,643	1,704,365	1,610,643
Total Expenses	<u>2,321,970</u>	<u>2,383,531</u>	<u>1,704,365</u>	<u>1,610,643</u>	<u>4,026,335</u>	<u>3,994,174</u>
Excess (Deficit) of						
Revenue Over Expenses	266,521	572,054	502,440	56,110	768,961	628,164
Transfers In (Out)	(205,087)	(1,091)	205,087	1,091	0	0
Increase (Decrease) in Net Position	61,434	570,963	707,527	57,201	768,961	628,164
Net Position-Beginning	1,466,010	895,047	3,925,779	3,868,578	5,391,789	4,763,625
Net Position-Ending	\$ <u>1,527,444</u>	\$ <u>1,466,010</u>	\$ <u>4,633,306</u>	\$ <u>3,925,779</u>	\$ <u>6,160,750</u>	\$ <u>5,391,789</u>

# **CITY OF SALTILLO, MISSISSIPPI**

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

### **Governmental Activities**

Governmental activities increased the City's net position by \$61,434, thereby accounting for 7.99 percent of the total increase in the net position of the City. Key elements of this increase are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are other taxes (47%), property taxes (37%) and charges for services (5%).

The largest expense categories for the City's governmental activities are public safety (53%) and general government (26%).

### **Business-type Activities**

Business-type activities increased the City's net position by \$707,527.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$1,945,751 for charges for water and sewer.

### **Financial Analysis of the Government's Funds**

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

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

**General Fund**—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,143,871. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total fund balance represents 87% of total fund expenditures. The fund balance of the City's general fund decreased by \$284,344 during the current fiscal year.

**Special Revenue Funds**—The special revenue funds are used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$90,428, which will be used for future expenditures. The net increase in fund balance during the current year in the special revenue funds was \$9,225.

**Debt Service Fund**—The debt service fund has a total fund balance of \$30,607, all of which is committed to the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$718.

**Proprietary Funds**—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$4,633,306.

# CITY OF SALTILLO, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Budgetary Highlights

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

The City's 2019-2020 general fund operating budget increased by approximately \$158,473 during the current fiscal year. This increase was primarily related to an increase in expenditures related to capital outlay in the general government and public works departments.

The City's tax millage for the 2020 fiscal year remained constant with no change.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets**—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounted to \$7,209,388, net of accumulated depreciation of \$7,549,512. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3

#### City of Saltillo's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 268,815	\$ 268,815	\$ 0	\$ 0	\$ 268,815	\$ 268,815
Plant, Buildings & improvements	2,165,646	1,899,713	9,466,407	12,608,760	11,632,053	14,508,473
Machinery & Equipment	2,107,779	1,866,223	715,074	716,023	2,822,853	2,582,246
Infrastructure	35,179	35,179	0	0	35,179	35,179
Construction in Progress	0	17,739	0	0	0	17,739
Accumulated Depreciation	<u>(2,422,619)</u>	<u>(2,324,164)</u>	<u>(5,126,893)</u>	<u>(5,942,671)</u>	<u>(7,549,512)</u>	<u>(8,266,835)</u>
Total	<u>\$ 2,154,800</u>	<u>\$ 1,763,505</u>	<u>\$ 5,054,588</u>	<u>\$ 7,382,112</u>	<u>\$ 7,209,388</u>	<u>\$ 9,145,617</u>

**Long-term Debt**—At year-end, the City had \$2,312,814 in bonds and notes outstanding. More detailed information about the City of Saltillo's long-term liabilities is presented in the notes to the financial statements.

# CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-4

## City of Saltillo's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General Obligation Bonds	\$ 137,200	\$ 183,750	\$ 142,800	\$ 191,250	\$ 280,000	\$ 375,000
CAP Loans	0	0	840,226	1,070,163	840,226	1,070,163
Lease Purchases	62,036	66,323	0	0	62,036	66,323
Promissory Notes	0	0	1,130,552	998,716	1,130,552	998,716
DEQ Loan	0	0	0	1,281,740	0	1,281,740
Total	<u>\$ 199,236</u>	<u>\$ 250,073</u>	<u>\$ 2,113,578</u>	<u>\$ 3,541,869</u>	<u>\$2,312,814</u>	<u>\$3,791,942</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2021 budget. The total budgeted appropriations for the City general fund operations is \$2,398,370. This budget reflects a decrease of approximately \$86,832. This decrease was primarily related to a decrease in personnel services in various departments.

## CONTACTING THE CITY OF SALTILLO FINANCIAL MANAGEMENT

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

## BASIC FINANCIAL STATEMENTS

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**September 30, 2020**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS:</u></b>			
Cash on Deposit	\$ 2,276,407	\$ 2,449,800	\$ 4,726,207
Investments	86,830	146,387	233,217
Due From Other Governments	183,472	-	183,472
Accounts Receivable, net	-	262,882	262,882
Court Fines Receivable, net	271,902	-	271,902
Property Taxes Receivable	33,800	-	33,800
Internal Balances	(70,004)	70,004	-
Capital Assets:			
Land	268,815	-	268,815
Plant, Buildings, & Improvements	2,165,646	9,466,407	11,632,053
Machinery & Equipment	2,107,779	715,074	2,822,853
Infrastructure	35,179	-	35,179
Construction in Progress	-	-	-
Accumulated Depreciation	(2,422,619)	(5,126,893)	(7,549,512)
<b>TOTAL ASSETS</b>	<u>4,937,207</u>	<u>7,983,661</u>	<u>12,920,868</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>			
Deferred Amounts Related to Pensions	<u>205,700</u>	<u>64,434</u>	<u>270,134</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 205,700</u>	<u>\$ 64,434</u>	<u>\$ 270,134</u>

