

TOWN OF UTICA, MISSISSIPPI
ANNUAL REPORT
YEAR ENDED SEPTEMBER 30, 2013

Town of Utica, Mississippi
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For the Year Ended September 30, 2013

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TOWN OF UTICA, MISSISSIPPI
INTRODUCTORY SECTION
YEAR ENDED SEPTEMBER 30, 2013

**TOWN OF UTICA, MISSISSIPPI
LIST OF ELECTED AND APPOINTED OFFICIALS
AS OF SEPTEMBER 30, 2013**

Mayor - Kenneth Broome

Alderman - Ward I - Earl Mathes

Alderman - Ward II - George Walker

Alderwoman - Ward III - Lennette Watts

Alderman - Ward IV - Kenneth Frazier, Jr.

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, 2013

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



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Utica, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Utica, Mississippi, as of September 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Utica, Mississippi's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Utica, Mississippi's internal control over financial reporting and compliance.

Eubank Betts Hirn Wood, PLLC

EUBANK BETTS HIRN WOOD, PLLC

Jackson, Mississippi
December 30, 2013

**Town of Utica, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013
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, 2013. 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 2013 were as follows:

Total net assets decreased \$70,125 or 3.12% from 2012.

Total assets decreased \$79,943 or 2.73% from 2012.

Total liabilities decreased \$9,817 or 1.44% from 2012.

In total, equity in pooled cash and cash equivalents decreased \$14,127 or 2.68% from 2012.

Overall, the book value of capital assets decreased \$87,738 from 2012.

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 Town as a whole, 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 remain for future spending.

Reporting the Town of Utica, Mississippi as a Whole

Basic Financial Statements

The Management Discussion and Analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

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 2013?" 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. This basis 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 10. 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 2013 compared to 2012.

(Table 1)
Town of Utica's Net Assets

	2013	2012
Current and other assets	\$ 1,200,587	\$ 1,192,793
Capital assets	1,647,382	1,735,119
Total assets	2,847,969	2,927,912
Long-term liabilities outstanding	21,001	41,255
Other liabilities	648,974	638,538
Total liabilities	669,975	679,793
Net assets		
Invested in capital assets, net of related debt	1,606,127	1,674,331
Restricted assets	7	7
Unrestricted	571,860	573,781
Total net assets	\$ 2,177,994	\$ 2,248,119

Total assets decreased approximately \$80,000. The majority of this change is due to depreciation expense for the proprietary funds of approximately \$88,000.

Total liabilities decreased approximately \$10,000. Approximately \$20,000 of the capital lease was paid by the governmental fund. Increases in amounts due to other funds, accounts payable and accrued expenses make up the remaining change in liabilities.

Table 2 shows the changes in net assets for both 2013 and 2012.

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

	2013	2012
Revenues:		
Property taxes	\$ 71,768	\$ 70,018
Fines and forfeitures	47,625	87,329
State aid	145,787	140,466
Federal aid	-	22,190
Charges for services	636,943	613,596
Other	61,373	49,373
	963,496	982,972
Expenses:		
General government	106,792	104,215
Public safety - Police	295,840	324,070
Public safety - Fire	120	-
Public works	96,839	86,818
Cost of services	524,367	484,993
Grant expenditures	-	7,119
Other	9,564	12,269
	1,033,522	1,019,484
 Change in net assets	 \$ (70,026)	 \$ (36,512)

Governmental Activities

Of the change in net assets above, the Town's governmental activities change was \$18,512. The most significant change in revenues for 2012 to 2013 was a decrease in fines and forfeitures of \$39,704, decrease in federal aid of \$22,190 and a gain on asset disposal of \$27,500 in 2013. Expenses related to the police decreased \$28,230.

Proprietary Activities

Revenues of the Town's business-type activities amounted to \$574,724 for 2013, \$552,328 for 2012, while operating expenses totaled \$524,367 and \$484,993, respectively. Gas fund revenue increased \$39,406 and expenses increased \$32,587 due to increases in pricing. Water fund revenue decreased \$22,721 while expenses increased \$6,787. Decrease in revenue with an increase in expenses for the water fund is due to major repairs on the sewer treatment system.

