

TOWN OF UTICA, MISSISSIPPI
ANNUAL REPORT
YEAR ENDED SEPTEMBER 30, 2011

Town of Utica, Mississippi
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Year Ended September 30, 2011

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TOWN OF UTICA, MISSISSIPPI
INTRODUCTORY SECTION
YEAR ENDED SEPTEMBER 30, 2011

**TOWN OF UTICA, MISSISSIPPI
LIST OF ELECTED AND APPOINTED OFFICIALS
AS OF SEPTEMBER 30, 2011**

Mayor - Mark Morgan

Alderman - Ward I - Earl Mathes

Alderwoman - Ward II - Mary Ann Keith

Alderman - Ward III - Kenneth Frazier, Jr.

Alderman - Ward IV - Kenneth Broome

Alderwoman at Large - Doris Ross

Town Clerk - Lisa Morris

Deputy Clerk - Mary Moreland

Police Chief - Timothy Myles

Court Clerk - Lisa Morris

Court Clerk - Mary Moreland

TOWN OF UTICA, MISSISSIPPI
FINANCIAL SECTION
YEAR ENDED SEPTEMBER 30, 2011



American Institute of
Certified Public Accountants

Mississippi Society of
Certified Public Accountants

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EUBANK BETTS

Eubank, Betts, Hirn, Wood, PLLC

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Utica, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Utica, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Utica, Mississippi, as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2012, on our consideration of the Town of Utica, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Utica, Mississippi's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



EUBANK, BETTS, HIRN, WOOD, PLLC

Jackson, Mississippi
January 16, 2012

Management's Discussion and Analysis

As management of the Town of Utica, we offer readers of the Town of Utica's financial statements this narrative overview and analysis of the financial activities of the Town of Utica for the fiscal year ended September 30, 2011.

Financial Highlights

- The Town's assets exceeded its liabilities at the close of the most recent fiscal year by \$2,256,480 (*net assets*). Of this amount, \$580,141 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net assets of the governmental activities were \$564,591 as compared to the prior year of \$551,280, an increase of approximately \$13,000. The net assets of the business-type activities (Proprietary Funds) were \$1,691,889 as compared to the prior year of \$1,605,112, an increase of approximately \$87,000.
- The Town had general governmental expenditures for 2011 that were \$532,927 more than the prior year. This increase was primarily due to an increase in grant expenditures and the purchase of police vehicles. Tax revenues generated income of \$69,795 from property taxes and \$146,709 from sales tax allocations. Total revenues amounted to \$843,547 for governmental programs compared to prior year revenues of \$390,945. The increase of approximately \$453,000 was due mainly from grant revenue of \$427,810. Last year the Town had a deficiency of revenues under expenditures of \$113,352. This year's deficiency was \$193,677. The increase was primarily due to the purchase of police vehicles and an increase in the fees paid for collected fines.
- In the Town's business-type activities, revenues totaled \$657,722 while operating expenses totaled \$453,026 for a net operating income of \$204,696, approximately \$57,000 more than prior year.
- Budgeted governmental revenues were \$843,780; the Town was within \$300 of meeting their budgeted revenue amount. Expenses budgeted amounted to \$935,774 while actual expenditures were \$1,037,224 due primarily to purchase of police vehicles not being budgeted for and additional grant expenditures. Annually, the Town budgets a transfer into the General Fund from the Proprietary Fund. This year the Town budgeted \$118,599 to be transferred from the Proprietary Funds.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in the report for review. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town

Our analysis of the Town is included in this report in three sections: Introductory, Financial and Statistical. The introductory section includes a listing of the Town Officials. The financial section

includes the Statement of Net Assets and the Statement of Activities and report information about the Town and its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes for the year. You can think of the Town's net assets - the difference between assets and liabilities - as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether the Town's financial health is improving or deteriorating. However, you will need to consider other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- **Governmental activities** - Most of the Town's basic services are reported here, including the police, fire, and general administration. Property taxes, sales taxes, sanitation and utility franchise fees, and state and federal grants finance most of these activities.
- **Business-type activities** - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water system and gas system are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins in this report after this discussion. The fund financial statements provide detailed information about the most significant funds. Some funds from time to time are required to be established by State law. The Town does not have any bonded indebtedness and; therefore, is not subject to any bond covenants. The Town Council establishes controls to manage the Town's assets for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other funds. The Town's two kinds of funds - governmental and proprietary - use different accounting approaches.

- **Governmental funds** - The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.
- **Proprietary funds** - When the Town charges customers for the services it provides, these services are generally reported in proprietary funds that also include a cash flow statement.

The Town from October 1, 2010 to September 30, 2011

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's *combined* net assets amounted to \$2,256,480 at September 30, 2011. The largest portion of the Town's net assets (78.21%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). The Town is under an operating lease of \$79,625 at September 30, 2011 for police vehicles. The town of Utica uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Town reported investment in capital assets net of related debt. It should be noted that the resources needed to repay debt related to capital assets must be provided

from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Utica's Net Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Current and other assets	\$ 187,196	\$ 1,028,331	\$ 1,215,527
Capital assets	<u>840,681</u>	<u>924,168</u>	<u>1,764,849</u>
Total assets	1,027,877	1,952,499	2,980,376
Long-term liabilities outstanding	60,788	-	60,788
Other Liabilities	<u>402,498</u>	<u>260,610</u>	<u>663,108</u>
Total liabilities	463,286	260,610	723,896
Net assets			
Invested in capital assets, net of related debt	761,056	924,168	1,685,224
Restricted assets	7	-	7
Unrestricted (deficit)	<u>(196,472)</u>	<u>767,721</u>	<u>571,249</u>
Total net assets	<u>\$ 564,591</u>	<u>\$ 1,691,889</u>	<u>\$ 2,256,480</u>

The Town's net assets for our governmental activities increased by \$13,311 during the current fiscal year ended September 30, 2011. The deficit in unrestricted governmental net assets arose primarily because the Town General Fund owed the Proprietary Funds net \$327,396 at September 30, 2011.