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**September 30, 2020**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>LIABILITIES:</u></b>			
Accounts Payable and Accrued Expenses	\$ 84,249	\$ 86,255	\$ 170,504
Accrued Interest Payable	-	13,708	13,708
Accrued Compensated Absences	57,186	24,866	82,052
Net Pension Liability	2,988,630	936,181	3,924,811
Customer Deposits	-	150,561	150,561
Long-Term Liabilities:			
Due Within One Year	91,668	138,185	229,853
Due in More Than One Year	107,568	1,975,393	2,082,961
<b>TOTAL LIABILITIES</b>	<b>3,329,301</b>	<b>3,325,149</b>	<b>6,654,450</b>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
Deferred Amounts Related to Pensions	286,162	89,640	375,802
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>286,162</b>	<b>89,640</b>	<b>375,802</b>
<b><u>NET POSITION:</u></b>			
Net Investment in Capital Assets	1,955,564	2,941,010	4,896,574
Restricted for:			
Special Revenue	90,428	-	90,428
Debt Service	30,607	-	30,607
Unrestricted (Deficit)	(549,155)	1,692,296	1,143,141
<b>TOTAL NET POSITION</b>	<b>\$ 1,527,444</b>	<b>\$ 4,633,306</b>	<b>\$ 6,160,750</b>

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

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended September 30, 2020**

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charge for Services	Operating		Governmental Activities	Business-Type Activities	Total
			Contributions	Capital Grants and Contributions			
<b>PRIMARY GOVERNMENT</b>							
Government Activities:							
General Government	\$ 597,772	\$ 31,103	\$ -	\$ -	\$ (566,669)	\$ -	\$ (566,669)
Public Safety	1,231,774	28,324	-	37,815	(1,165,635)	-	(1,165,635)
Public Works	195,954	-	-	-	(195,954)	-	(195,954)
Culture and Recreation	284,729	82,179	-	-	(202,550)	-	(202,550)
Interest on Long-Term Debt	11,741	-	-	-	(11,741)	-	(11,741)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>2,321,970</b>	<b>141,606</b>	<b>-</b>	<b>37,815</b>	<b>(2,142,549)</b>	<b>-</b>	<b>(2,142,549)</b>
Business-Type Activities:							
Water & Sewer System	1,704,365	1,945,751	-	108,926	-	350,312	350,312
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,704,365</b>	<b>1,945,751</b>	<b>-</b>	<b>108,926</b>	<b>-</b>	<b>350,312</b>	<b>350,312</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 4,026,335</b>	<b>\$ 2,087,357</b>	<b>\$ -</b>	<b>\$ 146,741</b>	<b>\$ (2,142,549)</b>	<b>\$ 350,312</b>	<b>\$ (1,792,237)</b>

**GENERAL REVENUES:**

Taxes:							
Property Taxes, Levied for General Purposes	\$	916,733	\$	-	\$	916,733	
Property Taxes, Levied for Specific Purposes		49,841		-		49,841	
Sales Taxes		979,816		-		979,816	
Licenses and Permits		37,639		-		37,639	
Franchise Fees		160,899		-		160,899	
In Lieu Taxes		68,443		-		68,443	
Gasoline Taxes & Other Taxes		4,126		-		4,126	
Homestead Reimbursement		21,500		-		21,500	
Other Intergovernmental Revenues		79,373		-		79,373	
Gain (Loss) on Disposal of Assets		2,558		150,105		152,663	
Investment Earnings		50,579		2,023		52,602	
Donations		9,470		-		9,470	
Miscellaneous		28,093		-		28,093	
Transfers		(205,087)		205,087		-	
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>		<b>2,203,983</b>		<b>357,215</b>		<b>2,561,198</b>	
<b>CHANGE IN NET POSITION</b>		<b>61,434</b>		<b>707,527</b>		<b>768,961</b>	
<b>NET POSITION--BEGINNING</b>		<b>1,466,010</b>		<b>3,925,779</b>		<b>5,391,789</b>	
<b>NET POSITION--ENDING</b>		<b>\$ 1,527,444</b>		<b>\$ 4,633,306</b>		<b>\$ 6,160,750</b>	

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

**CITY OF SALTILLO, MISSISSIPPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2020**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS:</u></b>			
Cash on Deposit	\$ 2,159,354	\$ 117,053	\$ 2,276,407
Investments	86,830	-	86,830
Due From Other Governments	180,877	2,595	183,472
Due From Other Funds	4,018	-	4,018
<b>TOTAL ASSETS</b>	<b>\$ 2,431,079</b>	<b>\$ 119,648</b>	<b>\$ 2,550,727</b>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable and Accrued Expenses	\$ 85,636	\$ (1,387)	\$ 84,249
Due to Other Funds	74,022	-	74,022
<b>TOTAL LIABILITIES</b>	<b>159,658</b>	<b>(1,387)</b>	<b>158,271</b>
<b><u>FUND BALANCES:</u></b>			
Nonspendable:			
Unemployment Trust Fund	-	11,545	11,545
Restricted for:			
Fire Insurance Rebate	-	78,883	78,883
Police/Narcotics Grant	-	-	-
Committed to:			
Cemetery	73,607	-	73,607
Main Street Fund	53,943	-	53,943
Debt Service	-	30,607	30,607
Unassigned	2,143,871	-	2,143,871
<b>TOTAL FUND BALANCES</b>	<b>2,271,421</b>	<b>121,035</b>	<b>2,392,456</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,431,079</b>	<b>\$ 119,648</b>	<b>\$ 2,550,727</b>

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

**CITY OF SALTILLO, MISSISSIPPI**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**September 30, 2020**

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,392,456
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	2,154,800
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(199,236)
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.	33,800
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(57,186)
Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(2,988,630)
Deferred outflows and inflows related to pensions are applicable to future periods and therefore they are not reported in the Governmental Funds Balance Sheet.	
Deferred outflows of resources related to defined benefit pension plan	205,700
Deferred inflows of resources related to defined benefit pension plan	(286,162)
Accrual of court fine revenues to qualify as financial resources.	<u>271,902</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>1,527,444</u></u>

