

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

FINANCIAL STATEMENTS
City of Saltillo, Mississippi
For the Year Ended
September 30, 2023

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P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners

Gary Franks, CPA

Bryon Wilemon, CPA

Jonathan Hagood, CPA

Rudolph Franks, CPA (1933-2019)

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Saltillo, Mississippi

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saltillo, Mississippi, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Saltillo, Mississippi's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Saltillo, Mississippi and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Saltillo, Mississippi's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Saltillo, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Saltillo, Mississippi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions on pages 50 through 54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying individual fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Schedule of Long-Term Debt, and Schedule of Surety Bonds for Municipal Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2025, 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 grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Saltillo, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Saltillo, Mississippi's internal control over financial reporting and compliance.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
March 10, 2025

CITY OF SALTILLO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2023

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, 2023. 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 \$10,263,513. Of this amount, \$1,240,659 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 \$9,383,846, of which \$2,044,675 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 \$4,038,865, a decrease of \$935,728 in comparison to the prior year. Approximately 62% of the combined fund balances, \$2,505,801 is considered unassigned and is available for spending at the City of Saltillo's discretion.
- The City of Saltillo's total debt is \$3,549,843. Debt in the amount of \$248,097 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 four Governmental Fund types: the General Fund, Capital Projects Fund, Debt Service Fund, and Special Revenue Fund.

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

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

CITY OF SALTILLO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

Figure A-1

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

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

CITY OF SALTILLO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Statements

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

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

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

Fund Financial Statements

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

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

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 four types of governmental funds: the General Fund, Capital Projects 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 \$10,263,513 at the close of the most recent fiscal year.

A large portion, 73%, 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.

CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table A-1
City of Saltillo's Net Position**

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|---------------------|
| | Restated | | Restated | | Restated | |
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Current and Other Assets | \$ 5,193,141 | \$ 6,408,571 | \$ 3,529,728 | \$ 3,504,458 | \$ 8,722,869 | \$ 9,913,029 |
| Capital Assets | 5,648,071 | 3,737,294 | 5,356,944 | 5,024,153 | 11,005,015 | 8,761,447 |
| Total Assets | 10,841,212 | 10,145,865 | 8,886,672 | 8,528,611 | 19,727,884 | 18,674,476 |
| Deferred Outflows | 895,386 | 454,396 | 263,123 | 136,988 | 1,158,509 | 591,384 |
| Total Deferred Outflows | 895,386 | 454,396 | 263,123 | 136,988 | 1,158,509 | 591,384 |
| Current and Other Liabilities | 324,081 | 567,341 | 592,750 | 501,437 | 916,831 | 1,068,778 |
| Long-Term Liabilities | 6,152,076 | 5,286,200 | 2,920,248 | 2,788,437 | 9,072,324 | 8,074,637 |
| Total Liabilities | 6,476,157 | 5,853,541 | 3,512,998 | 3,289,874 | 9,989,155 | 9,143,415 |
| Deferred Inflows | 619,883 | 706,823 | 13,842 | 31,776 | 633,725 | 738,599 |
| Total Deferred Inflows | 619,883 | 706,823 | 13,842 | 31,776 | 633,725 | 738,599 |
| Net Position: | | | | | | |
| Net Investment in | | | | | | |
| Capital Assets | 3,829,798 | 1,798,353 | 3,625,374 | 3,165,154 | 7,455,172 | 4,963,507 |
| Restricted | 1,454,684 | 2,275,221 | 112,998 | 100,443 | 1,567,682 | 2,375,664 |
| Unrestricted (Deficit) | (643,924) | (33,677) | 1,884,583 | 2,078,352 | 1,240,659 | 2,044,675 |
| Total Net Position | <u>\$ 4,640,558</u> | <u>\$ 4,039,897</u> | <u>\$ 5,622,955</u> | <u>\$ 5,343,949</u> | <u>\$ 10,263,513</u> | <u>\$ 9,383,846</u> |

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 \$1,884,583 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 16.86% of the City of Saltillo's revenue comes from sales taxes and 16.16% comes from property taxes, with 36.45% of all revenue coming from some type of tax. (See Table A-2.) Another 39.44% 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>2023</u> | <u>Restated 2022</u> | <u>2023</u> | <u>Restated 2022</u> | <u>2023</u> | <u>Restated 2022</u> |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 394,339 | \$ 402,990 | \$ 2,265,492 | \$ 2,290,586 | \$ 2,659,831 | \$ 2,693,576 |
| Operating Grants & Contributions | 51,576 | 12,366 | - | - | 51,576 | 12,366 |
| Capital Grants & Contributions | 1,000,000 | 1,185,324 | 364,875 | 241,753 | 1,364,875 | 1,427,077 |
| General Revenues: | | | | | | |
| Property Taxes | 1,090,189 | 1,031,815 | - | - | 1,090,189 | 1,031,815 |
| Other Taxes | 1,368,128 | 1,455,075 | - | - | 1,368,128 | 1,455,075 |
| Intergovernmental Revenues | 110,098 | 151,778 | - | - | 110,098 | 151,778 |
| Investment Income | 21,921 | 23,732 | 472 | 1,138 | 22,393 | 24,870 |
| Other | <u>74,774</u> | <u>60,957</u> | <u>2,374</u> | <u>14,529</u> | <u>77,148</u> | <u>75,486</u> |
| Total Revenues | <u>4,111,025</u> | <u>4,324,037</u> | <u>2,633,213</u> | <u>2,548,006</u> | <u>6,744,238</u> | <u>6,872,043</u> |
| Expenses | | | | | | |
| General Government | 818,341 | 731,378 | - | - | 818,341 | 731,378 |
| Public Safety | 1,941,279 | 1,523,733 | - | - | 1,941,279 | 1,523,733 |
| Public Works | 269,766 | 270,128 | - | - | 269,766 | 270,128 |
| Culture & Recreation | 585,895 | 432,630 | - | - | 585,895 | 432,630 |
| Interest on Long-Term Debt | 64,374 | 38,323 | - | - | 64,374 | 38,323 |
| Water and Sewer System | <u>-</u> | <u>-</u> | <u>2,184,916</u> | <u>2,156,804</u> | <u>2,184,916</u> | <u>2,156,804</u> |
| Total Expenses | <u>3,679,655</u> | <u>2,996,192</u> | <u>2,184,916</u> | <u>2,156,804</u> | <u>5,864,571</u> | <u>5,152,996</u> |
| Excess (Deficit) of | | | | | | |
| Revenue Over Expenses | 431,370 | 1,327,845 | 448,297 | 391,202 | 879,667 | 1,719,047 |
| Transfers In (Out) | <u>169,291</u> | <u>-</u> | <u>(169,291)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Increase (Decrease) in Net Position | 600,661 | 1,327,845 | 279,006 | 391,202 | 879,667 | 1,719,047 |
| Net Position-Beginning, as restated | <u>4,039,897</u> | <u>2,712,052</u> | <u>5,343,949</u> | <u>4,952,747</u> | <u>9,383,846</u> | <u>7,664,799</u> |
| Net Position-Ending | \$ <u>4,640,558</u> | \$ <u>4,039,897</u> | \$ <u>5,622,955</u> | \$ <u>5,343,949</u> | \$ <u>10,263,513</u> | \$ <u>9,383,846</u> |

CITY OF SALTILLO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the City's net position by \$600,661, thereby accounting for 68.28 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 (33%), property taxes (27%) and capital grants & contributions (24%).

The largest expense categories for the City's governmental activities are public safety (53%) and general government (22%).

Business-type Activities

Business-type activities increased the City's net position by \$279,006, thereby accounting for 31.72 percent of the total increase in the net position of the City.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$2,265,492 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 \$2,505,801. 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 100% of total fund expenditures. The fund balance of the City's general fund increased by \$804,374 during the current fiscal year.

Major Fund: Infrastructure - American Rescue Plan Act (ARPA) - This major fund has a fund balance of \$184,850, all of which is committed to public health expenditures, replacement of lost revenue, providing pay for essential workers, and investing in water and sewer infrastructure. The net decrease in fund balance during the current year in the ARPA fund was \$1,037,315.

Major Fund: Capital Projects - G/O Bond 2021 Fund - This major fund has a fund balance of \$0, all of which is committed to capital projects. The net decrease in fund balance during the current year in the Capital Projects – G/O Bond fund was \$695,973.

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 \$171,130, which will be used for future expenditures. The net decrease in fund balance during the current year in the special revenue funds was \$36,166.

CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Service Fund - The debt service fund has a total fund balance of \$87,131, all of which is restricted for the payment of debt service expenditures. The net increase in fund balance during the current year in the debt service fund was \$29,352.

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 \$5,622,955.

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 2022-2023 general fund operating budget increased by approximately \$481,003 during the current fiscal year. This increase was primarily related to an increase in expenditures related to capital outlay in culture and recreation and an increase in debt service expenditures.

The City's tax millage for the 2023 fiscal year increased by a total of 1.5 mills from 27.0 mills to 28.5 mills, all of which was related to General Fund millage increasing from 23.60 mills to 25.10 mills.

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, 2023, amounted to \$11,005,015, net of accumulated depreciation of \$8,848,300. 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 | |
|------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 268,815 | \$ 268,815 | \$ - | \$ - | \$ 268,815 | \$ 268,815 |
| Plant, Buildings & improvements | 4,235,359 | 2,265,077 | 10,064,536 | 9,676,827 | 14,299,895 | 11,941,904 |
| Machinery & Equipment | 3,074,201 | 2,845,472 | 1,164,754 | 865,851 | 4,238,955 | 3,711,323 |
| Infrastructure | 35,179 | 35,179 | - | - | 35,179 | 35,179 |
| Construction in Progress | 1,010,471 | 1,030,855 | - | 79,619 | 1,010,471 | 1,110,474 |
| Accumulated Depreciation | (2,975,954) | (2,708,104) | (5,872,346) | (5,598,144) | (8,848,300) | (8,306,248) |
| Total | <u>\$ 5,648,071</u> | <u>\$ 3,737,294</u> | <u>\$ 5,356,944</u> | <u>\$ 5,024,153</u> | <u>\$ 11,005,015</u> | <u>\$ 8,761,447</u> |

CITY OF SALTILLO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt—At year-end, the City had \$3,549,843 in general obligation bonds and other long term debt outstanding. More detailed information about the City of Saltillo's long-term liabilities is presented in the notes to the financial statements.