The net assets of our business-type activities increased by \$86,777 during the current fiscal year ended September 30, 2011. The Town generally uses these net assets to finance the continuing operations of the water system and gas system operations.

The Town's total revenues for the General Fund were \$843,547 for 2011 while the revenues for 2010 were \$390,945. The increase in revenues was primarily due to an increase in federal aid of approximately \$428,000.

Governmental Activities

Revenues for the Town's governmental activities increased by \$452,602 or 115.77%, while total expenses increased by \$532,927 or 105.68%. Expenses over revenues of approximately \$194,000 are attributable to increased costs of the Police department and equipment purchases for the police department.

The cost of the Town's programs are reflected in the financial statements. The net cost shows the financial expenditures for the Town by each of these functions.

Governmental Activities

General government	\$ 101,592
Public Safety	380,547
Public works	98,453
Cemetery	10,300
Grant expenditures	446,332
Total	<u>\$ 1,037,224</u>

Business-type Activities

Revenues of the Town's business-type activities amounted to \$657,722 for 2011 while operating expenses totaled \$453,026. The gas system and water system operated at a net income of \$177,809 and \$26,887, respectively. Total operating revenues for business-type activities decreased approximately \$43,000 due primarily to a decrease in the costs of natural gas. Total operating expenses decreased approximately \$100,000 due mainly to an adjustment in gas costs for a prior year payable.

The Town's Funds

The Town's funds are invested to provide for interest to be received on the funds at the best available rates from the bank. All funds are collateralized by securities owned by the bank to insure the safety of the money of the people of the Town of Utica.

General Fund Budgetary Highlights

The budget was amended to adjust the appropriations of revenues and expenditures. Revenues for original budget were increased \$486,000 for additional revenues from federal grants and fine and forfeits. Expenditures were increased \$562,000 for grant expenditures and fees on fines collected.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2011, the Town of Utica's investment in capital assets for its governmental and business type activities was \$1,764,849 (net of accumulated depreciation). The investment included a broad range of capital assets, including land, buildings, roads, bridges, police and fire equipment, and machinery and equipment for the Natural Gas and Waterworks Systems.

Capital asset acquisitions during the current fiscal year included the following:

Town machinery and equipment	\$ 7,625
Police equipment	\$ 925
Police vehicles	\$ 79,625
Waterworks system equipment	\$ 4,800
Gas system equipment	\$ 2,200

Debt

At year-end, the Town owed Hancock Bank for a lease obligation for police cars. Debt for this obligation was \$79,625, with a current portion of \$18,837.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year budget, tax rates and fees that will be charged for the various activities. One of these factors is the economy and the general composition of the population of the Town and the resources available to the community.

All these factors are taken into consideration when the Budget is drafted each year for our Town including the amounts from the General Fund and the Proprietary Fund as well as the overall economy of the State of Mississippi. The Town does not have any major debts to service and this is a big factor in the stability of the financial position of our Town. Your officials seek to maintain a budget that will provide for the services necessary for the people of Utica.

Independent Audit

The Town requires an annual audit of the books of account, financial records and transactions of all administrative departments of the Town by independent certified public accountants. This requirement has been complied with and the independent auditors' report has been included in this report.

The Town council functions as the audit committee and reviews all recommendations made by our independent auditors.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Town Clerk at Town Of Utica, 110 White Oak Street, Utica, Mississippi.

Town of Utica, Mississippi
Statement of Net Assets
September 30, 2011

	Governmental Business-type		Total
	Activities	Activities	
Assets:			
Cash and cash equivalents	\$ 160,247	\$ 394,711	\$ 554,958
Due from other funds	-	494,419	494,419
Accounts receivable, net:			
Customers	-	42,008	42,008
Property taxes	546	-	546
Sales tax allocation	11,823	-	11,823
Utility franchise fee	3,851	-	3,851
Public works	6,378	-	6,378
Interest receivable	16	87	103
Prepaid expenses	4,328	476	4,804
Restricted cash and investments	7	96,630	96,637
Capital assets:			
Land	71,105	29,150	100,255
Other capital assets, net of accumulated depreciation	769,576	895,018	1,664,594
Total assets	<u>1,027,877</u>	<u>1,952,499</u>	<u>2,980,376</u>
Liabilities:			
Current liabilities:			
Current portion of capital lease	18,837	-	18,837
Due to other funds	327,396	167,023	494,419
Accounts payable	43,304	17,236	60,540
Accrued expenses	12,961	10,535	23,496
Customer deposits	-	64,507	64,507
Unredeemed bonds and interest	-	1,309	1,309
Total current liabilities	402,498	260,610	663,108
Non current liabilities:			
Lease payable, less current portion	60,788	-	60,788
Total liabilities	<u>463,286</u>	<u>260,610</u>	<u>723,896</u>
Net Assets:			
Invested in capital assets, net of related debt	761,056	924,168	1,685,224
Restricted for public safety	7	-	7
Unrestricted (deficit)	(196,472)	767,721	571,249
Total net assets	<u>\$ 564,591</u>	<u>\$ 1,691,889</u>	<u>\$ 2,256,480</u>

The notes to the financial statements are an integral part of this statement.