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

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2020**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
General Property Taxes	\$ 911,778	\$ 49,841	\$ 961,619
Sales and Use Taxes	979,816	-	979,816
Licenses and Permits	37,639	-	37,639
In Lieu of Taxes	68,443	-	68,443
Franchise Fees	160,899	-	160,899
Charges for Services	7,800	-	7,800
Intergovernmental Revenues	64,985	40,014	104,999
Recreation Use Fees	74,379	-	74,379
Rentals	31,103	-	31,103
Fines and Forfeits	37,158	-	37,158
Interest Income	50,484	95	50,579
Grant Income	37,815	-	37,815
Donations	9,470	-	9,470
Miscellaneous Revenues	28,093	-	28,093
<b>TOTAL REVENUES</b>	<u>2,499,862</u>	<u>89,950</u>	<u>2,589,812</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	569,595	-	569,595
Public Safety	1,216,205	23,154	1,239,359
Public Works	450,133	-	450,133
Culture and Recreation	344,340	-	344,340
Debt Service - Principal	32,784	46,550	79,334
Debt Service - Interest	1,526	10,215	11,741
<b>TOTAL EXPENDITURES</b>	<u>2,614,583</u>	<u>79,919</u>	<u>2,694,502</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(114,721)</u>	<u>10,031</u>	<u>(104,690)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Sale of Capital Assets	7,346	-	7,346
Proceeds from Issuance of Debt	28,497	-	28,497
Transfers (to) from Other Funds	(204,999)	(88)	(205,087)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(169,156)</u>	<u>(88)</u>	<u>(169,244)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(283,877)</u>	<u>9,943</u>	<u>(273,934)</u>
<b>FUND BALANCES - Beginning</b>	<u>2,555,298</u>	<u>111,092</u>	<u>2,666,390</u>
<b>FUND BALANCES - Ending</b>	<u>\$ 2,271,421</u>	<u>\$ 121,035</u>	<u>\$ 2,392,456</u>

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

**CITY OF SALTILLO, MISSISSIPPI**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended September 30, 2020**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(273,934)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period		537,625
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Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(141,542)
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Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.		(113,866)
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Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds.		4,955
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Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received.		(8,834)
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Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the remaining basis of the capital assets sold.		(4,788)
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(Increase) decrease in accrual of compensated absences.		10,981
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Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.

This amount represents long-term debt issued.		(28,497)
This amount represents long-term debt repayments.		79,334

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	61,434
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The accompanying notes are an integral part of these financial statements.

**CITY OF SALTILLO, MISSISSIPPI**  
**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-BUDGET AND ACTUAL -**  
**BUDGETARY BASIS**  
**For the Fiscal Year Ended September 30, 2020**

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
<b>REVENUES:</b>				
General Property Taxes	\$ 819,670	\$ 898,687	\$ 924,871	\$ 26,184
Sales and Use Taxes	900,000	959,783	992,358	32,575
Licenses and Permits	43,100	36,926	37,639	713
In Lieu of Taxes	55,016	68,443	68,443	-
Franchise Fees	142,800	156,328	165,471	9,143
Charges for Services	-	7,800	7,800	-
Intergovernmental Revenues	58,300	74,178	64,985	(9,193)
Recreation Use Fees	400	79,661	74,379	(5,282)
Rentals	26,200	31,102	31,103	1
Fines and Forfeits	(31,802)	32,856	37,158	4,302
Grant Income	-	96,569	37,815	(58,754)
Interest Income	36,000	50,255	50,486	231
Donations	10,076	9,470	9,470	-
Miscellaneous Revenues	2,000	28,089	28,091	2
<b>TOTAL REVENUES</b>	<b>2,061,760</b>	<b>2,530,147</b>	<b>2,530,069</b>	<b>(78)</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	667,630	576,671	569,595	7,076
Public Safety	1,123,257	1,132,863	1,216,205	(83,342)
Public Works	248,378	461,326	450,133	11,193
Culture and Recreation	322,520	349,398	344,340	5,058
Debt Service	34,311	34,311	34,310	1
<b>TOTAL EXPENDITURES</b>	<b>2,396,096</b>	<b>2,554,569</b>	<b>2,614,583</b>	<b>(60,014)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(334,336)</b>	<b>(24,422)</b>	<b>(84,514)</b>	<b>(60,092)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Issuance of Debt	-	-	28,497	28,497
Proceeds from Sale of Capital Assets	-	1,082	7,346	6,264
Transfers (to) from Other Funds	(523,506)	180,969	(204,999)	(385,968)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(523,506)</b>	<b>182,051</b>	<b>(169,156)</b>	<b>(351,207)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES</b>	<b>\$ (857,842)</b>	<b>\$ 157,629</b>	<b>\$ (253,670)</b>	<b>\$ (411,299)</b>

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

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2020**

**ASSETS:**

Current Assets:

Cash and Cash Equivalents	\$ 2,449,800
Investments	146,387
Accounts Receivable, Net of Provision for Bad Debts	262,882
Due From Other Funds	76,237
<b>Total Current Assets</b>	<b>2,935,306</b>

Noncurrent Assets:

Water and Sewer System, Vehicles and Equipment	10,181,481
Less: Accumulated Depreciation	(5,126,893)
<b>Net Noncurrent Assets</b>	<b>5,054,588</b>
<b>TOTAL ASSETS</b>	<b>7,989,894</b>

Deferred Outflows of Resources:

Deferred Outflows - Pensions	64,434
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 64,434</b>

**LIABILITIES:**

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 86,255
Accrued Interest Payable	13,708
Customer Deposits	150,561
Due to Other Funds	6,233
Notes and Bonds- Due Within One Year	138,185
<b>Total Current Liabilities</b>	<b>394,942</b>

Noncurrent Liabilities:

