

TOWN OF UTICA, MISSISSIPPI
ANNUAL REPORT
YEAR ENDED SEPTEMBER 30, 2012

Town of Utica, Mississippi
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Year Ended September 30, 2012

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TOWN OF UTICA, MISSISSIPPI
INTRODUCTORY SECTION
YEAR ENDED SEPTEMBER 30, 2012

**TOWN OF UTICA, MISSISSIPPI
LIST OF ELECTED AND APPOINTED OFFICIALS
AS OF SEPTEMBER 30, 2012**

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, 2012

American Institute of
Certified Public Accountants

Mississippi Society of
Certified Public Accountants

An Independent Member of
CPA Associates International, Inc.,
A Worldwide Association of Accounting Firms



EUBANK BETTS

Eubank, Betts, Hirn, Wood, PLLC

A Professional Limited Liability Company
CERTIFIED PUBLIC ACCOUNTANTS

3820 I-55 North, Suite 100
Jackson, MS 39211

Post Office Box 16090
Jackson, MS 39236-6090

Phone: 601-987-4300
Fax: 601-987-4314

www.eubankbetts.com

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, 2012, 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.

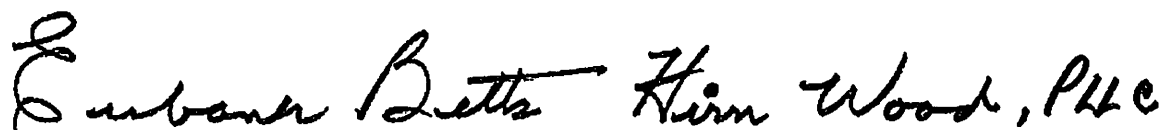
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2012, and the respective changes in financial position, and where applicable, cash flows 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 December 20, 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 that 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
December 20, 2012

**Town of Utica, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2012
Unaudited**

The discussion and Analysis of the Town of Utica, Mississippi financial performance provides an overall review of the Town's financial activities for the year ended September 30, 2012. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

Key financial highlights for 2012 were as follows:

Total net assets decreased \$8,361 or 0.37% from 2011.

Total assets decreased \$52,464 or 1.76% from 2011.

Total liabilities decreased \$44,103 or 6.09% from 2011.

In total, equity in pooled cash and cash equivalents decreased \$27,493 or 4.95% from 2011.

Overall, the book value of capital assets decreased \$29,730 from 2011.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Town of Utica, Mississippi as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole Town, presenting both an aggregate view of the Town's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remains for future spending.

Reporting the Town of Utica, Mississippi as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the Town to provide services to our citizens, the view of the Town as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Town's net assets and the changes in those assets. This change in assets is important because it tells the reader whether, for the Town as a whole, the financial position of the Town has improved or diminished. However, in evaluating the overall position of the Town, non-financial information such as changes in the Town's tax base and the condition of Town capital assets will also need to be evaluated.

Reporting the Town of Utica, Mississippi's Most Significant Funds

Fund Financial Statements

The analysis of the Town's major funds begins on page 9. Fund financial reports provide detailed information about the Town's major funds. Based on restrictions on the use of monies, the Town has established funds, which account for the services provided to the Town's residents. In the cash of the Town of Utica, Mississippi, the Town's funds are the General, Waterworks and Gas.

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 of Utica, Mississippi as a Whole

Recall that the Statement of Net Assets looks at the Town as a whole. Table 1 provides a summary of the Town's net assets for 2012 compared to 2011.

(Table 1)
Town of Utica's Net Assets

	2012	2011
Current and other assets	\$ 1,192,793	\$ 1,215,527
Capital assets	1,735,119	1,764,849
Total assets	<u>2,927,912</u>	<u>2,980,376</u>
Long-term liabilities outstanding	41,255	60,788
Other Liabilities	638,538	663,108
Total liabilities	<u>679,793</u>	<u>723,896</u>
Net assets		
Invested in capital assets, net of related debt	1,674,331	1,685,224
Restricted assets	7	7
Unrestricted (deficit)	573,781	571,249
Total net assets	<u>\$ 2,248,119</u>	<u>\$ 2,256,480</u>

Total assets decreased approximately \$52,000. The decrease in cash of approximately \$27,000 was due to federal aid, received by the governmental fund in 2011, not being disbursed until 2012. The decrease in capital assets of approximately \$30,000 was from purchases by the governmental fund and depreciation expense for the proprietary funds.