Town of Utica, Mississippi
Statement of Activities
Year Ended September 30, 2011

Functions/Programs	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets		Total
				Governmental Activities	Business-Type Activities	
Governmental activities:						
General government	\$ 101,592	\$ -	\$ -	\$ (101,592)	\$ -	\$ (101,592)
Public safety:						
Police	380,547	-	-	(380,547)	-	(380,547)
Public works	98,453	60,893	-	(37,560)	-	(37,560)
Cemetery	10,300	-	-	(10,300)	-	(10,300)
Grant expenditures	446,332	-	-	(446,332)	-	(446,332)
Total governmental activities	<u>1,037,224</u>	<u>60,893</u>	<u>-</u>	<u>(976,331)</u>	<u>-</u>	<u>(976,331)</u>
Business-type activities:						
Waterworks	245,121	272,008	-	-	26,887	26,887
Gas	207,905	385,714	-	-	177,809	177,809
Total business-type activities	<u>453,026</u>	<u>657,722</u>	<u>-</u>	<u>-</u>	<u>204,696</u>	<u>204,696</u>
Total	<u>\$ 1,490,250</u>	<u>\$ 718,615</u>	<u>\$ -</u>	<u>(976,331)</u>	<u>204,696</u>	<u>(771,635)</u>

The notes to the financial statements are an integral part of this statement.

Town of Utica, Mississippi
Statement of Activities
Year Ended September 30, 2011

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
General revenues:			
Property taxes levied for:			
General purposes	69,795	-	69,795
State aid not restricted to specific purposes	146,709	-	146,709
Licenses and permits	5,521	-	5,521
Fines and forfeits	84,881	-	84,881
Utility franchise fees	12,656	-	12,656
Intergovernmental revenues	8,737	-	8,737
Federal aid	427,810	-	427,810
Miscellaneous	26,545	-	26,545
Interest income	216	681	897
Transfers	118,599	(118,599)	-
Total general revenues, interest income and transfers	<u>901,469</u>	<u>(117,918)</u>	<u>783,551</u>
Change in net assets	(74,862)	86,778	11,916
Net assets - beginning	<u>639,453</u>	<u>1,605,111</u>	<u>2,244,564</u>
Net assets - ending	<u>\$ 564,591</u>	<u>\$ 1,691,889</u>	<u>\$ 2,256,480</u>

The notes to the financial statements are an integral part of this statement.

Town of Utica, Mississippi
Balance Sheet
Governmental Fund
September 30, 2011

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 160,247
Accounts receivable, net:	
Property taxes	546
Sales tax allocation	11,823
Utility franchise fee	3,851
Sanitation fees	6,378
Interest receivable	16
Prepaid expenses	4,328
Total assets	<u>\$ 187,189</u>
Liabilities and fund balances:	
Liabilities:	
Accounts payable	\$ 43,304
Accrued salaries	12,961
Due to other funds	327,396
Total liabilities	<u>383,661</u>
Fund balances (deficit):	
Unrestricted	<u>(196,472)</u>
Total fund balances (deficit)	<u>(196,472)</u>
Total liabilities and fund balances	<u>\$ 187,189</u>

The notes to the financial statements are an integral part of this statement.

Town of Utica, Mississippi
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Assets
September 30, 2011

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

Total fund balance - governmental funds	\$ (196,472)
Reconciling items:	
Other long-term assets (restricted cash) are not available to pay current-period expenditures and, therefore are deferred in the funds	7
Capital assets are not financial resources and, therefore, are not reported in the funds	840,681
Obligations under capital leases are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(79,625)</u>
Total net assets - governmental activities	<u>\$ 564,591</u>

The notes to the financial statements are an integral part of this statement.

Town of Utica, Mississippi
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
Year Ended September 30, 2011

	General Fund
Revenues:	
Property taxes	\$ 69,795
Sales taxes	146,709
Licenses and permits	5,521
Fines and forfeits	84,881
Utility franchise fees	12,656
Public works	60,893
Intergovernmental revenues	8,737
Federal aid	427,810
Miscellaneous	26,545
Total revenues	843,547
Expenditures:	
General government	101,592
Public safety:	
Police	380,547
Public works	98,453
Cemetery	10,300
Grant expenditures	446,332
Total expenditures	1,037,224
Deficiency of revenues under expenditures	(193,677)
Other financing sources:	
Interest income	216
Transfers	118,599
Total other financing sources	118,815
Net change in fund balances	(74,862.03)
Fund balances - beginning	639,453
Fund balances - ending	\$ 564,591

The notes to the financial statements are an integral part of this statement.

Town of Utica, Mississippi
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Fund to the Statement of Activities
Year Ended September 30, 2011

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

Net change in fund balances-total governmental funds	\$ (74,862)
None	<u> -</u>
Change in net assets of governmental activities	<u> \$ (74,862)</u>

The notes to the financial statements are an integral part of this statement.