Notes and Bonds - Due in More Than One Year	1,975,393
Accrued Compensated Absences	24,866
Net Pension Liability	936,181
<b>Total Noncurrent Liabilities</b>	<b>2,936,440</b>
<b>TOTAL LIABILITIES</b>	<b>3,331,382</b>

Deferred Inflows of Resources:

Deferred Inflows - Pensions	89,640
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>89,640</b>

**NET POSITION:**

Net Investment in Capital Assets	2,941,010
Unrestricted	1,692,296
<b>TOTAL NET POSITION</b>	<b>\$ 4,633,306</b>

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

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2020**

**OPERATING REVENUES**

Charges for Services	\$ 1,832,552
Service Charges and Penalties	60,868
Other Receipts	52,331
Total Operating Revenues	<u>1,945,751</u>

**OPERATING EXPENSES**

Personnel Services	492,972
Contractual Services	39,289
Supplies	139,575
Depreciation and Amortization	289,199
Other Services	613,377
Total Operating Expenses	<u>1,574,412</u>

Net Operating Income (Loss)	<u>371,339</u>
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**NON-OPERATING REVENUES (EXPENSES)**

Grant Income	108,926
Gain (Loss) on Disposal of Fixed Assets	150,105
Bad Debt Expense	(17,795)
Interest Income	2,023
Interest and Fiscal Charges	<u>(112,158)</u>

Total Non-Operating Revenues (Expenses)	<u>131,101</u>
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Income (Loss) before Operating Transfers	<u>502,440</u>
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**TRANSFERS (TO) FROM OTHER FUNDS**

Transfers (to) from Other Funds	<u>205,087</u>
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Total Transfers (to) from Other Funds	<u>205,087</u>
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<b>CHANGE IN NET POSITION</b>	<b>707,527</b>
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<b>NET POSITION - OCTOBER 1</b>	<b><u>3,925,779</u></b>
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<b>NET POSITION - SEPTEMBER 30</b>	<b>\$ <u><u>4,633,306</u></u></b>
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The accompanying notes are an integral part of these financial statements.

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Customers	\$ 1,875,268
Cash Payments for Personnel Services	(465,838)
Cash Payments for Contractual Services	(39,289)
Cash Payments for Supplies	(104,259)
Cash Payments for Other Services	(613,377)
Net Cash Provided By (Used In) Operating Activities	<u>652,505</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Transfers (to) from Other Funds	204,616
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	<u>204,616</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Proceeds from Long-Term Debt	250,000
Purchases of Capital Assets	(416,226)
Proceeds from Sale of Fixed Assets	2,604,656
Principal Paid on Long-Term Debt	(1,678,291)
Interest Paid on Long-Term Debt	(112,158)
Proceeds from Capital Grants	108,926
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>756,907</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest on Investments	2,023
Net Cash Provided By (Used In) Investing Activities	<u>2,023</u>

NET INCREASE (DECREASE) IN CASH AND INVESTMENTS 1,616,051

CASH AND INVESTMENTS, OCTOBER 1 980,136

CASH AND INVESTMENTS, SEPTEMBER 30 \$ 2,596,187

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

Operating Income (Loss)	\$ 371,339
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities	
Depreciation & Amortization	289,199
Net Pension Expense	29,067
Provision for Doubtful Accounts	(17,795)
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(36,321)
Increase (Decrease) in Accounts Payable - operating activities	35,316
Increase (Decrease) in Accrued Compensated Absences	(1,933)
Increase (Decrease) in Customer Deposits	(16,367)
Total Adjustments	<u>281,166</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 652,505</u></u>

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

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

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

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

**Government-Wide and Fund Financial Statements**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

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

The City reports the following major governmental funds:

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

Additionally, the City reports the following governmental fund types:

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

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

The City reports the following major proprietary funds:

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

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

**Budgets and Budgetary Accounting**

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

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be published in a local newspaper.

**CITY OF SALTILLO, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

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

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

Cash and Investments

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

Revenue Recognition - Property Taxes

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

General Obligation Enterprise Bonds

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

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

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Encumbrances

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

Compensated Absences

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

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." Interfund receivables and payables 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 balance."

Use of Estimates

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

Cash and Cash Equivalents

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

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board of Aldermen delegating this responsibility to the City's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned:** This classification includes the residual fund balance for the General Fund and all other amounts not included in other spendable classifications.

When an expenditure 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 use unassigned amounts.

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Business Information

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

Comparative Data

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

Pensions

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

Concentrations of Credit Risk

Financial instruments that potentially subject the City to concentrations of credit risk consist primarily of proprietary fund accounts receivable. The City grants unsecured credit to customers in and around the City of Oxford. Consequently, the City's ability to collect amounts due from customers is affected by economic fluctuations in that region, although a security deposit is generally required before credit is granted.

Reclassifications

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

**NOTE 2 - PROPERTY TAXES**

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

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 2 - PROPERTY TAXES (continued)**

The millage was allocated as follows:

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

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Deposits

The carrying amount of the City's total deposits with financial institutions at September 30, 2020, was \$4,726,207, and the bank balance was \$4,743,409. 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 Deposit Insurance Corporation (FDIC).

*Custodial credit risk:* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's entire bank balances were covered by federal depository insurance or collateralized in accordance with state law at year end. The collateral for public entities' deposits in financial institutions are held in the name of the Mississippi State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments

The carrying amount of the City's total investments with financial institutions at September 30, 2020, was \$233,217, and the bank balance was \$233,217.

*Interest rate risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy is limited to complying with the State's investment statutes. The State law has not addressed an interest rate risk; however, the City's policy is to hold all investments to maturity, thereby reducing any interest rate risk.

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

*Credit risk:* The City and its component units are allowed, by State statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds. It is the City's policy to limit its investments to those allowed by the State statute.

*Concentration of credit risk:* The City complies with the State statute regarding investments; as a result, concentration risk is limited.

*Custodial credit risk:* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To minimize this risk, the City's requires that all negotiable instruments be held in safekeeping in the trust department of a bank. The City's investments are insured or registered, or are securities held by the City or its agent in the City's name.