Table A-4

City of Saltillo's Outstanding Debt

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| General Obligation Bonds | \$ 1,489,100 | \$ 1,566,150 | \$ 45,900 | \$ 68,850 | \$ 1,535,000 | \$ 1,635,000 |
| Notes Payable | 329,173 | 362,941 | 1,685,670 | 1,790,149 | 2,014,843 | 2,153,090 |
| Financed Purchases | - | 9,850 | - | - | 0 | 9,850 |
| Total | \$ <u>1,818,273</u> | \$ <u>1,938,941</u> | \$ <u>1,731,570</u> | \$ <u>1,858,999</u> | \$ <u>3,549,843</u> | \$ <u>3,797,940</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 2024 budget. The total budgeted appropriations for the City general fund operations is \$3,209,280. This budget reflects a decrease of approximately \$251,492. This decrease was primarily related to a decrease in capital outlay in the Police and Park & Recreation 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, 2023

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>ASSETS:</u> | | | |
| Cash on Deposit | \$ 2,415,518 | \$ 2,921,071 | \$ 5,336,589 |
| Investments | 88,195 | 150,007 | 238,202 |
| Restricted Cash | 1,464,047 | 112,998 | 1,577,045 |
| Due From Other Governments | 226,476 | - | 226,476 |
| Accounts Receivable, net | - | 275,462 | 275,462 |
| Court Fines Receivable, net | 459,905 | - | 459,905 |
| Lease Receivable: Due Within One Year | 15,986 | - | 15,986 |
| Property Taxes Receivable | 1,916 | - | 1,916 |
| Internal Balances | (70,190) | 70,190 | - |
| Lease Receivable: Due in More Than One Year | 591,288 | | 591,288 |
| Capital Assets: | | | |
| Land | 268,815 | - | 268,815 |
| Plant, Buildings, & Improvements | 4,235,359 | 10,064,536 | 14,299,895 |
| Machinery & Equipment | 3,074,201 | | 3,074,201 |
| Infrastructure | 35,179 | 1,164,754 | 1,199,933 |
| Construction in Progress | 1,010,471 | - | 1,010,471 |
| Accumulated Depreciation | (2,975,954) | (5,872,346) | (8,848,300) |
| TOTAL ASSETS | 10,841,212 | 8,886,672 | 19,727,884 |
| <u>DEFERRED OUTFLOWS OF RESOURCES:</u> | | | |
| Deferred Amounts Related to Pensions | 895,386 | 263,123 | 1,158,509 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ 895,386 | \$ 263,123 | \$ 1,158,509 |

CITY OF SALTILLO, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2023

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>LIABILITIES:</u> | | | |
| Accounts Payable and Accrued Expenses | \$ 72,521 | \$ 288,253 | \$ 360,774 |
| Retainage Payable - Contractor | 47,155 | - | 47,155 |
| Accrued Interest Payable | - | 9,491 | 9,491 |
| Accrued Compensated Absences | 88,253 | 26,116 | 114,369 |
| Net Pension Liability | 4,449,955 | 1,307,685 | 5,757,640 |
| Customer Deposits | - | 149,883 | 149,883 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 116,152 | 119,007 | 235,159 |
| Due in More Than One Year | 1,702,121 | 1,612,563 | 3,314,684 |
| TOTAL LIABILITIES | 6,476,157 | 3,512,998 | 9,989,155 |
| <u>DEFERRED INFLOWS OF RESOURCES:</u> | | | |
| Deferred Inflows Related to Pensions | 47,104 | 13,842 | 60,946 |
| Deferred Inflows Related to Leases | 572,779 | - | 572,779 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 619,883 | 13,842 | 633,725 |
| <u>NET POSITION:</u> | | | |
| Net Investment in Capital Assets | 3,829,798 | 3,625,374 | 7,455,172 |
| Restricted for: | | | |
| Public Safety | 1,045,433 | - | 1,045,433 |
| Culture and Recreation | 125,727 | - | 125,727 |
| Unemployment Compensation | 11,543 | - | 11,543 |
| Debt Service | 87,131 | 112,998 | 200,129 |
| Infrastructure- ARPA | 184,850 | - | 184,850 |
| Unrestricted (Deficit) | (643,924) | 1,884,583 | 1,240,659 |
| TOTAL NET POSITION | \$ 4,640,558 | \$ 5,622,955 | \$ 10,263,513 |

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, 2023

| FUNCTIONS/ PROGRAMS | PROGRAM REVENUES | | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|------------------|-------------------------|--|--|--------------|--|-----------------------------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total | PRIMARY GOVERNMENT | | |
| | | | | | | Governmental Activities | Business-Type Activities | Total |
| PRIMARY GOVERNMENT | | | | | | | | |
| Government Activities: | | | | | | | | |
| General Government | \$ 818,341 | \$ 30,235 | \$ - | \$ - | \$ 30,235 | \$ (788,106) | \$ - | \$ (788,106) |
| Public Safety | 1,941,279 | 150,836 | 41,758 | 1,000,000 | 1,192,594 | (748,685) | - | (748,685) |
| Public Works | 269,766 | - | 9,818 | - | 9,818 | (259,948) | - | (259,948) |
| Culture and Recreation | 585,895 | 213,268 | - | - | 213,268 | (372,627) | - | (372,627) |
| Interest on Long-Term Debt | 64,374 | - | - | - | - | (64,374) | - | (64,374) |
| TOTAL GOVERNMENTAL ACTIVITIES | 3,679,655 | 394,339 | 51,576 | 1,000,000 | 1,445,915 | (2,233,740) | - | (2,233,740) |
| Business-Type Activities: | | | | | | | | |
| Water & Sewer System | 2,184,916 | 2,265,492 | - | 364,875 | 2,630,367 | - | 445,451 | 445,451 |
| TOTAL BUSINESS-TYPE ACTIVITIES | 2,184,916 | 2,265,492 | - | 364,875 | 2,630,367 | - | 445,451 | 445,451 |
| TOTAL PRIMARY GOVERNMENT | \$ 5,864,571 | \$ 2,659,831 | \$ 51,576 | \$ 1,364,875 | \$ 4,076,282 | \$ (2,233,740) | \$ 445,451 | \$ (1,788,289) |
| GENERAL REVENUES: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property Taxes, Levied for General Purposes | | | | | | \$ 1,034,038 | \$ - | \$ 1,034,038 |
| Property Taxes, Levied for Specific Purposes | | | | | | 56,151 | - | 56,151 |
| Sales Taxes | | | | | | 1,137,174 | - | 1,137,174 |
| Licenses and Permits | | | | | | 50,889 | - | 50,889 |
| Franchise Fees | | | | | | 156,687 | - | 156,687 |
| In Lieu Taxes | | | | | | 67,182 | - | 67,182 |
| Gasoline Taxes & Other Taxes | | | | | | 7,085 | - | 7,085 |
| Homestead Reimbursement | | | | | | 27,160 | - | 27,160 |
| Other Intergovernmental Revenues | | | | | | 82,938 | - | 82,938 |
| Gain (Loss) on Disposal of Assets | | | | | | 18,837 | 2,374 | 21,211 |
| Investment Earnings | | | | | | 21,921 | 472 | 22,393 |
| Donations | | | | | | 2,000 | - | 2,000 |
| Miscellaneous | | | | | | 3,048 | - | 3,048 |
| Transfers | | | | | | 169,291 | (169,291) | - |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | | | 2,834,401 | (166,445) | 2,667,956 |
| CHANGE IN NET POSITION | | | | | | 600,661 | 279,006 | 879,667 |
| NET POSITION--BEGINNING, as previously stated | | | | | | 4,022,319 | 5,343,949 | 9,366,268 |
| PRIOR PERIOD ADJUSTMENT | | | | | | 17,578 | - | 17,578 |
| NET POSITION--BEGINNING, as restated | | | | | | 4,039,897 | 5,343,949 | 9,383,846 |
| NET POSITION--ENDING | | | | | | \$ 4,640,558 | \$ 5,622,955 | \$ 10,263,513 |

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

CITY OF SALTILLO, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2023

| | Major Funds | | | | |
|--|---------------------|-------------------|---------------------------------------|--------------------------|--------------------------|
| | General Fund | ARPA Fund | Capital Projects - G/O Bond 2021 Fund | Other Governmental Funds | Total Governmental Funds |
| <u>ASSETS:</u> | | | | | |
| Cash on Deposit | \$ 2,415,518 | \$ - | \$ - | \$ - | \$ 2,415,518 |
| Investments | 88,195 | - | - | - | 88,195 |
| Restricted Cash | 1,011,573 | 232,005 | - | 220,469 | 1,464,047 |
| Due From Other Governments | 190,957 | - | - | 35,519 | 226,476 |
| Lease Receivable | 607,274 | - | - | - | 607,274 |
| Due From Other Funds | 5,008 | - | - | 27,807 | 32,815 |
| TOTAL ASSETS | 4,318,525 | 232,005 | - | 283,795 | 4,834,325 |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</u> | | | | | |
| <u>LIABILITIES:</u> | | | | | |
| Accounts Payable and Accrued Expenses | 46,987 | - | - | 25,534 | 72,521 |
| Retainage Payable - Contractor | - | 47,155 | - | - | 47,155 |
| Due to Other Funds | 103,005 | - | - | - | 103,005 |
| TOTAL LIABILITIES | 149,992 | 47,155 | - | 25,534 | 222,681 |
| <u>DEFERRED INFLOWS OF RESOURCES:</u> | | | | | |
| Deferred Inflows Related to Leases | 572,779 | - | - | - | 572,779 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 572,779 | - | - | - | 572,779 |
| <u>FUND BALANCES:</u> | | | | | |
| Restricted for: | | | | | |
| Public Safety | 1,000,000 | - | - | 45,433 | 1,045,433 |
| Culture and Recreation | 11,573 | - | - | 114,154 | 125,727 |
| Unemployment Compensation | - | - | - | 11,543 | 11,543 |
| Debt Service | - | - | - | 87,131 | 87,131 |
| Infrastructure- ARPA | - | 184,850 | - | - | 184,850 |
| Committed to: | | | | | |
| Cemetery | 78,380 | - | - | - | 78,380 |
| Unassigned | 2,505,801 | - | - | - | 2,505,801 |
| TOTAL FUND BALANCES | 3,595,754 | 184,850 | - | 258,261 | 4,038,865 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 4,318,525 | \$ 232,005 | \$ - | \$ 283,795 | \$ 4,834,325 |