Town of Utica, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes				
Real estate	\$ (51,012)	\$ (47,062)	\$ (46,900)	\$ (162)
Automobile	(14,132)	(13,549)	(13,340)	(209)
Bad debts	(400)	(812)	(972)	160
Utilities	<u>(8,866)</u>	<u>(8,583)</u>	<u>(8,583)</u>	<u>-</u>
Total property taxes	(74,410)	(70,006)	(69,795)	(211)
Sales taxes	(146,800)	(146,462)	(146,709)	247
Licenses and permits	(2,500)	(5,522)	(5,521)	(1)
Fines and forfeits	(45,000)	(84,881)	(84,881)	-
Utility franchise fees	(16,500)	(13,090)	(12,656)	(434)
Public works	(60,864)	(60,783)	(60,893)	110
Intergovernmental revenues				
Fire protection rebate	-	(4,207)	(4,207)	-
Grand gulf tax	<u>(4,500)</u>	<u>(4,530)</u>	<u>(4,530)</u>	<u>-</u>
Total intergovernmental revenues	(4,500)	(8,737)	(8,737)	-
Federal aid	-	(427,810)	(427,810)	-
Miscellaneous	<u>(7,000)</u>	<u>(26,489)</u>	<u>(26,545)</u>	<u>56</u>
Total revenues	<u>(357,574)</u>	<u>(843,780)</u>	<u>(843,547)</u>	<u>(233)</u>
Expenditures:				
Current:				
General government				
Salaries	43,640	43,616	43,617	(1)
Employee benefits	9,522	10,421	8,444	1,977
Office supplies	17,464	15,851	15,490	361
Operating supplies	3,200	1,250	1,200	50
Repairs and maintenance	5,500	7,145	7,145	-
Utilities	6,000	1,779	1,779	-
Insurance	9,225	3,210	9,510	(6,300)
Professional services	15,000	14,157	14,157	-
Bad debts	<u>-</u>	<u>-</u>	<u>250</u>	<u>(250)</u>
Total general government	<u>109,551</u>	<u>97,429</u>	<u>101,592</u>	<u>(4,163)</u>

The notes to the financial statements are an integral part of this statement.

Town of Utica, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public safety				
Police				
Salaries	155,705	162,266	162,474	(208)
Employee benefits	34,786	29,489	33,036	(3,547)
Training	2,000	1,316	1,316	-
Operating supplies	8,232	11,294	10,621	673
Uniforms	1,500	1,107	1,107	-
Repairs and maintenance	2,500	-	-	-
Vehicle expense	29,500	39,745	119,384	(79,639)
Utilities	3,000	2,232	2,232	-
Insurance	3,500	2,333	1,450	883
Professional services	18,700	17,473	17,472	1
Fees on fines	-	34,387	31,455	2,932
Total public safety: Police	<u>259,423</u>	<u>301,642</u>	<u>380,547</u>	<u>(78,905)</u>
Public works				
Salaries	-	-	-	-
Repairs and maintenance	2,500	1,304	1,304	-
Vehicle expense	-	-	-	-
Utilities	33,400	37,289	37,292	(3)
Sanitation	60,000	60,000	59,857	143
Total public works	<u>95,900</u>	<u>98,593</u>	<u>98,453</u>	<u>140</u>
Cemetery	10,400	10,300	10,300	-
Grant expenditures	-	427,810	446,332	(18,522)
Total expenditures before other financing sources (uses)	<u>475,274</u>	<u>935,774</u>	<u>1,037,224</u>	<u>(101,450)</u>
Other financing uses:				
Interest income	(100)	-	(216)	216
Transfer in	(117,600)	(118,599)	(118,599)	-
Total other financing uses	<u>(117,700)</u>	<u>(118,599)</u>	<u>(118,815)</u>	<u>216</u>
Total other expenditures	357,574	817,175	918,409	(101,234)
Net change in fund balances	-	26,605	(74,862)	(101,467)
Fund balances - beginning	<u>639,453</u>	<u>639,453</u>	<u>639,453</u>	<u>-</u>
Fund balances - ending	<u>\$ 639,453</u>	<u>\$ 666,058</u>	<u>\$ 564,591</u>	<u>\$ (101,467)</u>

The notes to the financial statements are an integral part of this statement.

Town of Utica, Mississippi
Statements of Net Assets
Proprietary Funds
Year Ended September 30, 2011

	Waterworks Fund 2011	Gas Fund 2011	Total Enterprise Funds 2011
Assets:			
Cash and cash equivalents	\$ 115,683	\$ 279,028	\$ 394,711
Due from other funds	-	494,419	494,419
Accounts receivable	25,983	16,025	42,008
Interest receivable	32	55	87
Prepaid expenses	238	238	476
Total current assets	141,936	789,765	931,701
Restricted assets:			
Cash and investments	38,983	57,647	96,630
Total restricted assets	38,983	57,647	96,630
Non-current assets:			
Capital assets:			
Land	29,150	-	29,150
Utility system	2,779,590	320,408	3,099,998
Machinery and equipment	100,236	61,596	161,832
Less accumulated depreciation	2,020,776	346,036	2,366,812
Total non-current assets	888,200	35,968	924,168
Total assets	1,069,119	883,380	1,952,499
Liabilities:			
Current liabilities:			
Due to other funds	167,023	-	167,023
Accounts payable	11,513	5,723	17,236
Accrued expenses	5,033	5,502	10,535
Customer deposits	26,138	38,369	64,507
Unredeemed bonds and interest	-	1,309	1,309
Total current liabilities	209,707	50,903	260,610
Total liabilities	209,707	50,903	260,610
Net assets:			
Invested in capital assets, net of related debt	888,200	35,968	924,168
Unrestricted	(28,788)	796,509	767,721
Total net assets	\$ 859,412	\$ 832,477	\$ 1,691,889

The notes to the financial statements are an integral part of this statement.