**NOTE 4 - CAPITAL ASSETS**

The following is a summary of capital asset activity as of September 30, 2020:

**Governmental Activities:**

	Balance 10-01-2019	Additions	Reclass/ Disposals	Balance 9-30-2020
Capital Assets, not being depreciated:				
Land	\$ 268,815	\$ 0	\$ 0	\$ 268,815
Construction in Progress	17,739	0	(17,739)	0
Total Capital Assets, not being depreciated	286,554	0	(17,739)	268,815
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	1,899,713	248,194	17,739	2,165,646
Infrastructure	35,179	0	0	35,179
Machinery and Equipment	1,866,223	289,431	(47,875)	2,107,779
Total Capital Assets being depreciated	3,801,115	537,625	(30,136)	4,308,604
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(765,225)	(60,688)	0	(825,893)
Infrastructure	(24,625)	0	0	(24,625)
Machinery and Equipment	(1,534,314)	(80,874)	43,087	(1,572,101)
Total Accumulated Depreciation	(2,324,164)	(141,542)	43,087	(2,422,619)
Total Capital Assets, depreciated, net Governmental Activities	1,476,951	396,083	12,951	1,885,985
Capital Assets, net	\$ 1,763,505	\$ 396,083	\$ (4,788)	\$ 2,154,800

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 4 - CAPITAL ASSETS (continued)**

**Business-Type Activities:**

	Balance 10-01-2019	Additions	Reclass/ Disposals	Balance 9-30-2020
Capital Assets, not being depreciated:				
Land	\$ 0	\$ 0	\$ 0	\$ 0
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being depreciated	0	0	0	0
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	12,608,760	406,395	(3,548,748)	9,466,407
Machinery and Equipment	<u>716,023</u>	<u>9,831</u>	<u>(10,780)</u>	<u>715,074</u>
Total Capital Assets being depreciated	13,324,783	416,226	(3,559,528)	10,181,481
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(5,325,507)	(271,840)	1,094,197	(4,503,150)
Machinery and Equipment	<u>(617,164)</u>	<u>(17,359)</u>	<u>10,780</u>	<u>(623,743)</u>
Total Accumulated Depreciation	<u>(5,945,671)</u>	<u>(289,199)</u>	<u>1,104,977</u>	<u>(5,126,893)</u>
Total Capital Assets, depreciated, net Business-type Activities	<u>7,382,112</u>	<u>127,027</u>	<u>(2,454,551)</u>	<u>5,054,588</u>
Capital Assets, net	\$ <u>7,382,112</u>	\$ <u>127,027</u>	\$ <u>(2,454,551)</u>	\$ <u>5,054,588</u>

The City adopted a capitalization threshold of \$1,000 for general fixed assets and a threshold of \$5,000 for infrastructure assets effective for the current fiscal year. The City has retroactively applied these thresholds to all general fixed assets in service at September 30, 2020.

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

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

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 4 - CAPITAL ASSETS (continued)**

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

Governmental Activities:	
General Government	\$ 26,627
Public Safety	64,923
Public Works	10,566
Culture & Recreation	<u>39,426</u>
Total Depreciation Expense – Governmental Activities	\$ <u>141,542</u>
Business-type Activities:	
Water and Sewer	\$ <u>289,199</u>
Total Depreciation Expense – Business-type Activities	\$ <u>289,199</u>

**NOTE 5 - RECEIVABLES**

Receivables at September 30, 2020, consisted primarily of taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

Receivables for accounts of the Water and Sewer Fund (an Enterprise Fund) have been reduced by \$43,075 to reflect the provision for uncollectible accounts. The accrual amount of court fine receivables on the Statement of Net Position-Government-Wide has been reduced by \$638,479 to reflect the provision for uncollectible fines.

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2020:

	General Obligation Bonds Payable	Notes & Bonds Payable	Total
Bonds and Other Long-Term Debt at 10/01/19	\$ 375,000	\$ 3,416,942	\$ 3,791,942
Add: Bonds and Other Long-Term Debt Acquired	0	278,497	278,497
Less: Bonds and Other Long-Term Debt Retired	<u>95,000</u>	<u>1,662,625</u>	<u>1,757,625</u>
Bonds and Other Long-Term Debt at 09/30/20	\$ <u>280,000</u>	\$ <u>2,032,814</u>	\$ <u>2,312,814</u>

**CITY OF SALTILLO, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2020**

**NOTE 6 - LONG-TERM DEBT (continued)**

Bonds and other long-term debt at September 30, 2020 are comprised of the following issues:

**Governmental Activities:**

**Bonds Payable:**

General Obligation Refunding Bonds – Series 2008 - \$1,250,000 original issue with interest rates of 2.00 to 4.30%, maturing on June 1, 2025	\$ 137,200
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**Notes Payable:**

Lease Purchase Agreement – Hancock Bank - \$129,698 due in annual payments of \$34,441 through 2021; interest at 2.30%	33,539
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Lease Purchase Agreement – First American National Bank - \$28,497 due in annual payments of \$10,267 through 2023; interest at 3.99%	28,497
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**Business-Type Activities:**

**Bonds Payable:**

General Obligation Refunding Bonds – Series 2008 - \$1,250,000 original issue with interest rates of 2.00 to 4.30%, maturing on June 1, 2025	142,800
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**Notes Payable:**

Note Payable – Rural Development. - \$360,000 debt issued fiscal year 2001, interest only payments for the first two years, principal and interest annual payment of \$19,800 through 2040; interest at 4.50%.	247,795
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**CITY OF SALTILLO, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2020**