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, 2023

| | |
|---|---------------------|
| TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ 4,038,865 |
| 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. | 5,648,071 |
| Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. | (1,818,273) |
| 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. | 1,916 |
| Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. | (88,253) |
| Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. | (4,449,955) |
| 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 | 895,386 |
| Deferred inflows of resources related to defined benefit pension plan | (47,104) |
| Accrual of court fine revenues to qualify as financial resources. | <u>459,905</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 4,640,558</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, 2023

| | Major Funds | | | | |
|--|---------------------|--------------------|--|--------------------------------|--------------------------------|
| | General Fund | ARPA Fund | Capital Projects - G/O Bond 2021 Fund | Other Governmental Funds | Total Governmental Funds |
| REVENUES: | | | | | |
| General Property Taxes | \$ 1,067,104 | \$ - | \$ - | \$ 56,151 | \$ 1,123,255 |
| Sales and Use Taxes | 1,137,174 | - | - | - | 1,137,174 |
| Licenses and Permits | 50,889 | - | - | - | 50,889 |
| In Lieu of Taxes | 67,182 | - | - | - | 67,182 |
| Franchise Fees | 156,687 | - | - | - | 156,687 |
| Charges for Services | 12,000 | - | - | - | 12,000 |
| Intergovernmental Revenues | 82,942 | - | - | 34,241 | 117,183 |
| Recreation Use Fees | 201,268 | - | - | - | 201,268 |
| Rentals | 30,235 | - | - | - | 30,235 |
| Fines and Forfeits | 97,760 | - | - | - | 97,760 |
| Interest Income | 19,169 | 2,491 | 111 | 150 | 21,921 |
| Grant Income | 1,051,576 | - | - | - | 1,051,576 |
| Donations | 2,000 | - | - | - | 2,000 |
| Miscellaneous Revenues | 3,048 | - | - | - | 3,048 |
| TOTAL REVENUES | 3,979,034 | 2,491 | 111 | 90,542 | 4,072,178 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General Government | 687,951 | 2,039 | - | - | 689,990 |
| Public Safety | 1,498,743 | - | - | - | 1,498,743 |
| Public Works | 211,228 | - | - | - | 211,228 |
| Culture and Recreation | 432,404 | - | - | - | 432,404 |
| Capital Outlay | 494,572 | 951,976 | 696,084 | 35,995 | 2,178,627 |
| Debt Service - Principal | 70,533 | - | - | 50,135 | 120,668 |
| Debt Service - Interest | 53,148 | - | - | 11,226 | 64,374 |
| TOTAL EXPENDITURES | 3,448,579 | 954,015 | 696,084 | 97,356 | 5,196,034 |
| EXCESS OF REVENUES | | | | | |
| OVER (UNDER) EXPENDITURES | 530,455 | (951,524) | (695,973) | (6,814) | (1,123,856) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from Sale of Capital Assets | 18,837 | - | - | - | 18,837 |
| Proceeds from Issuance of Debt | - | - | - | - | - |
| Transfers (to) from Other Funds | 255,082 | (85,791) | - | - | 169,291 |
| TOTAL OTHER FINANCING | | | | | |
| SOURCES (USES) | 273,919 | (85,791) | - | - | 188,128 |
| NET CHANGE IN FUND BALANCES | 804,374 | (1,037,315) | (695,973) | (6,814) | (935,728) |
| FUND BALANCES - Beginning, as previously stated | 2,773,802 | 1,222,165 | 695,973 | 265,075 | 4,957,015 |
| PRIOR PERIOD ADJUSTMENT | 17,578 | - | - | - | 17,578 |
| FUND BALANCES - Beginning, as restated | 2,791,380 | 1,222,165 | 695,973 | 265,075 | 4,974,593 |
| FUND BALANCES - Ending | \$ 3,595,754 | \$ 184,850 | \$ - | \$ 258,261 | \$ 4,038,865 |

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, 2023

| | |
|--|-------------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ (935,728) |
| 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. | 2,178,627 |
| 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. | (267,850) |
| 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. | (483,078) |
| 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. | (33,066) |
| Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received. | 53,076 |
| 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. | - |
| (Increase) decrease in accrual of compensated absences. | (31,988) |
| 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. | - |
| This amount represents long-term debt repayments. | <u>120,668</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 600,661</u> |

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

CITY OF SALTILLO, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Fiscal Year Ended September 30, 2023

| | Budget | | | Variance with |
|--|------------------|---------------------|-------------------|-------------------------------|
| | Original | Final | Actual | Final Budget (Unfavorable) |
| REVENUES: | | | | |
| General Property Taxes | \$ 1,205,500 | \$ 1,130,500 | \$ 1,112,654 | \$ (17,846) |
| Sales and Use Taxes | 1,150,000 | 1,115,000 | 1,126,915 | 11,915 |
| Licenses and Permits | 38,005 | 49,545 | 50,889 | 1,344 |
| In Lieu of Taxes | 68,704 | 76,504 | 67,182 | (9,322) |
| Franchise Fees | 172,250 | 172,450 | 161,780 | (10,670) |
| Charges for Services | 6,000 | 12,000 | 12,000 | - |
| Intergovernmental Revenues | 81,575 | 100,275 | 82,942 | (17,333) |
| Recreation Use Fees | 210,421 | 211,402 | 201,268 | (10,134) |
| Rentals | 28,500 | 30,300 | 29,882 | (418) |
| Fines and Forfeits | 82,000 | 96,200 | 97,760 | 1,560 |
| Grant Income | 4,500 | 28,820 | 1,151,576 | 1,122,756 |
| Interest Income | 3,000 | 2,300 | 19,169 | 16,869 |
| Donations | - | 2,000 | 2,000 | - |
| Miscellaneous Revenues | 3,000 | 3,300 | 3,048 | (252) |
| TOTAL REVENUES | 3,053,455 | 3,030,596 | 4,119,065 | 1,088,469 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 704,684 | 732,030 | 712,189 | 19,841 |
| Public Safety | 1,551,765 | 1,680,423 | 1,579,216 | 101,207 |
| Public Works | 249,310 | 255,310 | 380,150 | (124,840) |
| Culture and Recreation | 398,631 | 665,539 | 653,343 | 12,196 |
| Debt Service | 75,379 | 127,470 | 123,681 | 3,789 |
| TOTAL EXPENDITURES | 2,979,769 | 3,460,772 | 3,448,579 | 12,193 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 73,686 | (430,176) | 670,486 | 1,100,662 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from Issuance of Debt | - | - | - | - |
| Proceeds from Sale of Capital Assets | - | 18,837 | 18,837 | - |
| Transfers (to) from Other Funds | (73,686) | 114,381 | 255,082 | 140,701 |
| TOTAL OTHER FINANCING SOURCES (USES) | (73,686) | 133,218 | 273,919 | 140,701 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES | \$ - | \$ (296,958) | \$ 944,405 | \$ 1,241,363 |

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

CITY OF SALTILLO, MISSISSIPPI
INFRASTRUCTURE- ARPA FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Fiscal Year Ended September 30, 2023

| | Budget | | | Variance with |
|--|-------------------|---------------------|-----------------------|-------------------------------|
| | Original | Final | Actual | Final Budget (Unfavorable) |
| REVENUES: | | | | |
| Grant Income | \$ 622,235 | \$ 622,235 | \$ - | \$ (622,235) |
| Interest Income | 2,500 | 2,500 | 2,491 | (9) |
| TOTAL REVENUES | <u>624,735</u> | <u>624,735</u> | <u>2,491</u> | <u>(622,244)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | - | 90,791 | 2,039 | 88,752 |
| Capital Outlay | - | 1,109,209 | 951,976 | 157,233 |
| TOTAL EXPENDITURES | <u>-</u> | <u>1,200,000</u> | <u>954,015</u> | <u>245,985</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>624,735</u> | <u>(575,265)</u> | <u>(951,524)</u> | <u>(376,259)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers (to) from Other Funds | - | - | (85,791) | (85,791) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>(85,791)</u> | <u>(85,791)</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES | <u>\$ 624,735</u> | <u>\$ (575,265)</u> | <u>\$ (1,037,315)</u> | <u>\$ (462,050)</u> |

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

CITY OF SALTILLO, MISSISSIPPI
GO BOND - 2021 FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Fiscal Year Ended September 30, 2023

| | Budget | | | Variance with |
|--|-----------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | Actual | Final Budget (Unfavorable) |
| REVENUES: | | | | |
| Interest Income | \$ 100 | \$ 100 | \$ 111 | \$ 11 |
| TOTAL REVENUES | <u>100</u> | <u>100</u> | <u>111</u> | <u>11</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 1,200,360 | 921,806 | - | 921,806 |
| Capital Outlay | <u>-</u> | <u>-</u> | <u>696,084</u> | <u>(696,084)</u> |
| TOTAL EXPENDITURES | <u>1,200,360</u> | <u>921,806</u> | <u>696,084</u> | <u>225,722</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(1,200,260)</u> | <u>(921,706)</u> | <u>(695,973)</u> | <u>225,733</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers (to) from Other Funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES | <u>\$ (1,200,260)</u> | <u>\$ (921,706)</u> | <u>\$ (695,973)</u> | <u>\$ 225,733</u> |