Town of Utica, Mississippi
Statements of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2011

	<u>Waterworks Fund 2011</u>	<u>Gas Fund 2011</u>	<u>Total Enterprise Funds 2011</u>
Operating revenues:			
Charges for services	\$ 258,581	\$ 385,714	\$ 644,295
Insurance reimbursement	<u>13,427</u>	<u>-</u>	<u>13,427</u>
	<u>272,008</u>	<u>385,714</u>	<u>657,722</u>
Operating expenses:			
Personnel services	66,913	69,281	136,194
Materials and supplies	33,601	9,717	43,318
Chemicals	1,866	-	1,866
Electricity	19,896	441	20,337
Natural gas costs	-	91,653	91,653
Fuel	5,293	5,188	10,481
Contractual services	24,417	5,206	29,623
Repairs and maintenance	10,698	8,052	18,750
Insurance	505	666	1,171
Professional services	5,000	9,100	14,100
Personnel training	600	300	900
Depreciation	74,761	7,396	82,157
Bad debts expense	<u>1,571</u>	<u>905</u>	<u>2,476</u>
Total operating expenses	<u>245,121</u>	<u>207,905</u>	<u>453,026</u>
Operating income	<u>26,887</u>	<u>177,809</u>	<u>204,696</u>
Nonoperating income:			
Earnings on investments	<u>169</u>	<u>512</u>	<u>681</u>
Total nonoperating income	<u>169</u>	<u>512</u>	<u>681</u>
Income before transfers	27,056	178,321	205,377
Transfer out	<u>(58,599)</u>	<u>(60,000)</u>	<u>(118,599)</u>
Change in net assets	(31,543)	118,321	86,778
Total net assets - beginning	<u>890,955</u>	<u>714,156</u>	<u>1,605,111</u>
Total net assets - ending	<u>\$ 859,412</u>	<u>\$ 832,477</u>	<u>\$ 1,691,889</u>

The notes to the financial statements are an integral part of this statement.

Town of Utica, Mississippi
Statements of Cash Flows
Proprietary Funds
Year Ended September 30, 2011

	Governmental Activities - Enterprise Funds		
	Waterworks Fund	Gas Fund	Total Enterprise Funds
	2011	2011	2011
Cash flows from operating activities:			
Cash received for utility services	\$ 258,095	\$ 378,010	\$ 636,105
Cash received for insurance claim	13,427	-	13,427
Payments for personnel services	(63,293)	(65,233)	(128,527)
Purchase of materials and supplies	(37,957)	(10,669)	(48,626)
Purchase of chemicals	(1,866)	-	(1,866)
Payments for electricity	(20,006)	(442)	(20,448)
Purchase of natural gas	-	(165,197)	(165,197)
Purchase of fuel	(5,050)	(4,910)	(9,959)
Payments for contractual services	(24,357)	(5,028)	(29,385)
Payments for repairs and maintenance	(10,797)	(7,527)	(18,324)
Insurance premiums paid	(576)	(737)	(1,313)
Payments for professional services	(5,000)	(9,100)	(14,100)
Payments to other funds	(58,599)	(60,000)	(118,599)
Net cash provided by operating activities	<u>44,021</u>	<u>49,167</u>	<u>93,188</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(6,523)</u>	<u>(3,232)</u>	<u>(9,755)</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment	(4,800)	(2,200)	(7,000)
Interest received	180	526	706
Net cash used for investing activities	<u>(4,620)</u>	<u>(1,674)</u>	<u>(6,294)</u>
Net increase in cash and cash equivalents	32,878	44,261	77,139
Cash and cash equivalents - beginning	<u>121,788</u>	<u>292,415</u>	<u>414,203</u>
Cash and cash equivalents - ending	<u>\$ 154,666</u>	<u>\$ 336,675</u>	<u>\$ 491,341</u>

The notes to the financial statements are an integral part of this statement.

Town of Utica, Mississippi
Statements of Cash Flows
Proprietary Funds
Year Ended September 30, 2011

	Governmental Activities - Enterprise Funds		
	Waterworks Fund	Gas Fund	Total Enterprise Funds
	2011	2011	2011
Cash as presented on the statement of net assets:			
Cash and investments - unrestricted	\$ 115,683	\$ 279,028	\$ 394,711
Cash and investments - restricted	38,983	57,647	96,630
	<u>\$ 154,666</u>	<u>\$ 336,675</u>	<u>\$ 491,341</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 26,887	\$ 177,809	\$ 204,696
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	74,761	7,396	82,157
Provision for bad debts	1,571	905	2,476
Accounts receivable	(511)	(7,705)	(8,216)
Prepaid expenses	(71)	(71)	(142)
Accounts payable	(1,734)	(70,933)	(72,667)
Accrued expenses	1,717	1,717	3,434
Customer deposits	-	49	49
Payments to other funds	<u>(58,599)</u>	<u>(60,000)</u>	<u>(118,599)</u>
Total adjustments	<u>17,134</u>	<u>(128,642)</u>	<u>(111,508)</u>
Net cash provided by operating activities	<u>\$ 44,021</u>	<u>\$ 49,167</u>	<u>\$ 93,188</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF UTICA, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