**NOTE 6 - LONG-TERM DEBT (continued)**

Note Payable – Rural Development. - \$714,000 issued on September 10, 2014; due in annual payments of \$38,256 through September 10, 2049; interest at 4.0 %	649,112
Note Payable – CAP Loan. - \$1,030,949 authorized, due in monthly payments of \$5,215 through March 1, 2036; interest at 2 %.	840,226
Note Payable – First American National Bank – authorized \$250,000, due in monthly payments of \$2,652 through November 2024; interest at 5.0 %.	<u>233,645</u>
Total Debt	<u>\$ 2,312,814</u>

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

The Annual requirements to amortize all debt outstanding as of September 30, 2020 including interest payments of \$807,322 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 91,668	\$ 7,664	\$ 138,185	\$ 71,267	\$ 229,853	\$ 78,931
2022	31,544	4,566	112,982	66,380	144,526	70,946
2023	31,924	3,240	115,939	62,437	147,863	65,677
2024	22,050	1,896	118,984	58,404	141,034	60,300
2025	22,050	948	241,699	48,747	263,749	49,695
2026 - 2030	0	0	346,616	201,120	346,616	201,120
2031 - 2035	0	0	516,842	136,975	516,842	136,975
2036 - 2040	0	0	238,555	83,862	238,555	83,862
2041 - 2045	0	0	145,603	45,678	145,603	45,678
2046 - 2050	<u>0</u>	<u>0</u>	<u>138,173</u>	<u>14,138</u>	<u>138,173</u>	<u>14,138</u>
	<u>\$ 199,236</u>	<u>\$ 18,314</u>	<u>\$ 2,113,578</u>	<u>\$ 789,008</u>	<u>\$ 2,312,814</u>	<u>\$ 807,322</u>

**CITY OF SALTILLO, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2020**

**NOTE 7 - NON-CURRENT LIABILITIES**

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 the Proprietary Fund 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 or retires.

**NOTE 8 – INTERFUND TRANSACTIONS AND BALANCES**

The following is a summary of interfund balances at September 30, 2020:

Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 4,018	\$ 74,022
Water & Sewer Fund	76,237	6,233
	<u>\$ 80,255</u>	<u>\$ 80,255</u>

Transfers In/Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$204,999
Other Governmental Funds	0	88
Water & Sewer Fund	205,087	0
	<u>\$205,087</u>	<u>\$205,087</u>

All transfers were routine and consistent with the activities of the fund making the transfer.

**NOTE 9 - LITIGATION**

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

**NOTE 10 - DEFINED BENEFIT PENSION PLAN**

*Plan Description.* The City 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 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 Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (continued)**

*Benefits Provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons 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 became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 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 Adjustment (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.

*Contributions.* At September 30, 2020, PERS members were required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2020 was 17.40% 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's contributions (employer share only) to PERS for the years ending September 30, 2020, 2019 and 2018 were \$234,552, \$217,613 and \$211,671, respectively, equal to the required contributions for each year.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.* At September 30, 2020, the City reported a liability of \$3,924,811 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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 contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2020 net pension liability was 0.020274 percent, which was based on a measurement date of June 30, 2020. This was a decrease of 0.00044 percent from its proportionate share used to calculate the

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (continued)**

September 30, 2019 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended September 30, 2020, the City recognized pension expense of \$377,523. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,068	\$ -
City contributions subsequent to the measurement date	52,894	-
Changes of assumptions	21,956	-
Net difference between projected and actual earnings on pension plan investments	161,216	-
Changes in the proportion and differences between the City's contributions and proportionate share of contributions	-	375,802
Total	\$ <u>270,134</u>	\$ <u>375,802</u>

\$52,894 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	<u>Amount</u>
2021	\$ (163,064)
2022	(118,360)
2023	17,207
2024	105,655
Total	\$ <u>(158,562)</u>

*Actuarial Assumptions.* The total pension liability as of June 30, 2020 was determined by an actuarial valuation prepared as of June 30, 2019, using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	3.00 -18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (continued)**

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

The long-term expected rate of return on pension plan investments was determined using a lognormal 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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00%	4.90%
International Equity	22.00%	4.75%
Global Equity	12.00%	5.00%
Fixed Income	20.00%	0.50%
Real Estate	10.00%	4.00%
Private Equity	8.00%	6.25%
Cash	1.00%	0.00%
Total	100.00%	

*Discount Rate.* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF SALTILLO, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2020**

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (continued)**

*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 using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$5,080,185
Current discount rate	7.75%	\$3,924,811
1% increase	8.75%	\$2,971,163

*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 11 - FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS**

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$30,207 less than cash revenues.

**NOTE 12 - RISK MANAGEMENT**

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

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

**CITY OF SALTILLO, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2020**

**NOTE 12 – RISK MANAGEMENT (continued)**

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2020, will not materially affect the financial condition of the City. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the City during the current or prior year.

The City has a general fund in which it holds funds restricted to pay unemployment claims. At September 30, 2020, \$11,545 has been accumulated in this fund. The general fund of the City would be required to pay any claims exceeding monies available in this fund.

**NOTE 13 - EXPENDITURES OVER APPROPRIATIONS FOR INDIVIDUAL FUNDS**

Any expenditures over appropriations at the legal level or budgetary control for the respective funds are disclosed in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the respective fund. There were no expenditures over appropriations at the legal level of budgetary control.

**NOTE 14 – FINANCIAL INSTRUMENTS**

The carrying amount of cash, investments, accounts and other receivables, accounts payables and accrued expenses approximates fair value because of the short maturity of these financial instruments.