Total liabilities decreased approximately \$44,000. Approximately \$19,000 of the capital lease was paid by the governmental fund. Also, accounts payable decreased for the governmental funds after paying grant expenditures in 2012 reported on the 2011 financial statements.

Table 2 shows the changes in net assets for both 2012 and 2011.

(Table 2)
Town of Utica's Change in Net Assets

	2012	2011
Revenues:		
Property taxes	\$ 70,018	\$ 69,795
Fines and forfeitures	87,329	84,881
State aid	140,466	146,709
Federal aid	22,190	427,810
Charges for services	613,596	718,615
Other	49,373	54,356
	982,972	1,502,166
Expenses:		
General government	104,215	101,592
Public safety - Police	324,070	380,547
Public works	86,818	98,453
Cost of services	484,993	453,026
Grant expenditures	7,119	446,332
Other	12,269	10,300
	1,019,484	1,490,250
 Change in net assets	 \$ (36,512)	 \$ 11,916

Governmental Activities

Of the change in net assets above, the Town's governmental activities change was \$89,585, from a decrease in net assets of \$74,862 in 2011 to an increase in net assets of \$14,723 for 2012. The most significant change in revenues for 2011 to 2012 was a decrease in federal aid received of \$405,620. Expenses related to the pay out of grant funds decreased \$439,213 from 2011 to 2012. In addition, expenses related to the police decreased \$56,447.

Proprietary Activities

Revenues of the Town's business-type activities amounted to \$552,328 for 2012, \$657,722 for 2011, while operating expenses totaled \$484,993 and \$453,026, respectively. Gas fund revenue decreased \$87,331 due to replacement of a meter at a major customer. Repair and maintenance expense for the waterworks fund increased \$30,028.

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 Town's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The budget was amended to adjust the appropriations of revenues and expenditures. Revenues for the original budget were increased \$57,056 mainly for additional revenues from federal grants and fine and forfeits. Expenditures were increased \$69,080 for grant expenditures and operating expenses for the police.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2012, the Town of Utica's investment in capital assets for its governmental and proprietary activities was \$1,735,119 (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.

Table 3 provides a summary of the capital assets held by the governmental and proprietary funds at September 30, 2012 and 2011.

**(Table 3)
Town of Utica's Capital Assets**

	2012	2011
Land	\$ 100,255	\$ 100,255
Building	155,048	155,048
Infrastructure	233,355	233,355
Machinery and equipment	584,195	543,005
Waterworks and sewerage system	2,779,590	2,779,590
Natural gas system	320,408	320,408
Total capital assets	4,172,851	4,131,661
Accumulated depreciation	(2,437,732)	(2,366,812)
Net capital assets	\$ 1,735,119	\$ 1,764,849

Debt Administration

At year-end, the Town owed Hancock Bank for a lease obligation for police cars. Debt for this obligation was \$60,788, with a current portion of \$19,533.

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, 2012

	<u>Governmental</u> Activities	<u>Business-type</u> Activities	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 136,275	\$ 391,190	\$ 527,465 ✓
Advances to other funds	-	495,985	495,985 ✗
Accounts receivable, net:			
Customers	-	39,698	39,698
Property taxes	884	-	884
Sales tax allocation	12,076	-	12,076
Municipal fire rebate	4,273	-	4,273
Utility franchise fee	3,477	-	3,477
Public works	6,737	-	6,737
Interest receivable	7	56	63
Prepaid expenses	4,852	502	5,354
Restricted cash and investments	7	96,774	96,781
Capital assets:			
Land	71,105	29,150	100,255
Other capital assets, net of accumulated depreciation	797,730	837,134	1,634,864
Total assets	<u>1,037,423</u>	<u>1,890,489</u>	<u>2,927,912</u> ✓
Liabilities:			
Current liabilities:			
Current portion of capital lease	19,533	-	19,533
Advances from other funds	338,545	157,440	495,985
Accounts payable	15,902	18,843	34,745
Accrued expenses	14,720	7,692	22,412
Customer deposits	-	64,554	64,554
Unredeemed bonds and interest	-	1,309	1,309
Total current liabilities	<u>388,700</u>	<u>249,838</u>	<u>638,538</u>
Non current liabilities:			
Lease payable, less current portion	<u>41,255</u>	<u>-</u>	<u>41,255</u> ✓
Total liabilities	<u>429,955</u>	<u>249,838</u>	<u>679,793</u>
Net Assets:			
Invested in capital assets, net of related debt	808,047	866,284	1,674,331
Restricted for public safety	7	-	7
Unrestricted (deficit)	<u>(200,586)</u>	<u>774,367</u>	<u>573,781</u>
Total net assets	<u>\$ 607,468</u>	<u>\$ 1,640,651</u>	<u>\$ 2,248,119</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, 2012