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

CITY OF SALTILLO, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2023

ASSETS:

Current Assets:

| | |
|---|------------------|
| Cash and Cash Equivalents | \$ 2,921,071 |
| Investments | 150,007 |
| Accounts Receivable, Net of Provision for Bad Debts | 275,462 |
| Due From Other Funds | 77,095 |
| Total Current Assets | <u>3,423,635</u> |

Noncurrent Assets:

| | |
|---|-------------------------|
| Restricted Cash | 112,998 |
| Water and Sewer System, Vehicles and Equipment | 11,229,290 |
| Less: Accumulated Depreciation | <u>(5,872,346)</u> |
| Net Noncurrent Assets | <u>5,469,942</u> |
| TOTAL ASSETS | <u>8,893,577</u> |

Deferred Outflows of Resources:

| | |
|---|-----------------------|
| Deferred Outflows - Pensions | <u>263,123</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>263,123</u> |

LIABILITIES:

Current Liabilities:

| | |
|---------------------------------------|----------------|
| Accounts Payable and Accrued Expenses | 288,253 |
| Accrued Interest Payable | 9,491 |
| Customer Deposits | 149,883 |
| Due to Other Funds | 6,905 |
| Accrued Compensated Absences | 26,116 |
| Notes and Bonds- Due Within One Year | 119,007 |
| Total Current Liabilities | <u>599,655</u> |

Noncurrent Liabilities:

| | |
|---|-------------------------|
| Notes and Bonds - Due in More Than One Year | 1,612,563 |
| Net Pension Liability | <u>1,307,685</u> |
| Total Noncurrent Liabilities | <u>2,920,248</u> |
| TOTAL LIABILITIES | <u>3,519,903</u> |

Deferred Inflows of Resources:

| | |
|--|----------------------|
| Deferred Inflows - Pensions | <u>13,842</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>13,842</u> |

NET POSITION:

| | |
|----------------------------------|----------------------------|
| Net Investment in Capital Assets | 3,625,374 |
| Restricted for: | |
| Debt Service | 112,998 |
| Unrestricted | <u>1,884,583</u> |
| TOTAL NET POSITION | <u>\$ 5,622,955</u> |

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, 2023

OPERATING REVENUES

| | |
|-------------------------------|------------------|
| Charges for Services | \$ 2,161,691 |
| Service Charges and Penalties | 72,096 |
| Other Receipts | 31,705 |
| Total Operating Revenues | <u>2,265,492</u> |

OPERATING EXPENSES

| | |
|-------------------------------|------------------|
| Personnel Services | 636,219 |
| Contractual Services | 42,360 |
| Supplies | 169,402 |
| Depreciation and Amortization | 274,202 |
| Other Services | 988,676 |
| Total Operating Expenses | <u>2,110,859</u> |

| | |
|-----------------------------|----------------|
| Net Operating Income (Loss) | <u>154,633</u> |
|-----------------------------|----------------|

NON-OPERATING REVENUES (EXPENSES)

| | |
|---|-----------------|
| Grant Income | 364,875 |
| Gain (Loss) on Disposal of Fixed Assets | 2,374 |
| Bad Debt Expense | (9,970) |
| Interest Income | 472 |
| Interest and Fiscal Charges | <u>(64,087)</u> |

| | |
|---|----------------|
| Total Non-Operating Revenues (Expenses) | <u>293,664</u> |
|---|----------------|

| | |
|--|----------------|
| Income (Loss) before Operating Transfers | <u>448,297</u> |
|--|----------------|

TRANSFERS (TO) FROM OTHER FUNDS

| | |
|---------------------------------|------------------|
| Transfers (to) from Other Funds | <u>(169,291)</u> |
|---------------------------------|------------------|

| | |
|---------------------------------------|------------------|
| Total Transfers (to) from Other Funds | <u>(169,291)</u> |
|---------------------------------------|------------------|

| | |
|-------------------------------|---------|
| CHANGE IN NET POSITION | 279,006 |
|-------------------------------|---------|

| | |
|---------------------------------|------------------|
| NET POSITION - OCTOBER 1 | <u>5,343,949</u> |
|---------------------------------|------------------|

| | |
|------------------------------------|----------------------------|
| NET POSITION - SEPTEMBER 30 | <u><u>\$ 5,622,955</u></u> |
|------------------------------------|----------------------------|

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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|----------------|
| Cash Received from Customers | \$ 2,243,542 |
| Cash Payments for Personnel Services | (513,216) |
| Cash Payments for Contractual Services | (42,360) |
| Cash Payments for Supplies | (75,134) |
| Cash Payments for Other Services | (988,676) |
| Net Cash Provided By (Used In) Operating Activities | <u>624,156</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

| | |
|--|------------------|
| Transfers (to) from Other Funds | (195,873) |
| Net Cash Flows Provided By (Used In) Noncapital Financing Activities | <u>(195,873)</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

| | |
|--|------------------|
| Purchases of Capital Assets | (606,993) |
| Proceeds from Sale of Capital Assets | 2,374 |
| Principal Paid on Long-Term Debt | (127,429) |
| Interest Paid on Long-Term Debt | (68,304) |
| Proceeds from Capital Grants | 364,875 |
| Net Cash Provided By (Used In) Noncapital Financing Activities | <u>(435,477)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|------------|
| Interest on Investments | 472 |
| Net Cash Provided By (Used In) Investing Activities | <u>472</u> |

NET INCREASE (DECREASE) IN CASH AND INVESTMENTS (6,722)

CASH AND INVESTMENTS, OCTOBER 1 3,190,798

CASH AND INVESTMENTS, SEPTEMBER 30 \$ 3,184,076

STATEMENT OF NET POSITION RECONCILIATION:

| | |
|---------------------------|---------------------|
| Cash and Cash Equivalents | \$ 2,921,071 |
| Investments | 150,007 |
| Restricted Cash | 112,998 |
| | <u>\$ 3,184,076</u> |

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

| | |
|---|-------------------|
| Operating Income (Loss) | \$ 154,633 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities | |
| Depreciation & Amortization | 274,202 |
| Net Pension Expense | 118,239 |
| Provision for Doubtful Accounts | (9,970) |
| Change in Assets and Liabilities: | |
| (Increase) Decrease in Accounts Receivable | (5,410) |
| Increase (Decrease) in Accounts Payable - operating activities | 94,268 |
| Increase (Decrease) in Accrued Compensated Absences | 4,764 |
| Increase (Decrease) in Customer Deposits | (6,570) |
| Total Adjustments | <u>469,523</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 624,156</u> |

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

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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), public works (street maintenance), culture and recreation, public improvements, planning and zoning, water and sewer services and general administrative services.

These financial statements present all the accounts of the City. There are no outside organizations that should be included as component units of the City's reporting entity as defined by GAAP.

Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and statement of activities display information concerning the City as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are generally financed through taxes and intergovernmental revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

Fund Financial Statements

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

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the City. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

The City reports the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. This fund is used to account for and report 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.

Infrastructure - American Rescue Plan Act Fund (ARPA) - The ARPA Fund is used to account for funds received directly from the U.S. Department of Treasury for relief to local governments derived from the COVID- 19 pandemic. These funds may be used to support public health expenditures, replace lost revenue, provide pay for essential workers, and invest in water and sewer infrastructure.

Capital Projects - G/O Bond 2021 Fund - This Fund accounts for the various capital projects that are funded by the issuance of general obligation bonds.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fund:

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

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

Account Classifications

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

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, 2023

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.

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.

Deposits and Investments

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

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

Investments are represented by certificates of deposit and are stated at cost, plus accrued interest.

Receivables

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

Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 balances."

Restricted Assets

Governmental and proprietary fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions, and donor specifications have been reported as restricted assets. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

Capital Assets and Depreciation

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

The City has adopted a capitalization threshold of \$1,000 for general fixed assets and a threshold of \$5,000 for infrastructure assets. The City has retroactively applied these thresholds to all general fixed assets in service. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those estimated 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 |

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows related to pensions - This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates. See Note 11 for additional details.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred inflows related to pensions - This amount represents the City's proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates. See Note 11 for additional details.

Deferred inflows related to leases – Deferred inflows of resources measured at the initial value of the lease receivable to reflect that the receivable relates to future periods. See Note 6 for additional details.

Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87), to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2023.

The City uses the incremental borrowing rate of the City or a risk-free rate at date of inception to calculate the present value of lease payments when the rate implicit in the lease is not known. See Note 6 for additional details.

Long-term Liabilities

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

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds statement of net position.

The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 8 for details.

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 Statements of Net Position of the Enterprise Funds.

Although the general obligation enterprise bonds are reported on the Statements of Net Position 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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

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

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

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption:

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

Fund Financial Statements:

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

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund. Currently, there is no nonspendable fund balance.

Restricted fund balance 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 either a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a 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 fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. 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. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Currently, there is no assigned fund balance.

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

Fund Balance Flow Assumption:

When an expenditure 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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Information

The City 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.

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.

Intergovernmental Revenues in Governmental Funds

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

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. 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.

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.

Comparative Data

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

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.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in Accounting Standards

GASB 96, *Subscription-Based Information Technology Arrangements*, was implemented during the 2023 fiscal year. Prior to the issuance of this statement there was no accounting or financial reporting guidance specifically for SBITAs. The purposes of the standard is to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance, and consistency of information about SBITAs. This standard had no impact on the City's 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.

The millage was allocated as follows:

| | |
|-------------------|--------------|
| General Fund | 25.10 |
| Fire Fund | 2.00 |
| Debt Service Fund | <u>1.40</u> |
| Total | <u>28.50</u> |

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

The carrying amount of the City's total deposits with financial institutions at September 30, 2023, was \$7,151,836 and the bank balance was \$7,258,762. 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, Mississippi Code of 1972 Annotated*. 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 - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Investments

Investments balances at September 30, 2023, are as follows:

Investment Type

| | |
|-------------------------|-------------------|
| Certificates of Deposit | \$ <u>238,202</u> |
|-------------------------|-------------------|

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.