**NOTE 15 - COMMITMENTS**

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

**NOTE 16 - SUBSEQUENT EVENTS**

Date of Management Evaluation

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or 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 Olive Branch evaluated the activity of the City through August 10, 2021, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SALTILLO, MISSISSIPPI  
SCHEDULE OF THE CITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS \*

PERS  
For the Year Ended September 30, 2020  
UNAUDITED

	2020	2019	2018	2017	2016	2015
A. Saltillo's proportion of net pension liability (%)	0.020274%	0.020714%	0.021031%	0.021656%	0.019869%	0.019000%
B. Saltillo's proportionate share of net pension liability	\$ 3,924,811	\$ 3,644,001	\$ 3,498,080	\$ 3,599,962	\$ 3,549,100	\$ 2,937,025
C. Saltillo's covered employee payroll	\$ 1,349,989	\$ 1,349,029	\$ 1,343,003	\$ 1,389,244	\$ 1,271,086	\$ 1,193,492
D. Saltillo's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	290.73%	270.12%	260.47%	259.13%	279.22%	246.09%
E. Plan fiduciary net position as a percentage of total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of 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 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

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

**CITY OF SALTILLO, MISSISSIPPI**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS \***

**PERS**

**For the Year Ended September 30, 2020**  
**UNAUDITED**

	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 234,552	\$ 217,613	\$ 211,671	\$ 208,866	\$ 205,102	\$ 190,397	\$ 181,913
B. Contributions in relation to statutorily required contributions	\$ 234,552	\$ 217,613	\$ 211,671	\$ 208,866	\$ 205,102	\$ 190,397	\$ 181,913
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Saltillo's covered employee payroll	\$ 1,347,985	\$ 1,349,613	\$ 1,343,945	\$ 1,326,131	\$ 1,302,236	\$ 1,208,852	\$ 1,154,999
E. Contributions as a percentage of covered employee payroll	17.40%	16.12% **	15.75%	15.75%	15.75%	15.75%	15.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

\*\* Until July 1, 2019, contributions were 15.75%. Subsequent to July 1, 2019 contributions were 17.40%.

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2020**

**PENSION SCHEDULES**

(1) Changes in benefit provisions

a. 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.

(2) Changes in assumptions

a. 2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
  - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
  - For males, 137% of male rates at all ages.
  - For females, 115% of female rates at all ages.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality 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 7% to 9%.

b. 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 disable 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% to 7%.

c. 2016

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

**CITY OF SALTILLO, MISSISSIPPI  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2020**

**PENSION SCHEDULES (continued)**

d. 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 Disable 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.

- (3) ***Method and assumptions used in calculations of actuarially determined contributions.*** The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

• Actuarial cost method	Entry age
• Amortization method	Level percentage of payroll, open
• Remaining amortization period	30.9 years
• Asset valuation method	5-year smoothed market
• Price Inflation	3.00 percent
• Salary increase	3.25 percent to 18.50 percent, including inflation
• Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

- (4) The comparative information presented on the Schedule of the City's Contributions does not include information for years prior to 2014 because GASB 68 was implemented in the 2015 fiscal year. Information for the 2014 year was included because it was necessary to record the prior period adjustment in the implementation of GASB 68.

## INDIVIDUAL FUND FINANCIAL STATEMENTS

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2020**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES:</u></b>			
General Property Taxes	\$ 898,687	\$ 924,871	\$ 26,184
Licenses and Permits	36,926	37,639	713
Grant Income	96,569	37,815	(58,754)
Sales and Use Taxes	959,783	992,358	32,575
Intergovernmental Revenues	52,679	43,485	(9,194)
Homestead Reimbursement	21,499	21,500	1
Fines and Forfeits	32,856	37,158	4,302
TVA In-Lieu Tax	52,189	52,188	(1)
In Lieu of Taxes	16,254	16,255	1
Franchise Fees	156,328	165,471	9,143
Charges for Services	7,800	7,800	-
Recreation Use Fees	79,661	74,379	(5,282)
Donations	9,470	9,470	-
Miscellaneous Revenues	28,089	28,091	2
Interest Income	50,255	50,486	231
Rentals	31,102	31,103	1
<b>TOTAL REVENUES</b>	<b>2,530,147</b>	<b>2,530,069</b>	<b>(78)</b>
<b><u>EXPENDITURES:</u></b>			
General Government:			
Personnel Services	289,357	284,800	4,557
Supplies	8,600	8,032	568
Other Services and Charges	255,887	253,936	1,951
Capital Outlay	22,827	22,827	-
Total	<u>576,671</u>	<u>569,595</u>	<u>7,076</u>
Public Safety:			
Personnel Services	953,934	944,425	9,509
Supplies	72,685	71,456	1,229
Other Services and Charges	70,271	69,690	581
Capital Outlay	35,973	130,634	(94,661)
Total	<u>1,132,863</u>	<u>1,216,205</u>	<u>(83,342)</u>
Public Works:			
Personnel Services	77,870	74,175	3,695
Supplies	129,030	37,763	91,267
Other Services and Charges	80,226	73,998	6,228
Capital Outlay	174,200	264,197	(89,997)
Total	<u>461,326</u>	<u>450,133</u>	<u>11,193</u>

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued**  
**For the Fiscal Year Ended September 30, 2020**

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Culture and Recreation:			
Personnel Services	\$ 133,449	\$ 130,206	\$ 3,243
Supplies	55,631	47,854	7,777
Other Services and Charges	72,491	55,791	16,700
Capital Outlay	87,827	110,489	(22,662)
Total	<u>349,398</u>	<u>344,340</u>	<u>5,058</u>
Debt Service:			
Principal Retirement	34,311	32,784	1,527
Interest and Fiscal Charges	-	1,526	(1,526)
Total	<u>34,311</u>	<u>34,310</u>	<u>1</u>
<b>TOTAL EXPENDITURES</b>	<u>2,554,569</u>	<u>2,614,583</u>	<u>(60,014)</u>
Excess (Deficit) revenues over (under) expenditures	<u>(24,422)</u>	<u>(84,514)</u>	<u>(60,092)</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Proceeds from Sale of Capital Assets	1,082	7,346	6,264
Proceeds from Issuance of Debt	-	28,497	28,497
Transfers from(to) Other Funds	180,969	(204,999)	(385,968)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>182,051</u>	<u>(169,156)</u>	<u>(351,207)</u>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	157,629	(253,670)	(411,299)
<b>FUND BALANCES AT OCTOBER 1, 2019,</b>	<u>2,555,298</u>	<u>2,555,298</u>	<u>-</u>
<b>FUND BALANCES AT SEPTEMBER 30, 2020</b>	\$ <u>2,712,927</u>	2,301,628	\$ <u>(411,299)</u>
<b>ADJUSTMENTS TO GAAP BASIS:</b>			
Less: Accrued Revenue		(30,207)	
<b>FUND BALANCE GAAP SEPTEMBER 30, 2020</b>		\$ <u>2,271,421</u>	