Note 1 - Summary of significant accounting policies:

The Town of Utica, Mississippi (the Town), operates under a Mayor-Aldermen form of government and provides the following services: Public Safety - Police, Fire, Highways and Streets, Water and Sewer, Sanitation, Natural Gas, Culture - Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

Reporting entity:

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

Government-wide and fund financial statements

Government-wide financial statements:

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund, or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

Note 1 - Summary of significant accounting policies (Continued):

Fund financial statements:

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

Measurement focus, basis of accounting, and financial statement presentation

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include; sales and use taxes, property taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charged to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

Note 1 - Summary of significant accounting policies (Continued):

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

Fund types and major funds

Governmental funds:

The Town reports the following major governmental fund:

General Fund – reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary funds:

The Town reports the following major enterprise funds:

Waterworks and Sewerage Utilities Fund (WWSF) accounts for the operating activities of the Town's waterworks and sewerage system utilities services.

Natural Gas Utilities Fund (NGUF) accounts for the operating activities of the Town's natural gas utilities services.

Cash and investments

The Town deposits excess funds in financial institutions selected by the Town Board of Aldermen and Mayor in accordance with state statutes. Cash consists of amounts on deposit with financial institutions including savings accounts and certificates of deposit.

The Town reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

State statutes impose various restrictions on these deposits. These restrictions are summarized as follows:

All deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) must be collateralized in an amount equal to 105% of the uninsured amount.

TOWN OF UTICA, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

Note 1 - Summary of significant accounting policies (Continued):

Prepaid expenses

Prepaid expenses record payments to vendors that benefit future reporting periods and are reported on the consumption basis.

Capital assets and depreciation

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or estimated historical cost if actual historical cost is not available and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets of the general fund are not depreciated. Capital assets of the proprietary funds are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

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

Buildings	5-50
Improvements, other than buildings	2-50
Mobile equipment	3-30
Furniture, machinery, and equipment	3-30

Capitalized interest

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

Long-term debt, deferred debt expense, and bond discounts/premiums

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of their respective bonds using a method that approximates the effective interest method.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

Note 1 - Summary of significant accounting policies (Continued):

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Fund equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

Compensated absences

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

Budget policy and practice

1. Prior to September 1, the Town Board of Aldermen and Mayor compile a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Town to obtain taxpayer comments.
3. Prior to October 1, the modified accrual basis budget is legally adopted by the Board of Aldermen and Mayor.
4. The Town Clerk is authorized to transfer budgeted amounts between departments within any fund; however, the Board of Aldermen and Mayor must approve any revisions that alter the total expenditures of any fund.
5. At September 30 of each year, the budget for the year then ending expires, therefore all related appropriations lapse at that time. The Town does not utilize encumbrances.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

Note 1 - Summary of significant accounting policies (Continued):

Budgeted amounts are as originally adopted, or as amended by the Board of Aldermen. Individual amendments were not material in relation to the original appropriations that were adopted.

Due to/from other funds:

Noncurrent portions of long-term interfund loans receivable (reported in "due from" accounts) are equally offset in governmental fund types by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of long-term interfund loans receivable (reported in "due from" asset accounts) are considered "available spendable resources".

Transactions between funds:

Legally authorized transfers are treated as operating transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Note 2 – Deposits:

It is the Town's policy for deposits to be 105 percent secured by collateral valued at market or par whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at fiscal year-end.

The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Town or by its agent in the Town's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 – Uncollateralized.

All bank balances of deposits as of September 30, 2011, are entirely insured or collateralized with securities held by the Town or by its agent in the Town's name.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

Note 2 – Deposits (Continued):

Deposits, categorized by level of risk are:

	<u>Category 1</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Primary Government			
<i>Government activities</i>			
General Fund	\$ 160,254	\$ 160,254	\$ 160,254
 <i>Business-type activities</i>			
Major Funds:			
Waterworks and Sewerage Fund	154,666	154,666	154,666
Natural Gas Fund	<u>336,675</u>	<u>336,675</u>	<u>336,675</u>
Total Deposits	<u>\$ 651,595</u>	<u>\$ 651,595</u>	<u>\$ 651,595</u>

Cash restricted for specified purposes at September 30, 2011, is comprised of the following:

Governmental activities:	
Street Grant	\$ 7
 Business-type activities:	
Customer deposits	\$ 96,630
Unredeemed bonds and interest	<u>1,309</u>
	<u>\$ 97,939</u>

TOWN OF UTICA, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

Note 3 - Receivables, uncollectible accounts, and deferred revenue:

Enterprise receivables and uncollectible accounts:

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within 30 days. The enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days, depending upon the fund. Related amounts are shown in the following table.

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>WWSF</u>	<u>NGUF</u>	
Total accounts receivable, gross	\$ 27,983	\$ 18,025	\$ 46,008
Less: allowance for uncollectible accounts	<u>(2,000)</u>	<u>(2,000)</u>	<u>(4,000)</u>
Net accounts receivable	<u>\$ 25,983</u>	<u>\$ 16,025</u>	<u>\$ 42,008</u>
Uncollectible amounts charged to operations	<u>\$ 1,571</u>	<u>\$ 905</u>	<u>\$ 2,476</u>

Property, taxes receivable, deferred revenue, and property tax calendar

Property taxes:

Property taxes on real and personal property, exclusive of automobiles, attach as an enforceable lien on January 1 for the preceding calendar year, and are accrued at that time.