Functions/Programs	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets		
				Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 104,215	\$ -	\$ -	\$ (104,215)	\$ -	\$ (104,215)
Public safety:						
Police	324,070	-	-	(324,070)	-	(324,070)
Public works	86,818	61,268	-	(25,550)	-	(25,550)
Cemetery	9,690	-	-	(9,690)	-	(9,690)
Grant expenditures	7,119	-	-	(7,119)	-	(7,119)
Debt service	2,579	-	-	(2,579)	-	(2,579)
Total governmental activities	<u>534,491</u>	<u>61,268</u>	<u>-</u>	<u>(473,223)</u>	<u>-</u>	<u>(473,223)</u>
Business-type activities:						
Waterworks	275,524	253,945	-	-	(21,579)	(21,579)
Gas	209,469	298,383	-	-	88,914	88,914
Total business-type activities	<u>484,993</u>	<u>552,328</u>	<u>-</u>	<u>-</u>	<u>67,335</u>	<u>67,335</u>
Total	<u>\$ 1,019,484</u>	<u>\$ 613,596</u>	<u>\$ -</u>	<u>(473,223)</u>	<u>67,335</u>	<u>(405,888)</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, 2012

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
General revenues:			
Property taxes levied for:			
General purposes	70,018	-	70,018
State aid not restricted to specific purposes	140,466	-	140,466
Licenses and permits	3,570	-	3,570
Fines and forfeits	87,329	-	87,329
Utility franchise fees	11,568	-	11,568
Intergovernmental revenues	12,388	-	12,388
Federal aid	22,190	-	22,190
Miscellaneous	15,222	-	15,222
Interest income	195	619	814
Gain on disposal of asset	-	5,811	5,811
Transfers	125,000	(125,000)	-
Total general revenues, interest income and transfers	487,946	(118,570)	369,376
Change in net assets	14,723	(51,235)	(36,512)
Net assets - beginning	592,745	1,691,886	2,284,631
Net assets - ending	\$ 607,468	\$ 1,640,651	\$ 2,248,119

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

Town of Utica, Mississippi
Balance Sheet
Governmental Fund
September 30, 2012

	General Fund
Assets:	
Cash and cash equivalents	\$ 136,275
Accounts receivable, net:	
Property taxes	884
Sales tax allocation	12,076
Municipal fire rebate	4,273
Utility franchise fee	3,477
Sanitation fees	6,737
Interest receivable	7
Prepaid expenses	4,852
Total assets	\$ 168,581
 Liabilities and fund balances:	
Liabilities:	
Accounts payable	\$ 15,902
Accrued salaries	14,720
Advances to other funds	338,545
Total liabilities	369,167
Fund balances (deficit):	
Unrestricted	(200,586)
Total fund balances (deficit)	(200,586)
Total liabilities and fund balances	\$ 168,581

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, 2012

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

Total fund balance - governmental funds	\$ (200,586)
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	868,835
Obligations under capital leases are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(60,788)</u>
Total net assets - governmental activities	<u>\$ 607,468</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, 2012

	General Fund
Revenues:	
Property taxes	\$ 70,018
Sales taxes	140,466
Licenses and permits	3,570
Fines and forfeits	87,329
Utility franchise fees	11,568
Public works	61,268
Intergovernmental revenues	12,388
Federal aid	22,190
Miscellaneous	15,222
Total revenues	424,019
Expenditures:	
General government	104,215
Public safety:	
Police	324,070
Public works	86,818
Cemetery	9,690
Grant expenditures	7,119
Debt service	2,579
Total expenditures	534,491
Deficiency of revenues under expenditures	(110,472)
Other financing sources:	
Interest income	195
Transfers	125,000
Total other financing sources	125,195
Net change in fund balances	14,723
Fund balances - beginning	592,745
Fund balances - ending	\$ 607,468