## OTHER SUPPLEMENTAL INFORMATION

**CITY OF SALTILLO, MISSISSIPPI**  
**SCHEDULE OF LONG TERM DEBT**  
**For the Fiscal Year Ended September 30, 2020**

	BALANCE OUTSTANDING October 1, 2019		TRANSACTIONS DURING FISCAL YEAR		BALANCE OUTSTANDING September 30, 2020
			ISSUED	REDEEMED	
<b>Governmental Funds:</b>					
<u>General Obligation Bonds</u>					
General Obligation Refunding Bonds					
Series 2008					
Interest Rate 2.00 - 4.30%					
Maturity 2025	\$ 183,750	\$ -	\$ 46,550		\$ 137,200
<u>Other Long Term Debt</u>					
Lease Purchase Agreement					
Interest Rate 3.99%					
Maturity 2023	-	28,497	-		28,497
Lease Purchase Agreement					
Interest Rate 2.30%					
Maturity 2021	66,323	-	32,784		33,539
Total Governmental Funds	<u>250,073</u>	<u>28,497</u>	<u>79,334</u>		<u>199,236</u>
<b>Proprietary Fund:</b>					
<u>General Obligation Bonds</u>					
General Obligation Water & Sewer Refunding					
Series 2008					
Interest Rate 2.00 - 4.30%					
Maturity 2025	191,250	-	48,450		142,800
<u>Other Long Term Debt</u>					
Note Payable - Rural Development					
Interest Rate 4.5%					
Maturity 2033	28,299	-	28,299		-
Note Payable - Rural Development					
Interest Rate 4.5%					
Maturity 2040	257,514	-	9,719		247,795
Note Payable - Rural Development					
Interest Rate 4.875%					
Maturity 2031	51,972	-	51,972		-
Note Payable - CAP Loan					
Interest Rate 2.0%					
Maturity 2026	184,701	-	184,701		-
Note Payable - DEQ Loan					
Interest Rate 2.0%					
Maturity 2027	1,281,740	-	1,281,740		-
Note Payable - Rural Development					
Interest Rate 4.0%					
Maturity 2049	660,931	-	11,819		649,112
Note payable - FANB					
Interest Rate 5.0%					
Maturity 2024	-	250,000	16,355		233,645
Note Payable - CAP Loan in Progress					
Interest Rate 2.0%					
Maturity 2036	885,462	-	45,236		840,226
Total Proprietary Fund	<u>3,541,869</u>	<u>250,000</u>	<u>1,678,291</u>		<u>2,113,578</u>
Total Government-wide	<u>\$ 3,791,942</u>	<u>\$ 278,497</u>	<u>\$ 1,757,625</u>		<u>\$ 2,312,814</u>

**CITY OF SALTILLO, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS**  
**September 30, 2020**

<b>NAME</b>	<b>POSITION</b>	<b>COMPANY</b>	<b>BOND</b>
Mary Parker	City Clerk	Travelers Casualty and Surety Co.	\$50,000
Monica Daniels	Deputy City Clerk	Travelers Casualty and Surety Co.	\$50,000
Julie Morton	Deputy City Clerk	Travelers Casualty and Surety Co.	\$50,000
Rex Smith	Mayor	Clyde Scott Insurance	\$50,000
Monica Daniels	Court Clerk	Travelers Casualty and Surety Co.	\$50,000
Monica Daniels	Water Clerk	Travelers Casualty and Surety Co.	\$50,000
Linda Brown	Water Clerk	Travelers Casualty and Surety Co.	\$50,000
Andy Loden	Park & Rec Director	Travelers Casualty and Surety Co.	\$50,000
Grant Bailey	Chief of Police	Travelers Casualty and Surety Co.	\$50,000
Donald V. Cullum	Alderman	Clyde Scott Insurance	\$50,000
Terry Glidewell	Alderman	Clyde Scott Insurance	\$50,000
Craig Sanders	Alderman	Clyde Scott Insurance	\$50,000
Scottie Clark	Alderman	Clyde Scott Insurance	\$50,000
Copey Grantham	Alderman	Clyde Scott Insurance	\$50,000
	Police Officers	Travelers Casualty and Surety Co.	\$25,000

## OTHER REPORTS

P.O. Box 731  
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P.O. Box 355  
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Partners  
Gary Franks, CPA  
Bryon Wilemon, CPA  
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Aldermen  
City of Saltillo, 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 Saltillo, Mississippi as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Saltillo, Mississippi's basic financial statements and have issued our report thereon dated August 10, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness as Finding No. 1.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Saltillo, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Saltillo, Mississippi's Response to Findings**

City of Saltillo, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Saltillo, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Franks, Franks, Wilemon & Hagood P.A.*

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.  
Tupelo, Mississippi  
August 10, 2021

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

Honorable Mayor and Board of Aldermen  
City of Saittillo, Mississippi

We have audited the financial statements of City of Saittillo, Mississippi as of and for the year ended September 30, 2020, and have issued our report thereon dated August 10, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

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

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

*Franks, Franks, Wilemon & Hagood P.A.*

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.  
Tupelo, Mississippi  
August 10, 2021

**CITY OF SALTILLO, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**September 30, 2020**

**FINANCIAL STATEMENT FINDINGS:**

**FINDING NO. 1 (material weakness)**

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

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

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

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

- \* Finding 1 is considered a Material Weakness.
- \* Finding 1 was a finding in the prior year.