The Town's levy on property and automobiles is collected by Hinds County and remitted to the Town monthly and is recorded at that time. Hinds County also remits to the Town a pro-rata share of road and bridge taxes collected, which are recorded upon receipt.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

Note 4 – Capital assets:

Capital asset activity for the year ended September 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government				
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 71,105	\$ -	\$ -	\$ 71,105
Building	155,048	-	-	155,048
Infrastructure	233,355	-	-	233,355
Machinery and equipment	<u>292,998</u>	<u>88,175</u>	-	<u>381,173</u>
Total capital assets, not being depreciated	<u>752,506</u>	<u>88,175</u>	-	<u>840,681</u>
Governmental activities capital assets	<u>\$ 752,506</u>	<u>\$ 88,175</u>	<u>\$ -</u>	<u>\$ 840,681</u>
Business-type activities:				
Capital assets, not being depreciated				
Land-Waterworks System	<u>\$ 29,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,150</u>
Total capital assets, not being depreciated	<u>29,150</u>	<u>-</u>	<u>-</u>	<u>29,150</u>
Capital assets, being depreciated:				
Waterworks and sewerage system	2,779,590	-	-	2,779,590
Natural gas system	320,408	-	-	320,408
Machinery and equipment-Waterworks System	95,436	4,800	-	100,236
Machinery and equipment-Gas System	<u>59,396</u>	<u>2,200</u>	-	<u>61,596</u>
Total capital assets, being depreciated	<u>3,254,830</u>	<u>7,000</u>	<u>-</u>	<u>3,261,830</u>
Accumulated depreciation for:				
Waterworks System	(1,946,015)	(74,761)	-	(2,020,776)
Gas System	<u>(338,640)</u>	<u>(7,396)</u>	-	<u>(346,036)</u>
Total accumulated depreciation	<u>(2,284,655)</u>	<u>(82,157)</u>	<u>-</u>	<u>(2,366,812)</u>
Total capital assets, being depreciated, net	<u>970,175</u>	<u>(75,157)</u>	<u>-</u>	<u>895,018</u>
Business-type activities capital assets, net	<u>\$ 999,325</u>	<u>\$(75,157)</u>	<u>\$ -</u>	<u>\$ 924,168</u>

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

Note 4 – Capital assets (Continued):

Depreciation expense recorded in proprietary funds for the year ended September 30, 2011 was as follows:

Waterworks System	\$ 74,761
Gas System	<u>7,396</u>
	<u>\$ 82,157</u>

Note 5 - Interfund balances:

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year that are described as “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Individual interfund receivable and payable balances at September 30, 2011, consist of the following:

Fund	Due From Other Funds	Due To Other Funds
General	\$ -	\$ 327,396
Natural Gas System	494,419	-
Waterworks and Sewerage System	<u>-</u>	<u>167,023</u>
	<u>\$ 494,419</u>	<u>\$ 494,419</u>

Note 6 - Capital leases:

The Town leases three (3) police cars under a capital lease for a three year period. Monthly payments on the lease began October 12, 2011 for a term of forty-eight months. The lease requires monthly payments of \$1,785 with a 3.630% annual interest rate. There are two annual renewal options beginning October 1, 2012. The Town has the option to purchase the vehicles, at any time, for the balance of the lease plus \$1 and accrued interest.

The following is an analysis of the leased property under the capital lease by major class:

Equipment	\$79,625
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TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2011

Note 6 - Capital leases (Continued):

The following is a schedule by years of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments at September 30, 2011:

Year ending September 30:	
2012	\$ 18,837
2013	19,533
2014	20,254
2015	21,001
2016	<u>-</u>
Total minimum lease payments	79,625
Less: Amount representing interest	<u>(6,041)</u>
Present value of net minimum lease payment:	<u>\$ 73,584</u>

Interest expense for the year ended September 30, 2011, was \$ -.

Note 7 - Contributed capital:

In order to finance the construction of wastewater treatment facilities the waterworks and sewerage system proprietary fund has received funds contributed from various sources.

During the year ended September 30, 1989, the Town received an interest free loan of \$250,000 from the State of Mississippi Water Pollution Abatement Bond Fund. The imputed interest of \$123,779 represents capital contributed by the State of Mississippi.

The Town has obtained construction grants from two Federal agencies. The purpose of the grants is to defray the cost of sewer system improvements.

The following is a summary of total contributed capital at September 30, 2011:

Federal Government (HUD/EPA)	\$1,223,344
State of Mississippi	123,779
Town General Fund	<u>85,987</u>
	<u>\$1,433,110</u>

TOWN OF UTICA, MISSISSIPPI

Notes to Financial Statements

September 30, 2011

Note 8 - Economic dependency:

The Town receives a substantial portion of its funding from State and County governmental authorities in the form of tax levies and grants. During the year ending September 30, 2011, the approximate percentage of total revenues from these funding sources is as follows:

State government	17.92%
County government	8.27%

Note 9 – Risk management:

The Town's risk management activities are reported with governmental activities and recorded in the General Fund and encompass employee life, health, property and liability, workers' compensation, unemployment, and disability insurance programs of the Town. These funds account for the risk financing activities of the Town but do not constitute a transfer of risk from the Town.