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, 2012

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

Net change in fund balances-total governmental funds	\$ 14,723
None	<u> -</u>
Change in net assets of governmental activities	<u>\$ 14,723</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, 2012

	<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	\$ (44,500)	\$ (47,612)	\$ (46,991)	\$ (621)
Automobile	(12,000)	(14,000)	(14,100)	100
Bad debts	(400)	(275)	(390)	115
Utilities	(8,600)	(8,537)	(8,537)	-
Total property taxes	<u>(65,500)</u>	<u>(70,424)</u>	<u>(70,018)</u>	<u>(406)</u>
Sales taxes	(142,500)	(142,593)	(140,466)	(2,127)
Licenses and permits	(2,000)	(2,927)	(3,570)	643
Fines and forfeits	(70,000)	(89,000)	(87,329)	(1,671)
Utility franchise fees	(12,000)	(13,000)	(11,568)	(1,432)
Public works	(61,000)	(64,000)	(61,268)	(2,732)
Intergovernmental revenues				
Fire Protection rebate	(4,138)	(3,451)	(7,724)	4,273
Grand Gulf tax	(4,500)	(4,664)	(4,664)	-
Total intergovernmental revenues	<u>(8,638)</u>	<u>(8,115)</u>	<u>(12,388)</u>	<u>4,273</u>
Federal aid	-	(22,190)	(22,190)	-
Miscellaneous	(5,700)	(12,145)	(15,222)	3,077
Total revenues	<u>(367,338)</u>	<u>(424,394)</u>	<u>(424,019)</u>	<u>(375)</u>
Expenditures:				
Current:				
General government				
Salaries	43,740	43,740	43,663	77
Employee benefits	11,058	10,921	10,017	904
Office supplies	17,950	18,285	16,715	1,570
Operating supplies	2,450	1,400	1,359	41
Repairs and maintenance	5,900	5,500	6,399	(899)
Utilities	3,000	2,000	1,634	366
Insurance	5,825	3,975	10,379	(6,404)
Professional services	13,500	13,685	13,582	103
Bad debts	-	-	467	(467)
Total general government	<u>103,423</u>	<u>99,506</u>	<u>104,215</u>	<u>(4,709)</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, 2012

	<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	150,000	167,585	166,216	1,369
Employee benefits	30,475	25,832	28,867	(3,035)
Training	1,800	1,225	1,095	130
Operating supplies	11,000	55,822	31,932	23,890
Uniforms	1,000	1,000	723	277
Repairs and maintenance	500	-	-	-
Vehicle expense	51,500	36,119	38,879	(2,760)
Utilities	2,500	2,500	2,060	440
Insurance	3,000	2,318	1,572	746
Professional services	13,500	18,200	18,177	23
Fees on fines	31,000	35,000	34,549	451
Total public safety: Police	<u>296,275</u>	<u>345,601</u>	<u>324,070</u>	<u>21,531</u>
Public works				
Repairs and maintenance	2,500	2,500	-	2,500
Utilities	33,500	30,500	29,662	838
Sanitation	60,000	62,380	57,156	5,224
Total public works	<u>96,000</u>	<u>95,380</u>	<u>86,818</u>	<u>8,562</u>
Cemetery	11,850	10,500	9,690	810
Grant expenditures	-	25,641	7,119	18,522
Debt service	-	-	2,579	(2,579)
Total expenditures before other financing sources (uses)	<u>507,548</u>	<u>576,628</u>	<u>534,491</u>	<u>42,137</u>
Other financing uses:				
Interest income	-	(1)	(195)	194
Transfer in	(119,865)	(152,233)	(125,000)	(27,233)
Total other financing uses	<u>(119,865)</u>	<u>(152,234)</u>	<u>(125,195)</u>	<u>(27,039)</u>
Total other expenditures	<u>387,683</u>	<u>424,394</u>	<u>409,296</u>	<u>15,098</u>
Net change in fund balances	(20,345)	-	14,723	(14,723)
Fund balances - beginning	<u>592,745</u>	<u>592,745</u>	<u>592,745</u>	<u>-</u>
Fund balances - ending	<u>\$ 572,400</u>	<u>\$ 592,745</u>	<u>\$ 607,468</u>	<u>\$ (14,723)</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, 2012