Credit risk: The City is 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 - RECEIVABLES

Receivables at September 30, 2023, 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 \$68,674 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 \$1,055,735 to reflect the provision for uncollectible fines.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 5 – INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund balances at September 30, 2023:

Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|---------------------|-------------------|
| General Fund | Water & Sewer Fund | \$ 5,008 |
| Other Governmental Funds | General Fund | 25,910 |
| Other Governmental Funds | Water & Sewer Fund | 1,897 |
| Water & Sewer Fund | General Fund | <u>77,095</u> |
| Total | | <u>\$ 104,902</u> |

All interfund balances are resulted from the time lag between the dates that interfund goods and services are provided and the payment between funds are made. All interfund balances are expected to be repaid.

NOTE 6 - LEASES

Lessor

The City's operations consist of a non-cancelable lease agreement for the use of land and cellular tower space, which expires during fiscal year ending 2043. The related lease receivable and deferred inflows of resources related to leases are presented as amounts equal to the present value of lease payments expected to be received during the lease term. The deferred inflows of resources related to leases are amortized as lease revenue on a straight-line basis over the lease term. The lease has a remaining lease term of 58 months with variable payment amounts. The lease asset and liability were calculated utilizing a risk-free rate of 2.75%, which the City has made an accounting policy to elect to use in lieu of the incremental borrowing rate. For the year ended September 30, 2023, the City recognized \$28,639 in lease revenue and \$16,880 in interest income related to this agreement. In addition, the City reported \$607,274 in lease receivable and \$572,779 in deferred inflows of resources related to leases.

| Fiscal Year Ending September 30, | Principal | Interest |
|----------------------------------|-------------------|-------------------|
| 2024 | \$ 15,986 | \$ 16,500 |
| 2025 | 16,432 | 16,054 |
| 2026 | 16,889 | 15,597 |
| 2027 | 17,360 | 15,126 |
| 2028 | 18,249 | 14,643 |
| 2029-2033 | 123,564 | 63,696 |
| 2034-2038 | 171,826 | 43,524 |
| 2039-2043 | <u>226,968</u> | <u>15,949</u> |
| Total | <u>\$ 607,274</u> | <u>\$ 201,089</u> |

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 7 - CAPITAL ASSETS

The following is a summary of capital asset activity as of September 30, 2023:

Governmental Activities:

| | Balance 10/01/2022 | Additions | Reclass/ Disposals | Balance 9/30/2023 |
|---|-----------------------|---------------------|-----------------------|----------------------|
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 268,815 | \$ - | \$ - | \$ 268,815 |
| Construction in Progress | <u>1,030,855</u> | <u>1,949,898</u> | <u>(1,970,282)</u> | <u>1,010,471</u> |
| Total Capital Assets, not being depreciated | <u>1,299,670</u> | <u>1,949,898</u> | <u>(1,970,282)</u> | <u>1,279,286</u> |
| Capital Assets being depreciated: | | | | |
| Plant, Buildings & Improvements | 2,265,077 | - | 1,970,282 | 4,235,359 |
| Infrastructure | 35,179 | - | - | 35,179 |
| Machinery & Equipment | <u>2,845,472</u> | <u>228,729</u> | <u>-</u> | <u>3,074,201</u> |
| Total Capital Assets being depreciated | <u>5,145,728</u> | <u>228,729</u> | <u>1,970,282</u> | <u>7,344,739</u> |
| Less: Accumulated Depreciation for: | | | | |
| Plant, Buildings & Improvements | (962,187) | (117,637) | - | (1,079,824) |
| Infrastructure | (24,625) | - | - | (24,625) |
| Machinery & Equipment | <u>(1,721,292)</u> | <u>(150,213)</u> | <u>-</u> | <u>(1,871,505)</u> |
| Total Accumulated Depreciation | <u>(2,708,104)</u> | <u>(267,850)</u> | <u>-</u> | <u>(2,975,954)</u> |
| Total Capital Assets, being depreciated, net | <u>2,437,624</u> | <u>(39,121)</u> | <u>1,970,282</u> | <u>4,368,785</u> |
| Total Governmental Activities Capital Assets, net | <u>\$ 3,737,294</u> | <u>\$ 1,910,777</u> | <u>\$ -</u> | <u>\$ 5,648,071</u> |

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 7 - CAPITAL ASSETS (continued)

A summary of business-type capital asset activity at September 30, 2023 follows:

Business-Type Activities:

| | Balance 10/01/2022 | Additions | Reclass/ Disposals | Balance 9/30/2023 |
|--|-----------------------|------------|-----------------------|----------------------|
| Capital Assets, not being depreciated: | | | | |
| Land | \$ - | \$ - | \$ - | \$ - |
| Construction in Progress | 79,619 | 308,090 | (387,709) | - |
| Total Capital Assets, not being depreciated | 79,619 | 308,090 | (387,709) | - |
| Capital Assets being depreciated: | | | | |
| Plant, Buildings & Improvements | 9,676,827 | - | 387,709 | 10,064,536 |
| Machinery & Equipment | 865,851 | 298,903 | - | 1,164,754 |
| Total Capital Assets being depreciated | 10,542,678 | 298,903 | 387,709 | 11,229,290 |
| Less: Accumulated Depreciation for: | | | | |
| Plant, Buildings & Improvements | (4,971,350) | (235,962) | - | (5,207,312) |
| Machinery & Equipment | (626,794) | (38,240) | - | (665,034) |
| Total Accumulated Depreciation | (5,598,144) | (274,202) | - | (5,872,346) |
| Total Capital Assets, being depreciated, net | 4,944,534 | 24,701 | - | 5,356,944 |
| Total Business-Type Activities Capital Assets, net | \$ 5,024,153 | \$ 332,791 | \$ - | \$ 5,356,944 |

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

Governmental Activities:

| | |
|------------------------|-----------|
| General Government | \$ 32,419 |
| Public Safety | 96,777 |
| Public Works | 36,330 |
| Culture and Recreation | 102,324 |

Total Depreciation Expense – Governmental Activities \$ 267,850

Business-type Activities:

| | |
|-----------------|------------|
| Water and Sewer | \$ 274,202 |
|-----------------|------------|

Total Depreciation Expense – Business-type Activities \$ 274,202

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 7 - CAPITAL ASSETS (continued)

The details of construction-in-progress are as follows:

| | Spent to 9/30/23 | Remaining Commitment |
|-------------------------------------|--------------------------------|--------------------------------|
| Governmental Activities: | | |
| Automated Water Meters | \$ 723,573 | \$ 8,213 |
| Automated Water Meters Installation | 244,638 | 11,729 |
| Downtown Sidewalk Improvements | 35,995 | 102,390 |
| Fire Station Building | 6,265 | 993,735 |
| Total governmental-type activities | <u>1,010,471</u> | <u>1,116,067</u> |
| Total construction in progress | <u><u>\$ 1,010,471</u></u> | <u><u>\$ 1,116,067</u></u> |

NOTE 8 - LONG-TERM DEBT

Debt outstanding as of September 30, 2023, consisted of the following:

Governmental Activities:

| Description and Purpose | Interest Rate | Issue Date | Maturity Date | Amounts | |
|------------------------------------|------------------|---------------|------------------|--------------------------------|--------------------------------|
| | | | | Issued | Outstanding |
| A. General Obligation Bonds: | | | | | |
| 2008 GO Bonds | 2.65-4.30% | 05/07/2008 | 06/01/2025 | \$ 612,500 | \$ 44,100 |
| 2021 GO Bonds | 2.00-2.75% | 12/07/2021 | 12/01/2041 | <u>1,500,000</u> | <u>1,445,000</u> |
| Total General Obligation Bonds | | | | <u><u>\$ 2,112,500</u></u> | <u><u>\$ 1,489,100</u></u> |
| B. Notes Payable: | | | | | |
| MDA - CAP Loan | 2.00% | 08/01/2022 | 08/01/2032 | <u>\$ 365,696</u> | <u>\$ 329,173</u> |

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 8 - LONG-TERM DEBT (continued)

Business-type Activities:

| Description and Purpose | Interest Rate | Issue Date | Maturity Date | Amounts | |
|------------------------------|---------------|------------|---------------|--------------|--------------|
| | | | | Issued | Outstanding |
| A. General Obligation Bonds: | | | | | |
| 2008 GO Bonds | 2.65-4.30% | 05/07/2008 | 06/01/2025 | \$ 637,500 | \$ 45,900 |
| B. Notes Payable: | | | | | |
| Rural Development (91-10) | 5.50% | 09/30/2014 | 09/30/2040 | \$ 360,000 | \$ 215,310 |
| Rural Development (91-12) | 4.00% | 09/30/2014 | 09/30/2049 | 714,000 | 610,742 |
| MDA – CAP Loan | 2.00% | 08/11/2014 | 03/01/2036 | 1,030,949 | 691,058 |
| FANB Loan | 5.00% | 11/07/2019 | 11/07/2024 | 250,000 | 168,560 |
| Total Notes Payable | | | | \$ 2,354,949 | \$ 1,685,670 |

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.