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 decreased \$27,070 mainly for a decrease in the collections of fines and forfeitures. Expenditures were net decreased \$3,004 for a decrease in office supplies and cemetery expenses and increases in professional and sanitation services.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2013, the Town of Utica's investment in capital assets for its governmental and proprietary activities was \$1,647,382 (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, 2013 and 2012.

(Table 3)
Town of Utica's Capital Assets

	<u>2013</u>	<u>2012</u>
Land	\$ 100,255	\$ 100,255
Building	155,048	155,048
Infrastructure	233,355	233,355
Machinery and equipment	584,195	584,195
Waterworks and sewerage system	2,779,590	2,779,590
Natural gas system	320,408	320,408
Total capital assets	<u>4,172,851</u>	<u>4,172,851</u>
Accumulated depreciation	<u>(2,525,469)</u>	<u>(2,437,731)</u>
Net capital assets	<u>\$ 1,647,382</u>	<u>\$ 1,735,120</u>

Debt Administration

At year-end, the Town owed Hancock Bank for a lease obligation for police cars. Debt for this obligation was \$41,255, with a current portion of \$20,254.

In addition, the Town had been approved for a revolving loan (not to exceed \$391,456) from the Mississippi Development Authority for capital improvements to the water treatment system. At year-end, no funds had been drawn from the loan.

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, 2013

	Governmental	Business-type	
	Activities	Activities	Total
Assets:			
Cash and cash equivalents	\$ 146,495	\$ 366,843	\$ 513,338
Advances to other funds	-	501,531	501,531
Accounts receivable, net:			
Customers	-	36,772	36,772
Property taxes	489	-	489
Sales tax allocation	12,706	-	12,706
Utility franchise fee	4,033	-	4,033
Public works	6,859	-	6,859
Interest receivable	2	56	58
Prepaid expenses	4,933	464	5,397
Restricted cash and investments	7	96,870	96,877
Note receivable	22,527	-	22,527
Capital assets:			
Land	71,105	29,150	100,255
Other capital assets, net of accumulated depreciation	797,730	749,397	1,547,127
Total assets	<u>1,066,886</u>	<u>1,781,083</u>	<u>2,847,969</u>
Liabilities:			
Current liabilities:			
Current portion of capital lease	20,254	-	20,254
Advances from other funds	350,245	151,286	501,531
Accounts payable	18,554	17,934	36,488
Accrued expenses	16,128	8,710	24,838
Customer deposits	-	64,554	64,554
Unredeemed bonds and interest	-	1,309	1,309
Total current liabilities	<u>405,181</u>	<u>243,793</u>	<u>648,974</u>
Non current liabilities:			
Lease payable, less current portion	<u>21,001</u>	-	<u>21,001</u>
Total liabilities	<u>426,182</u>	<u>243,793</u>	<u>669,975</u>
Net Assets:			
Invested in capital assets, net of related debt	827,580	778,547	1,606,127
Restricted for public safety	7	-	7
Unrestricted (deficit)	(186,883)	758,743	571,860
Total net assets	<u>\$ 640,704</u>	<u>\$ 1,537,290</u>	<u>\$ 2,177,994</u>

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

Town of Utica, Mississippi
Statement of Activities
For the Year Ended September 30, 2013

Functions/Programs	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Assets		
			Governmental Activities	Business-Type Activities	Total
Governmental activities:					
General government	\$ 106,792	\$ -	\$ (106,792)	\$ -	\$ (106,792)
Public safety:					
Police	295,840	-	(295,840)	-	(295,840)
Fire	120	-	(120)	-	(120)
Public works	96,839	62,219	(34,620)	-	(34,620)
Cemetery	7,680	-	(7,680)	-	(7,680)
Debt service	1,884	-	(1,884)	-	(1,884)
Total governmental activities	<u>509,155</u>	<u>62,219</u>	<u>(446,936)</u>	<u>-</u>	<u>(446,936)</u>
Business-type activities:					
Waterworks	282,311	236,935	-	(45,376)	(45,376)
Gas	242,056	337,789	-	95,733	95,733
Total business-type activities	<u>524,367</u>	<u>574,724</u>	<u>-</u>	<u>50,357</u>	<u>50,357</u>
Total	<u>\$ 1,033,522</u>	<u>\$ 636,943</u>	<u>(446,936)</u>	<u>50,357</u>	<u>(396,579)</u>