	<u>Waterworks Fund 2012</u>	<u>Gas Fund 2012</u>	<u>Total Enterprise Funds 2012</u>
Assets:			
Cash and cash equivalents	\$ 110,333	\$ 280,857	\$ 391,190
Advances to other funds	-	495,985	495,985
Accounts receivable	26,650	13,048	39,698
Interest receivable	21	35	56
Prepaid expenses	251	251	502
Total current assets	<u>137,255</u>	<u>790,176</u>	<u>927,431</u>
Restricted assets:			
Cash and investments	<u>39,042</u>	<u>57,732</u>	<u>96,774</u>
Total restricted assets	<u>39,042</u>	<u>57,732</u>	<u>96,774</u>
Non-current assets:			
Capital assets:			
Land	29,150	-	29,150
Utility system	2,779,590	320,408	3,099,998
Machinery and equipment	100,034	74,834	174,868
Less accumulated depreciation	<u>(2,083,279)</u>	<u>(354,453)</u>	<u>(2,437,732)</u>
Total non-current assets	<u>825,495</u>	<u>40,789</u>	<u>866,284</u>
Total assets	<u>1,001,792</u>	<u>888,697</u>	<u>1,890,489</u>
Liabilities:			
Current liabilities:			
Advances from other funds	157,440	-	157,440
Accounts payable	10,574	8,269	18,843
Accrued expenses	3,846	3,846	7,692
Customer deposits	26,185	38,369	64,554
Unredeemed bonds and interest	-	1,309	1,309
Total current liabilities	<u>198,045</u>	<u>51,793</u>	<u>249,838</u>
Total liabilities	<u>198,045</u>	<u>51,793</u>	<u>249,838</u>
Net assets:			
Invested in capital assets, net of related debt	825,495	40,789	866,284
Unrestricted	<u>(21,748)</u>	<u>796,115</u>	<u>774,367</u>
Total net assets	<u>\$ 803,747</u>	<u>\$ 836,904</u>	<u>\$ 1,640,651</u>

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, 2012

	Waterworks Fund <u>2012</u>	Gas Fund <u>2012</u>	Total Enterprise Funds <u>2012</u>
Operating revenues:			
Charges for services	\$ 248,896	\$ 298,383	\$ 547,279
Insurance reimbursement	<u>5,049</u>	<u>-</u>	<u>5,049</u>
	<u>253,945</u>	<u>298,383</u>	<u>552,328</u>
Operating expenses:			
Personnel services	67,341	68,010	135,351
Materials and supplies	36,133	11,828	47,961
Chemicals	2,126	-	2,126
Electricity	11,361	505	11,866
Natural gas costs	-	75,122	75,122
Fuel	8,805	9,048	17,853
Contractual services	23,201	10,365	33,566
Repairs and maintenance	40,726	15,976	56,702
Insurance	681	681	1,362
Professional services	5,098	7,475	12,573
Personnel training	275	885	1,160
Depreciation	75,943	8,417	84,360
Bad debts expense	3,775	1,098	4,873
Interest expense	<u>59</u>	<u>59</u>	<u>118</u>
Total operating expenses	<u>275,524</u>	<u>209,469</u>	<u>484,993</u>
Operating income	<u>(21,579)</u>	<u>88,914</u>	<u>67,335</u>
Nonoperating income:			
Earnings on investments	105	514	619
Gain on disposal of asset	<u>5,811</u>	<u>-</u>	<u>5,811</u>
Total nonoperating income	<u>5,916</u>	<u>514</u>	<u>6,430</u>
Income before transfers	(15,663)	89,428	73,765
Transfer out	<u>(40,000)</u>	<u>(85,000)</u>	<u>(125,000)</u>
Change in net assets	<u>(55,663)</u>	<u>4,428</u>	<u>(51,235)</u>
Total net assets - beginning	<u>859,410</u>	<u>832,476</u>	<u>1,691,886</u>
Total net assets - ending	<u>\$ 803,747</u>	<u>\$ 836,904</u>	<u>\$ 1,640,651</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, 2012