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Governmental Activities:

| Year Ending September 30 | General Obligation Bonds | | Notes Payable | |
|--------------------------|--------------------------|------------|---------------|-----------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 82,050 | \$ 33,103 | \$ 34,102 | \$ 6,277 |
| 2025 | 82,050 | 30,654 | 34,790 | 5,588 |
| 2026 | 60,000 | 28,206 | 35,493 | 4,886 |
| 2027 | 65,000 | 26,644 | 36,209 | 4,170 |
| 2028 | 65,000 | 25,019 | 36,940 | 3,439 |
| 2029 - 2033 | 355,000 | 100,219 | 151,639 | 6,488 |
| 2034 - 2038 | 405,000 | 60,656 | - | - |
| 2039 - 2043 | 375,000 | 16,691 | - | - |
| | \$ 1,489,100 | \$ 321,192 | \$ 329,173 | \$ 30,848 |

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 8 - LONG-TERM DEBT (continued)

Business-type Activities:

| Year Ending September 30 | General Obligation Bonds | | Notes Payable | |
|--------------------------|--------------------------|-----------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 22,950 | \$ 1,974 | \$ 96,057 | \$ 56,431 |
| 2025 | 22,950 | 987 | 218,699 | 47,758 |
| 2026 | - | - | 76,105 | 44,536 |
| 2027 | - | - | 78,194 | 42,447 |
| 2028 | - | - | 80,349 | 40,292 |
| 2029 - 2033 | - | - | 436,534 | 166,671 |
| 2034 - 2038 | - | - | 340,803 | 105,319 |
| 2039 - 2043 | - | - | 159,142 | 58,583 |
| 2044 - 2048 | - | - | 163,783 | 27,497 |
| 2049 - 2052 | - | - | 36,004 | 1,465 |
| | <u>\$ 45,900</u> | <u>\$ 2,961</u> | <u>\$ 1,685,670</u> | <u>\$ 590,999</u> |

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2023:

Governmental Activities:

| | Balance | | | | Balance | Amounts Due Within One Year |
|--------------------------|---------------------|-------------|-------------------|------------------|---------------------|-----------------------------|
| | 10/01/22 | Additions | Reductions | Reclassification | 09/30/23 | |
| General Obligation Bonds | \$ 1,566,150 | \$ - | \$ 77,050 | \$ - | \$ 1,489,100 | \$ 82,050 |
| Notes Payable | 362,941 | - | 33,768 | - | 329,173 | 34,102 |
| Financed Purchases | 9,850 | - | 9,850 | - | - | - |
| Total | <u>\$ 1,938,941</u> | <u>\$ -</u> | <u>\$ 120,668</u> | <u>\$ -</u> | <u>\$ 1,818,273</u> | <u>\$ 116,152</u> |

Business-type Activities:

| | Balance | | | Balance | Amounts |
|--------------------------|--------------|-----------|------------|--------------|------------|
| | 10/01/22 | Additions | Reductions | 09/30/23 | Due Within |
| | | | | | One Year |
| General Obligation Bonds | \$ 68,850 | \$ - | \$ 22,950 | \$ 45,900 | \$ 22,950 |
| Notes Payable | 1,790,149 | - | 104,479 | 1,685,670 | 96,057 |
| | | | | | |
| Total | \$ 1,858,999 | \$ - | \$ 127,429 | \$ 1,731,570 | \$ 119,007 |

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 9 - 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 10 - 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 11 - DEFINED BENEFIT PENSION PLAN

General Information about the 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 report is available at www.pers.ms.gov.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, 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.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLAN (continued)

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, 2023, 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, 2023 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, 2023, 2022 and 2021 were \$305,619, \$280,509 and \$238,225, 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, 2023, the City reported a liability of \$5,757,640 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023 net pension liability was 0.022892 percent, which was based on a measurement date of June 30, 2023. This was an increase of 0.000967 percent from its proportionate share used to calculate the September 30, 2022 net pension liability, which was based on a measurement date of June 30, 2022.

For the year ended September 30, 2023, the City recognized pension expense of \$906,936. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference Between Expected and Actual Experience | \$ 142,137 | \$ - |
| City Pension Contributions Subsequent to the Measurement Date | 83,606 | - |
| Changes of Assumptions | 667,733 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 252,396 | - |
| Changes in the Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions | 12,637 | 60,947 |
| Total | \$ <u>1,158,509</u> | \$ <u>60,947</u> |

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLAN (continued)

\$83,606 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, 2024. 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, | Amount |
|----------------------------------|---------------------|
| 2024 | \$ 352,095 |
| 2025 | 256,094 |
| 2026 | 404,055 |
| 2027 | 1,712 |
| Total | \$ <u>1,013,956</u> |

Actuarial Assumptions - The total pension liability as of June 30, 2023 was determined by an actuarial valuation prepared as of June 30, 2022, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2022 valuation based on the experience investigation for the four-year period ending June 30, 2022, and by the investment experience for the fiscal year ending June 30, 2023. The following actuarial assumptions are applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.40 percent |
| Salary increases | 2.65 - 17.90 percent, including inflation |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period from July 1, 2018 to June 30, 2022. The experience report is dated April 21, 2023.

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

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION PLAN (continued)

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% | 4.75% |
| International Equity | 22.00% | 4.75% |
| Global Equity | 12.00% | 4.95% |
| Fixed Income | 20.00% | 1.75% |
| Real Estate | 10.00% | 3.25% |
| Private Equity | 8.00% | 6.00% |
| Cash Equivalents | 1.00% | 0.25% |
| Total | 100.00% | |

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. 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 percent) and that employer contributions will be phased in to 22.40 percent over three fiscal years (17.40 percent for FYE 2024, 19.40 percent for FYE 2025, 21.40 percent for FYE 2026, and 22.40 percent for FYE 2027). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|------------------------|--|------------------------|
| City's Proportionate Share of the Net Pension Liability | \$ 7,424,623 | \$ 5,757,640 | \$ 4,389,696 |

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi (PERS) financial report.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 12 - 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 \$140,031 less than cash revenues.

NOTE 13 - EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' unrestricted net deficit amount of \$643,924 includes the effect of deferred inflows/outflows of resources related to pensions and leases. A portion of the deferred outflows of resources related to pensions in the amount of \$64,617 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. The \$830,769 balance of the deferred outflows of resources related to pensions at September 30, 2023, will be recognized in pension expense over the next four years. The \$47,104 balance of the deferred inflows of resources related to pensions at September 30, 2023, will be recognized in pension expense over the next four years. The \$572,779 balance of the deferred inflow of resources related to leases at September 30, 2023, will be recognized in rental income over the next 20 years.

The business-type activities' unrestricted net position amount of \$1,897,138 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pension in the amount of \$18,989 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. The \$244,134 balance of the deferred outflows of resources related to pensions at September 30, 2023, will be recognized in pension expense over the next four years. The \$13,842 balance of the deferred inflows of resources related to pensions at September 30, 2023, will be recognized in pension expense over the next four years.

NOTE 14 - 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.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 14 - RISK MANAGEMENT (continued)

In determining claims, events that might create claims, but for which none have been reported, are considered.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2023, 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, 2023, \$11,543 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 15 - 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 five expenditures over appropriations at the legal level of budgetary control. Expenditures over appropriations at the legal level of budgetary control are as follows:

| | <u>Budget</u> | <u>Actual</u> | <u>Overage</u> |
|-----------------------------|---------------|---------------|----------------|
| <u>General Fund:</u> | | | |
| General Government | | | |
| Capital Outlay | 22,441 | 24,238 | 1,797 |
| Public Works | | | |
| Capital Outlay | 0 | 168,922 | 168,922 |
| Culture & Recreation | | | |
| Supplies | 119,900 | 141,814 | 21,914 |
| Debt Service | | | |
| Interest & Fiscal Charges | 52,920 | 53,148 | 228 |
| <u>G.O. Bond 2021 Fund:</u> | | | |
| Capital Outlay | 0 | 696,084 | 696,084 |

NOTE 16 – 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 17 - 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.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 18 – TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses for economic development purposes. The abatements may be granted to any business located within or promising to locate within the city limits. The abatements are negotiated on an individual basis. The City had one tax abatement agreement with one entity as of September 30, 2023. This abatement is for 7 years or a total cumulative tax abatement amount of \$50,000.

The City had one type of abatement, which does not provide for the abatement of school or state tax levies:

Section 27-31-101 – New enterprise exemptions

Total amount of taxes abated for the year ended September 30, 2023, was \$1,950.

NOTE 19 - PRIOR PERIOD ADJUSTMENTS

During the year ended September 30, 2023, the City implemented Statement No. 87, *Leases* (GASB 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. Implementation resulted in a direct increase of \$17,578 to net position in governmental activities to record the beginning balances for a lease receivable and the deferred inflows related to the lease receivable.

NOTE 20 - 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 Saltillo evaluated the activity of the City through March 10, 2025, (the date the financial statements were available to be issued), and determined that there are no subsequent events of a material nature 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, 2023
UNAUDITED

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| A. Saltillo's proportion of net pension liability (%) | 0.022892% | 0.021925% | 0.020395% | 0.020274% | 0.020714% | 0.021031% | 0.021656% | 0.019869% | 0.019000% |
| B. Saltillo's proportionate share of net pension liability | \$ 5,757,640 | \$ 4,512,963 | \$ 3,014,470 | \$ 3,924,811 | \$ 3,644,001 | \$ 3,498,080 | \$ 3,599,962 | \$ 3,549,100 | \$ 2,937,025 |
| C. Saltillo's covered employee payroll | \$ 1,696,943 | \$ 1,509,414 | \$ 1,356,057 | \$ 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 (%) | 339.29% | 298.99% | 222.30% | 290.73% | 270.12% | 260.47% | 259.13% | 279.22% | 246.09% |
| E. Plan fiduciary net position as a percentage of total pension liability | 55.70% | 59.93% | 70.44% | 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.

CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS
LAST 10 FISCAL YEARS *
PERS
For the Year Ended September 30, 2023
UNAUDITED

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| A. Statutorily required contributions | \$ 305,619 | \$ 280,509 | \$ 238,225 | \$ 234,552 | \$ 217,613 | \$ 211,671 | \$ 208,866 | \$ 205,102 | \$ 190,397 | \$ 181,913 |
| B. Contributions in relation to statutorily required contributions | \$ 305,619 | \$ 280,509 | \$ 238,225 | \$ 234,552 | \$ 217,613 | \$ 211,671 | \$ 208,866 | \$ 205,102 | \$ 190,397 | \$ 181,913 |
| C. Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| D. Saltillo's covered employee payroll | \$ 1,756,424 | \$ 1,612,122 | \$ 1,369,105 | \$ 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% | 17.40% | 17.40% | 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, 2023

PENSION SCHEDULES

(1) Changes of assumptions

a. 2023

- The investment rate of return assumption was changed from 7.55% to 7.00%.
- The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll
- Withdrawal rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.
- For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.
- The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.
- The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

b. 2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 1. For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 2. For females, 84% of female rates up to age 72, 100% for ages above 76.
 3. Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 1. For males, 134% of male rates at all ages.
 2. For females, 121% of female rates at all ages.
 3. Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 1. For males, 97% of male rates at all ages.
 2. For females, 110% of female rates at all ages.
 3. Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

CITY OF SALTILLO, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

PENSION SCHEDULES (continued)

c. 2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 1. For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 2. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 3. 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:
 1. For males, 137% of male rates at all ages.
 2. For females, 115% of female rates at all ages.
 3. 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 adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

d. 2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

e. 2016

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

f. 2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- Assumed rates of salary increase were adjusted to reflect actual and anticipated experience more closely.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

**CITY OF SALTILLO, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023**

PENSION SCHEDULES (continued)

(2) 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.

(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, 2021 valuation for the June 30, 2023 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 | 26.7 years |
| • Asset valuation method | 5-year smoothed market |
| • Price Inflation | 2.40 percent |
| • Salary increase | 2.65 percent to 17.90 percent, including inflation |
| • Investment rate of return | 7.55 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, 2023

| | <u>BUDGET</u> | <u>ACTUAL</u> | VARIANCE FAVORABLE (UNFAVORABLE) |
|-----------------------------|------------------|------------------|--|
| <u>REVENUES:</u> | | | |
| General Property Taxes | \$ 1,130,500 | \$ 1,112,654 | \$ (17,846) |
| Licenses and Permits | 49,545 | 50,889 | 1,344 |
| Grant Income | 28,820 | 1,151,576 | 1,122,756 |
| Sales and Use Taxes | 1,115,000 | 1,126,915 | 11,915 |
| Intergovernmental Revenues | 79,600 | 55,782 | (23,818) |
| Homestead Reimbursement | 20,675 | 27,160 | 6,485 |
| Fines and Forfeits | 96,200 | 97,760 | 1,560 |
| TVA In-Lieu Tax | 53,504 | 45,131 | (8,373) |
| In Lieu of Taxes | 23,000 | 22,051 | (949) |
| Franchise Fees | 172,450 | 161,780 | (10,670) |
| Charges for Services | 12,000 | 12,000 | - |
| Recreation Use Fees | 211,402 | 201,268 | (10,134) |
| Donations | 2,000 | 2,000 | - |
| Miscellaneous Revenues | 3,300 | 3,048 | (252) |
| Interest Income | 2,300 | 19,169 | 16,869 |
| Rentals | 30,300 | 29,882 | (418) |
| TOTAL REVENUES | <u>3,030,596</u> | <u>4,119,065</u> | <u>1,088,469</u> |
| <u>EXPENDITURES:</u> | | | |
| General Government: | | | |
| Personnel Services | 377,075 | 375,110 | 1,965 |
| Supplies | 21,800 | 16,954 | 4,846 |
| Other Services and Charges | 310,714 | 295,887 | 14,827 |
| Capital Outlay | 22,441 | 24,238 | (1,797) |
| Total | <u>732,030</u> | <u>712,189</u> | <u>19,841</u> |
| Public Safety: | | | |
| Personnel Services | 1,304,610 | 1,298,776 | 5,834 |
| Supplies | 157,100 | 120,250 | 36,850 |
| Other Services and Charges | 137,713 | 79,717 | 57,996 |
| Capital Outlay | 81,000 | 80,473 | 527 |
| Total | <u>1,680,423</u> | <u>1,579,216</u> | <u>101,207</u> |
| Public Works: | | | |
| Personnel Services | 107,210 | 86,512 | 20,698 |
| Supplies | 59,100 | 38,928 | 20,172 |
| Other Services and Charges | 89,000 | 85,788 | 3,212 |
| Capital Outlay | - | 168,922 | (168,922) |
| Total | <u>255,310</u> | <u>380,150</u> | <u>(124,840)</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, 2023

| | <u>BUDGET</u> | <u>ACTUAL</u> | VARIANCE FAVORABLE (UNFAVORABLE) |
|--|---------------------|----------------------------|--|
| Culture and Recreation: | | | |
| Personnel Services | \$ 227,336 | \$ 217,766 | \$ 9,570 |
| Supplies | 119,900 | 141,814 | (21,914) |
| Other Services and Charges | 91,436 | 72,824 | 18,612 |
| Capital Outlay | 226,867 | 220,939 | 5,928 |
| Total | <u>665,539</u> | <u>653,343</u> | <u>12,196</u> |
| Debt Service: | | | |
| Principal Retirement | 74,550 | 70,533 | 4,017 |
| Interest and Fiscal Charges | 52,920 | 53,148 | (228) |
| Total | <u>127,470</u> | <u>123,681</u> | <u>3,789</u> |
| TOTAL EXPENDITURES | <u>3,460,772</u> | <u>3,448,579</u> | <u>12,193</u> |
| Excess (Deficit) revenues over (under) expenditures | <u>(430,176)</u> | <u>670,486</u> | <u>1,100,662</u> |
| <u>OTHER FINANCING SOURCES (USES):</u> | | | |
| Proceeds from Sale of Capital Assets | 18,837 | 18,837 | - |
| Transfers from(to) Other Funds | 114,381 | 255,082 | 140,701 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>133,218</u> | <u>273,919</u> | <u>140,701</u> |
| EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | (296,958) | 944,405 | 1,241,363 |
| FUND BALANCES AT OCTOBER 1, 2022, AS PREVIOUSLY STATED | 2,773,802 | 2,773,802 | - |
| PRIOR PERIOD ADJUSTMENT | <u>17,578</u> | <u>17,578</u> | <u>-</u> |
| FUND BALANCES AT OCTOBER 1, 2022, AS RESTATED | <u>2,791,380</u> | <u>2,791,380</u> | <u>-</u> |
| FUND BALANCES AT SEPTEMBER 30, 2023 | \$ <u>2,494,422</u> | <u>3,735,785</u> | \$ <u>1,241,363</u> |
| ADJUSTMENTS TO GAAP BASIS: | | | |
| Plus: Accrued Revenue | | <u>(140,031)</u> | |
| FUND BALANCE GAAP SEPTEMBER 30, 2023 | | \$ <u><u>3,595,754</u></u> | |

OTHER SUPPLEMENTARY INFORMATION

CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2023

| Federal Grantor/ Pass Through Grantor/ Program Title | Federal CFDA Number | Federal Expenditures |
|---|---------------------------|-------------------------|
| Department of the Treasury | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | \$ 992,651 * |
| Total Department of the Treasury | | <u>992,651</u> |
| Department of Homeland Security | | |
| Passed through the Mississippi Emergency Management Agency (MEMA) | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | PW-241/Grant #4528 97.036 | 5,304 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | PW-371/Grant #4429 97.036 | <u>4,514</u> |
| Total Department of Homeland Security | | <u>9,818</u> |
| TOTAL FEDERAL EXPENDITURES | | <u>\$ 1,002,469</u> |

SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Saltillo, Mississippi under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years.

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

* - Major Program

CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Fiscal Year Ended September 30, 2023

| | BALANCE OUTSTANDING October 1, 2022 | TRANSACTIONS DURING FISCAL YEAR ISSUED REDEEMED | BALANCE OUTSTANDING September 30, 2023 | AMOUNTS DUE WITHIN ONE YEAR |
|--|---|--|--|-----------------------------------|
| Governmental Funds: | | | | |
| <u>General Obligation Bonds</u> | | | | |
| Series 2008 Interest Rate 2.65 - 4.30% Maturity 2025 | \$ 66,150 | \$ - \$ 22,050 | \$ 44,100 | \$ 22,050 |
| Series 2021 Interest Rate 2.00 - 2.75% Maturity 2042 | 1,500,000 | - 55,000 | 1,445,000 | 60,000 |
| <u>Notes Payable</u> | | | | |
| MDA - CAP Loan Interest Rate 2.00% Maturity 2032 | 362,941 | - 33,768 | 329,173 | 34,102 |
| <u>Financed Purchases</u> | | | | |
| Jaws of Life Interest Rate 4.34% Maturity 2023 | 9,850 | - 9,850 | - | - |
| Total Governmental Funds | <u>1,938,941</u> | <u>- 120,668</u> | <u>1,818,273</u> | <u>116,152</u> |
| Proprietary Fund: | | | | |
| <u>General Obligation Bonds</u> | | | | |
| Series 2008 Interest Rate 2.65 - 4.30% Maturity 2025 | 68,850 | - 22,950 | 45,900 | 22,950 |
| <u>Notes Payable</u> | | | | |
| Rural Development Interest Rate 5.5% Maturity 2040 | 226,723 | - 11,413 | 215,310 | 9,115 |
| Rural Development Interest Rate 4.0% Maturity 2049 | 624,036 | - 13,294 | 610,742 | 13,800 |
| FANB Interest Rate 5.0% Maturity 2025 | 191,335 | - 22,775 | 168,560 | 23,941 |
| MDA - CAP Loan Interest Rate 2.0% Maturity 2036 | 748,055 | - 56,997 | 691,058 | 49,201 |
| Total Proprietary Fund | <u>1,858,999</u> | <u>- 127,429</u> | <u>1,731,570</u> | <u>119,007</u> |
| Total Government-wide | <u>\$ 3,797,940</u> | <u>\$ - \$ 248,097</u> | <u>\$ 3,549,843</u> | <u>\$ 235,159</u> |

CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2023

| NAME | POSITION | COMPANY | BOND |
|--------------------|--------------------------|-----------------------------------|-------------|
| 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 |
| Copey Grantham | 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 |
| Charles Wilcox | Park & Rec Director | Travelers Casualty and Surety Co. | \$50,000 |
| Samuel Clark | Asst Park & Rec Director | Travelers Casualty and Surety Co. | \$50,000 |
| Delbert Williams | Concessions Manager | Travelers Casualty and Surety Co. | \$50,000 |
| Daniel McKinney | Chief of Police | Travelers Casualty and Surety Co. | \$50,000 |
| Sonya Hill-Witcher | Aldерwoman | Clyde Scott Insurance | \$50,000 |
| Terry Glidewell | Alderman | Clyde Scott Insurance | \$50,000 |
| Murry Sanders | Alderman | Clyde Scott Insurance | \$50,000 |
| Scottie Clark | Alderman | Clyde Scott Insurance | \$50,000 |
| Jeffery Morgan | Alderman | Clyde Scott Insurance | \$50,000 |
| Various | Police Officers | Travelers Casualty and Surety Co. | \$25,000 |

OTHER REPORTS

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners

Gary Franks, CPA

Bryon Wilemon, CPA

Jonathan Hagood, CPA

Rudolph Franks, CPA (1933-2019)

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 the City of Saltillo, Mississippi as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Saltillo, Mississippi's basic financial statements and have issued our report thereon dated March 10, 2025.