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

Note 10 – Interfund transfers:

During the year ended September 30, 2011, transfers among funds were utilized to provide cash flow for the Town's operating budget, as follows:

<u>WWSF</u> <u>Fund</u>	<u>NGUF</u> <u>Fund</u>	<u>General</u> <u>Fund</u>	<u>Totals</u>
\$ (58,599)	\$ (60,000)	\$ 118,599	\$ -

Note 11 – Subsequent events:

Subsequent events have been evaluated through January 16, 2012, which is the date the financial statements were available to be issued.

TOWN OF UTICA, MISSISSIPPI
ADDITIONAL AUDITORS' REPORTS
YEAR ENDED SEPTEMBER 30, 2011



EUBANK BETTS

Eubank, Betts, Hirn, Wood, PLLC

A Professional Limited Liability Company
CERTIFIED PUBLIC ACCOUNTANTS

American Institute of
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Mississippi Society of
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Utica, Mississippi as of and for the year ended September 30, 2011, which collectively comprise the Town of Utica, Mississippi's basic financial statements and have issued our report thereon dated January 16, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Utica, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Utica, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Utica, Mississippi's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider 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 on 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 responses to be material weaknesses. Finding 11-01.

A significant deficiency is a deficiency, or a combination 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 accompanying schedule of findings and responses to be significant deficiencies. Finding 11-02.

Compliance and Other Matters

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

The Town of Utica, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town of Utica, Mississippi's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Aldermen, and others within the entity, and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


EUBANK, BETTS, HIRN, WOOD, PLLC

Jackson, Mississippi
January 16, 2012

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

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

We have audited the accompanying financial statements of the Town of Utica, Mississippi as of and for the year ended September 30, 2011, and have issued our report thereon dated January 16, 2012. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations. The prior year findings have been corrected.

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

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


EUBANK, BETTS, HIRN, WOOD, PLLC

January 16, 2012

TOWN OF UTICA, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2011

Section 1 : Summary of Auditors' Results

Financial Statements:

- | | |
|---|--------------------|
| (1) Type of auditors' report issued on the statements: | <u>Unqualified</u> |
| (2) Internal Control over financial reporting: | |
| (a) Material weakness(es) identified? | <u>Yes</u> |
| (b) Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>Yes</u> |
| (3) Noncompliance material to the primary government financial statements: | <u>No</u> |

Section 2 : Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Material Weakness in Internal Control

11-01 Finding

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

Cause: The Town lacks the accounting expertise to record all the required adjustments for the financial statements to be in accordance with generally accepted accounting principles.

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

Management's response: It is not financial feasible for the Town to hire personnel to ensure that the financial statements contain all the required adjustments.

Significant Deficiencies in Internal Control

11-02 Finding

Condition: Lack of segregation of duties. The Town office personnel opened mail, recorded checks, billed utilities, made deposits, and reconciled bank accounts. This condition causes a lack of separation of duties for handling cash receipts, billings and accounts receivable.

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

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

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

TOWN OF UTICA, MISSISSIPPI
STATISTICAL SECTION
YEAR ENDED SEPTEMBER 30, 2011

Town of Utica, Mississippi
Schedule of Revenues by Source and Expenditures by Function
General Fund
Year Ended September 30, 2011

	<u>Total</u>	<u>Percentage</u>
Revenues by source:		
Property taxes	\$ 69,795	7.25%
Sales taxes	146,709	15.24%
Licenses and permits	5,521	0.57%
Fines and forfeits	84,881	8.82%
Utility franchise fees	12,656	1.32%
Public works	60,893	6.33%
Intergovernmental revenues	8,737	0.91%
Federal aid	427,810	44.45%
Miscellaneous	26,545	2.76%
Interest	216	0.02%
Transfers	<u>118,599</u>	<u>12.33%</u>
Total revenues by source	<u>\$ 962,362</u>	<u>100.00%</u>
Expenditures by function:		
General government	\$ 101,592	9.79%
Public safety:		
Police	380,547	36.69%
Public works	98,453	9.49%
Cemetery	10,300	0.99%
Grant expenditures	<u>446,332</u>	<u>43.04%</u>
Total expenditures by function	<u>\$ 1,037,224</u>	<u>100.00%</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF UTICA, MISSISSIPPI
Schedule Reconciling Original Ad Valorem Tax Rolls
To Fund Collections on 2010 Ad Valorem Taxes
For the Year Ended September 30, 2011

	<u>Assessed Value</u>	<u>Tax</u>
<u>Assessments:</u>		
City tax:		
Realty	\$2,034,432	
Personal - other than auto	341,315	
Utilities	<u>397,117</u>	
Total city at 20 mills	<u>\$2,772,864</u>	\$ 55,457
Add:		
Over 65 homestead reimbursement		5,194
Interest, penalties and other		-
Deduct:		
Over 65 homestead allowed		<u>(4,284)</u>
<u>Total assessments</u>		56,367
<u>Credits:</u>		
Collections allocated to:		
General Fund		<u>55,321</u>
<u>Balance</u>		<u>\$ 1,046</u>
<u>Balance represented by:</u>		
Unpaid personal - current		\$ 1,046
Less: allowance for doubtful accounts		<u>500</u>
Taxes receivable, less allowance for doubtful accounts		<u>\$ 546</u>

TOWN OF UTICA, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2011

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