	Governmental Activities - Enterprise		
	Funds		
	Waterworks Fund	Gas Fund	Total Enterprise Funds
	2012	2012	2012
Cash flows from operating activities:			
Cash received for utility services	\$ 244,211	\$ 299,856	\$ 544,067
Cash received for insurance claim	5,049	-	5,049
Payments for personnel services	(71,951)	(73,447)	(145,398)
Purchase of materials and supplies	(32,207)	(8,791)	(40,998)
Purchase of chemicals	(2,126)	-	(2,126)
Payments for electricity	(12,150)	(508)	(12,658)
Purchase of natural gas	-	(73,517)	(73,517)
Purchase of fuel	(8,953)	(9,162)	(18,115)
Payments for contractual services	(22,876)	(10,543)	(33,419)
Payments for repairs and maintenance	(41,543)	(16,406)	(57,949)
Insurance premiums paid	(694)	(694)	(1,388)
Payments for professional services	(5,098)	(5,544)	(10,642)
Payments for interest	(59)	(59)	(118)
Payments to other funds	(40,000)	(85,000)	(125,000)
Net cash provided by operating activities	<u>11,603</u>	<u>16,185</u>	<u>27,788</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(9,583)</u>	<u>(1,566)</u>	<u>(11,149)</u>
Cash flows from capital financing activities:			
Borrowings on notes	11,900	11,900	23,800
Principal payments on notes	<u>(11,900)</u>	<u>(11,900)</u>	<u>(23,800)</u>
Net cash provided by capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment	(13,238)	(13,238)	(26,476)
Gain on disposal of property, plant and equipment	5,811	-	5,811
Interest received	116	534	650
Net cash used for investing activities	<u>(7,311)</u>	<u>(12,704)</u>	<u>(20,015)</u>
Net increase in cash and cash equivalents	(5,291)	1,915	(3,376)
Cash and cash equivalents - beginning	<u>154,666</u>	<u>336,674</u>	<u>491,340</u>
Cash and cash equivalents - ending	<u>\$ 149,375</u>	<u>\$ 338,589</u>	<u>\$ 487,964</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, 2012

	Governmental Activities - Enterprise Funds		
	Waterworks Fund	Gas Fund	Total Enterprise Funds
	2012	2012	2012
Cash as presented on the statement of net assets:			
Cash and investments - unrestricted	\$ 110,333	\$ 280,857	\$ 391,190
Cash and investments - restricted	39,042	57,732	96,774
	<u>\$ 149,375</u>	<u>\$ 338,589</u>	<u>\$ 487,964</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (21,579)	\$ 88,914	\$ 67,335
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	75,943	8,417	84,360
Provision for bad debts	3,775	1,098	4,873
Accounts receivable	(4,442)	1,879	(2,563)
Prepaid expenses	(13)	(13)	(26)
Accounts payable	(941)	2,077	1,136
Accrued expenses	(1,187)	(1,187)	(2,374)
Customer deposits	47	-	47
Payments to other funds	(40,000)	(85,000)	(125,000)
Total adjustments	<u>33,182</u>	<u>(72,729)</u>	<u>(39,547)</u>
Net cash provided by operating activities	<u>\$ 11,603</u>	<u>\$ 16,185</u>	<u>\$ 27,788</u>

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

TOWN OF UTICA, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

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.

Fund financial statements:

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

TOWN OF UTICA, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

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

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 charges 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.

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.

TOWN OF UTICA, MISSISSIPPI

Notes to Financial Statements

September 30, 2012

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

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.

Included in cash and cash equivalents are twenty four month certificates of deposit totaling \$95,465 that are considered to be long-term investments.

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.

Prepaid expenses

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

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

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

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	5-50
Mobile equipment	5-10
Furniture, machinery, and equipment	5-10

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.

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.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

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

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.

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.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

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

Advances to/from other funds:

Noncurrent portions of long-term interfund loans receivable / payable (reported in "advances to" and "advances from" accounts) are equally offset in governmental fund types by a fund balance reserve account which indicates that they do not constitute "available resources" since they are not a component of net current assets / liabilities. Current portions of long-term interfund loans receivable / payable (reported in "advances to" and "advances from" accounts) are considered "available 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, 2012, are entirely insured or collateralized with securities held by the Town or by its agent in the Town's name.