Report on Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2023-001, 2023-003, 2023-004, 2023-006, and 2023-008 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as findings 2023-002, 2023-005, and 2023-007 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as finding 2023-002, 2023-005, 2023-006, and 2023-008.

City of Saltillo, Mississippi's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City of Saltillo, Mississippi's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The 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 the response.

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. 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
March 10, 2025

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and Board of Aldermen
City of Saltillo, Mississippi

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Saltillo, Mississippi's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Saltillo, Mississippi's major federal programs for the year ended September 30, 2023. The City of Saltillo, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Saltillo, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Saltillo, Mississippi, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City of Saltillo, Mississippi's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Saltillo, Mississippi's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Saltillo, Mississippi's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Saltillo, Mississippi's compliance with the requirements of the (each) major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Saltillo, Mississippi's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Saltillo, Mississippi's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Saltillo, Mississippi's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. 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
March 10, 2025

P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
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Partners

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Bryon Wilemon, CPA

Jonathan Hagood, CPA

Rudolph Franks, CPA (1933-2019)

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

Honorable Mayor and Board of Aldermen
City of Saltillo, Mississippi

We have audited the financial statements of the City of Saltillo, Mississippi as of and for the year ended September 30, 2023, and have issued our report thereon dated March 10, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with all 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 three instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are included in the Schedule of Findings and Questioned Costs as finding 2023-002, 2023-005, 2023-006, and 2023-008.

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
March 10, 2025

**CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2023**

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unmodified
Internal control over financial reporting:
 Material weakness identified? X Yes No
 Significant deficiency identified
 not considered to be a material weakness? X Yes None reported
Noncompliance material to financial statements
 noted? X Yes No

Federal Awards

Internal Control over major programs:
 Material weakness identified? Yes X No
 Significant deficiency identified
 not considered to be a material weakness? Yes X None reported

Type of auditors' report issued on compliance
 for major programs: unmodified

Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? Yes X No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| <u>21.027</u> | <u>Coronavirus State and Local Fiscal Recovery Funds</u> |

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 750,000
Auditee qualified as low-risk auditee? Yes X No

**CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2023**

FINANCIAL STATEMENT FINDINGS:

FINDING NO. 2023-001 (material weakness)

Repeat Finding: Yes

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

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.

Cause: The City's size and number of personnel in these departments limit the opportunities for adequate segregation of duties.

Effect: The lack of an adequate segregation of duties could result in the loss of public funds.

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. The City will continue to look to segregate duties with the limited amount of personnel.

FINDING NO. 2023-002 (significant deficiency, noncompliance)

Repeat Finding: No

Criteria: The City is required, by state statutes, to prepare a budget for all required governmental funds of the City and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts.

Condition: The City had budget overages in two expenditure categories for the year ended September 30, 2023.

Cause: The City did not properly amend the budget to prevent budget overages.

Effect: The City was out of compliance with state budgeting requirements.

CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2023

FINANCIAL STATEMENT FINDINGS (continued):

Recommendation: The City should ensure that all expenditures are within the final amended budget amounts. The City Clerk should generate monthly budget to actual revenue and expense reports that should be used to ensure budgets are amended before expenses are disbursed in excess of budgeted amounts.

Response: The City will take steps necessary to provide the Board with accurate revenue and expense budget to actual comparisons on a monthly basis for all required accounts. The City will take steps necessary to ensure that budgets are amended prior to budget overages occurring.

FINDING NO. 2023-003 (material weakness)

Repeat Finding: No

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

Condition: The City had misstatements in the general ledger resulting in income and expense account misclassifications, errors in recording capital asset transactions, errors in classifying cash and expenses to the proper funds, and errors in posting accruals.

Cause: Internal controls were not designed and implemented to ensure proper recording and classifying transactions and ensuring accruals were properly posted.

Effect: Improper recording of transactions could affect the reliability of the City's reporting of financial position, results of operations and budget to actual comparisons.

Recommendation: The City should design and implement proper control procedures to ensure that the general ledger is maintained in accordance with generally accepted accounting principles. Accounts should be reconciled on a timely basis and a system should be in place to identify misstatements as they occur.

Response: The City will take steps necessary to evaluate internal controls over the general ledger function and make corrections as necessary.

FINDING NO. 2023-004 (material weakness)

Repeat Finding: No

Criteria: The City is to maintain adequate internal controls to ensure accurate reconciliation of cash accounts on a timely basis.

Condition: During our audit, we noted that the bank reconciliations did not contain all of the transactions required for proper reconciliation. We also noted that cash balances were not properly reflected between funds.

**CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2023**

FINANCIAL STATEMENT FINDINGS (continued):

Cause: The City did not ensure that proper controls were in place to ensure that cash accounts were being properly reconciled in a timely manner.

Effect: Lack of timely and accurate bank reconciliations can increase the risk of failing to detect unauthorized disbursements and cash losses and affect the reliability of budget to actual comparisons.

Recommendation: The City should implement proper control procedures to ensure that all cash accounts of the City are properly reconciled in a timely manner and that any errors are discovered and corrected in a timely manner. The City should also monitor the reporting of cash balances between funds to ensure proper financial reporting.

Response: The City has taken steps to evaluate internal controls over the cash reconciliation function and will continue to monitor and improve the controls.

FINDING NO. 2023-005 (significant deficiency, noncompliance)

Repeat Finding: No

Criteria: As required by Mississippi Code Section 27-105-5 (6) (b), every public depositor is required to notify the State Treasurer's office no later than thirty (30) days following its fiscal year end of its name, address, tax identification number and listing of deposit accounts.

Condition: The City did notify the State Treasurer's office within thirty (30) days following its fiscal year end of its name, address, tax identification number and listing of deposit accounts; however, it was not a complete listing of deposit accounts at all approved public depositories of the City.

Cause: There were two deposit accounts that were not reported to the State at year-end.

Effect: The City was out of compliance with the Mississippi Code Section 27-105-5 (6) (b).

Recommendation: The City should implement adequate controls to ensure that all relevant reports regarding the Public Depositor Annual Report are maintained, timely submitted and reconciled with the financial records of the City.

Response: The City will ensure that it has filed the Public Depositor Annual Report with the State Treasurer within thirty days of year end and ensure all accounts are included in the future.

**CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2023**

FINANCIAL STATEMENT FINDINGS (continued):

FINDING NO. 2023-006 (material weakness, noncompliance)

Repeat Finding: No

Criteria: The City is to comply with state purchasing laws for all applicable purchases over certain dollar thresholds in accordance with state statutes.

Condition: The City had two instances of noncompliance for the year ended September 30, 2023.

Cause: The City did not obtain a competitive quote or bid from the vendor for the purchase applicable to purchase laws.

Effect: The City was not in compliance with state purchase law requirements.

Recommendation: The City should implement adequate internal controls over all purchases to ensure that the City strictly adheres to the purchase laws.

Response: The City will take the necessary steps to ensure that controls over purchasing are revised to guarantee future compliance.

FINDING NO. 2023-007 (significant deficiency)

Repeat Finding: No

Criteria: The City is to maintain adequate internal controls to ensure all monthly customer billing registers are maintained and can be provided to support the accuracy and completeness of proprietary fund revenues.

Condition: The City could not provide the customer water and sewer billing register for the month of August 2023 when revenue tests were being performed.

Cause: The City controls did not ensure the maintenance of customer billing registers to support the accuracy and completeness of proprietary fund revenues during the fiscal year.

Effect: Not maintaining all monthly customer billing registers could affect the reliability of the City's reporting of financial position, results of operations and budget to actual comparisons.

Recommendation: The City should implement adequate internal controls to ensure that all monthly customer billing registers are printed and maintained to support the accuracy and completeness of proprietary fund revenues.

Response: The City will take steps necessary to evaluate internal controls over the printing and maintenance of all monthly customer billing register reports moving forward; the reports will be printed and archived so that the reports can be re-generated when records are needed for review.

**CITY OF SALTILLO, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2023**

FINANCIAL STATEMENT FINDINGS (continued):

FINDING NO. 2023-008 (material weakness, noncompliance)

Repeat Finding: No

Criteria: The City is required, by State statutes, to maintain adequate subsidiary records substantiating the existence, completeness, and valuations of its fixed assets.

Condition: The City did not conduct an annual inventory observation of fixed assets pursuant to guidelines set forth by the Mississippi Office of the State Auditor.

Cause: The City has not fully implemented an adequate system of controls for properly tracking activity of fixed assets.

Effect: The City is not in compliance with the applicable requirements as required by state statute as prescribed by the Office of the State Auditor.

Recommendation: The City should conduct a year-end inventory of its fixed assets needed to maintain accountability of assets.

Response: The City will conduct year-end inventory observations of their fixed assets.