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	\$ 136,275	\$ 136,275	\$ 136,275

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

Note 2 – Deposits (Continued):

	<u>Category 1</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
<i>Business-type activities</i>			
Major Funds:			
Waterworks and Sewerage Fund	110,333	110,333	110,333
Natural Gas Fund	<u>280,857</u>	<u>280,857</u>	<u>280,857</u>
 Total Deposits	 <u>\$ 527,465</u>	 <u>\$ 527,465</u>	 <u>\$ 527,465</u>

Cash restricted for specified purposes at September 30, 2012, is comprised of the following:

Governmental activities:	
Street Grant	\$ 7
Business-type activities:	
Customer deposits	95,465
Unredeemed bonds and interest	<u>1,309</u>
	<u>\$ 96,781</u>

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>	<u>Total</u>
Total accounts receivable, gross	\$ 28,650	\$ 15,048	\$ 43,698
Less: allowance for uncollectible accounts	<u>(2,000)</u>	<u>(2,000)</u>	<u>(4,000)</u>
Net accounts receivable	<u>\$ 26,650</u>	<u>\$ 13,048</u>	<u>\$ 39,698</u>
Uncollectible amounts charged to operations	<u>\$ 3,775</u>	<u>\$ 1,098</u>	<u>\$ 4,873</u>

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

Note 3 - Receivables, uncollectible accounts, and deferred revenue (Continued):

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.

Note 4 – Capital assets:

Capital asset activity for the year ended September 30, 2012 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	381,173	28,154	-	409,327
Total capital assets, not being depreciated	<u>840,681</u>	<u>28,154</u>	<u>-</u>	<u>868,835</u>
Governmental activities capital assets	<u>\$ 840,681</u>	<u>\$ 28,154</u>	<u>\$ -</u>	<u>\$ 868,835</u>
Business-type activities:				
Capital assets, not being depreciated				
Land-Waterworks System	\$ 29,150	\$ -	\$ -	\$ 29,150
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	100,236	13,238	(13,440)	100,034
Machinery and equipment-Gas System	61,596	13,238	-	74,834
Total capital assets, being depreciated	<u>3,261,830</u>	<u>26,476</u>	<u>(13,440)</u>	<u>3,274,866</u>

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

Note 4 – Capital assets (Continued):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accumulated depreciation for:				
Waterworks System	(2,020,776)	(75,943)	13,440	(2,083,279)
Gas System	<u>(346,036)</u>	<u>(8,417)</u>	-	<u>(354,453)</u>
Total accumulated depreciation	<u>(2,366,812)</u>	<u>(84,360)</u>	<u>13,440</u>	<u>(2,437,732)</u>
Total capital assets, being depreciated, net	<u>895,018</u>	<u>(57,884)</u>	-	<u>837,134</u>
Business-type activities capital assets, net	<u>\$ 924,168</u>	<u>\$(57,884)</u>	<u>\$ -</u>	<u>\$ 866,284</u>

Depreciation expense recorded in proprietary funds for the year ended September 30, 2012 was as follows:

Waterworks System	\$ 75,943
Gas System	<u>8,417</u>
	<u>\$ 84,360</u>

Note 5 - Interfund balances:

Generally, outstanding balances between funds reported as “advances 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, 2012, consist of the following:

<u>Fund</u>	<u>Advances From Other Funds</u>	<u>Advances To Other Funds</u>
General	\$ -	\$ 338,545
Gas System	495,985	-
Waterworks System	<u>-</u>	<u>157,440</u>
	<u>\$ 495,985</u>	<u>\$ 495,985</u>

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

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
-----------	----------

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, 2012:

Year ending September 30:	
2013	\$ 19,533
2014	20,254
2015	21,001
2016	-
2017	-
Total minimum lease payments	60,788
Less: Amount representing interest	(3,462)
Present value of net minimum lease payments	\$ 57,326

Interest expense for the year ended September 30, 2012, was \$2,579.

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 assist with the cost of sewer system improvements.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2012

Note 7 - Contributed capital (Continued):

The following is a summary of total contributed capital at September 30, 2012:

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

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, 2012, the approximate percentage of total revenues from these funding sources is as follows:

State government	34.23%
County government	16.51%

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, 2012, transfers among funds were utilized to provide cash flow for the Town’s operating budget, as follows:

WWSF Fund	NGUF Fund	General Fund	Totals
\$ (40,000)	\$ (85,000)	\$ 125,000	\$ -

Note 11 – Subsequent events:

Subsequent events have been evaluated through December 20, 2012, which is the date the financial statements were available to be issued.

TOWN OF UTICA, MISSISSIPPI
ADDITIONAL AUDITORS' REPORTS
YEAR ENDED SEPTEMBER 30, 2012



American Institute of
Certified Public Accountants

Mississippi Society of
Certified Public Accountants

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EUBANK BETTS

Eubank, Betts, Hirn, Wood, PLLC

A Professional Limited Liability Company
CERTIFIED PUBLIC ACCOUNTANTS

3820 I-55 North, Suite 100
Jackson, MS 39211

Post Office Box 16090
Jackson, MS 39236-6090

Phone: 601-987-4300
Fax: 601-987-4314

www.eubankbetts.com

**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**

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, 2012, which collectively comprise the Town of Utica, Mississippi's basic financial statements and have issued our report thereon dated December 20, 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

Management of the Town of Utica, Mississippi, is responsible for establishing and maintaining effective 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. 12-01.

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 accompanying schedule of findings and responses to be significant deficiencies. 12-02.

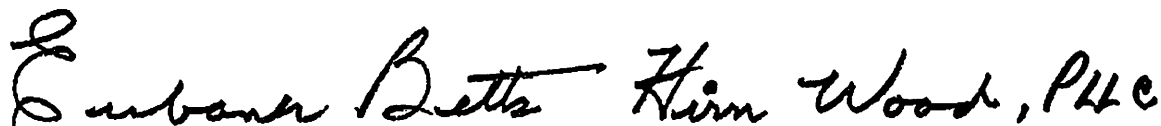
Compliance and Other Matters

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*.

We noted certain other matters that we reported to management of the Town of Utica, Mississippi in a separate letter dated December 20, 2012.

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.

A handwritten signature in black ink that reads "Eubank Betts Hirn Wood, PLLC". The signature is written in a cursive, flowing style.

EUBANK BETTS HIRN WOOD, PLLC

Jackson, Mississippi
December 20, 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, 2012, and have issued our report thereon dated December 20, 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.

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

EUBANK BETTS HIRN WOOD, PLLC

December 20, 2012

TOWN OF UTICA, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2012

Section 1 : Summary of Auditors' Results

Financial Statements:

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

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

12-01 Finding (Repeat of 11-01 Finding from Prior Year)

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

12-02 Finding (Repeat of 11-02 Finding from Prior Year)

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, 2012

Town of Utica, Mississippi
Schedule of Revenues by Source and Expenditures by Function
General Fund
Year Ended September 30, 2012

	<u>Total</u>	<u>Percentage</u>	
Revenues by source:			
Property taxes	\$ 70,018	12.75	%
Sales taxes	140,466	25.58	
Licenses and permits	3,570	0.65	
Fines and forfeits	87,329	15.90	
Utility franchise fees	11,568	2.11	
Public works	61,268	11.16	
Intergovernmental revenues	12,388	2.26	
Federal aid	22,190	4.04	
Miscellaneous	15,222	2.77	
Interest	195	0.04	
Transfers	<u>125,000</u>	<u>22.74</u>	
Total revenues by source	<u>\$ 549,214</u>	<u>100.00</u>	%
Expenditures by function:			
General government	\$ 104,215	19.50	%
Public safety:			
Police	324,070	60.63	
Public works	86,818	16.24	
Cemetery	9,690	1.81	
Grant expenditures	7,119	1.33	
Debt service	<u>2,579</u>	<u>0.49</u>	
Total expenditures by function	<u>\$ 534,491</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 2011 Ad Valorem Taxes
 For the Year Ended September 30, 2012

	<u>Assessed Value</u>	<u>Tax</u>
<u>Assessments:</u>		
City tax:		
Realty	\$2,000,998	
Personal - other than auto	327,382	
Utilities	<u>394,763</u>	
Total city at 21 mills	<u>\$2,723,143</u>	\$ 57,186
Add:		
Over 65 homestead reimbursement		5,880
Interest, penalties and other		-
Deduct:		
Over 65 homestead allowed		<u>(6,685)</u>
<u>Total assessments</u>		56,381
<u>Credits:</u>		
Collections allocated to:		
General Fund		<u>54,997</u>
<u>Balance</u>		<u>\$ 1,384</u>
<u>Balance represented by:</u>		
Unpaid personal - current		\$ 1,384
Less: allowance for doubtful accounts		<u>500</u>
Taxes receivable, less allowance for doubtful accounts		<u>\$ 884</u>

TOWN OF UTICA, MISSISSIPPI
 Schedule of Surety Bonds for Municipal Officials
 September 30, 2012

<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