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
General revenues:			
Property taxes levied for:			
General purposes	71,768	-	71,768
State aid not restricted to specific purposes	145,787	-	145,787
Licenses and permits	1,766	-	1,766
Fines and forfeits	47,625	-	47,625
Utility franchise fees	13,001	-	13,001
Intergovernmental revenues	10,002	-	10,002
Miscellaneous	8,627	-	8,627
Interest income	115	362	477
Gain on disposal of asset	27,500	-	27,500
Transfers	153,980	(153,980)	-
Total general revenues, interest income and transfers	<u>480,171</u>	<u>(153,618)</u>	<u>326,553</u>
Change in net assets	33,235	(103,261)	(70,026)
Net assets - beginning	<u>607,469</u>	<u>1,640,551</u>	<u>2,248,020</u>
Net assets - ending	<u>\$ 640,704</u>	<u>\$ 1,537,290</u>	<u>\$ 2,177,994</u>

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

Town of Utica, Mississippi
Balance Sheet
Governmental Fund
September 30, 2013

	General Fund
Assets:	
Cash and cash equivalents	\$ 146,495
Accounts receivable, net:	
Property taxes	489
Sales tax allocation	12,706
Utility franchise fee	4,033
Sanitation fees	6,859
Interest receivable	2
Prepaid expenses	4,933
Notes receivable	22,527
Total assets	<u>\$ 198,044</u>
Liabilities and fund balances:	
Liabilities:	
Accounts payable	\$ 18,554
Accrued salaries	16,128
Advances to other funds	350,245
Total liabilities	<u>384,927</u>
Fund balances (deficit):	
Unrestricted	<u>(186,883)</u>
Total fund balances (deficit)	<u>(186,883)</u>
 Total liabilities and fund balances	 <u>\$ 198,044</u>

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

Town of Utica, Mississippi
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets
September 30, 2013

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

Total fund balance - governmental funds	\$ (186,883)
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>(41,255)</u>
Total net assets - governmental activities	<u>\$ 640,704</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
For the Year Ended September 30, 2013

	General Fund
Revenues:	
Property taxes	\$ 71,768
Sales taxes	145,787
Licenses and permits	1,766
Fines and forfeits	47,625
Utility franchise fees	13,001
Public works	62,219
Intergovernmental revenues	10,002
Miscellaneous	8,627
Total revenues	360,795
Expenditures:	
General government	106,792
Public safety:	
Police	295,840
Fire protection	120
Public works	96,839
Cemetery	7,680
Debt service	1,884
Total expenditures	509,155
Deficiency of revenues under expenditures	(148,360)
Other financing sources:	
Interest income	115
Gain on asset disposal	5,001
Transfers	153,980
Total other financing sources	159,096
Net change in fund balances	10,736
Fund balances - beginning	607,469
Fund balances - ending	\$ 618,205

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 the Governmental Fund to the Statement of Activities
For the Year Ended September 30, 2013

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

Net change in fund balances-total governmental funds	\$ 10,736
In the statement of activities, the gain on the sale of the asset is reported, where as, in the governmental funds, the proceeds from the sale increase the financial resources	<u>22,499</u>
Change in net assets of governmental activities	<u>\$ 33,235</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
For the Year Ended September 30, 2013

	<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	\$ (50,780)	\$ (45,952)	\$ (48,111)	\$ 2,159
Automobile	(12,000)	(14,522)	(14,176)	(346)
Bad debts	(400)	(600)	(754)	154
Utilities	(8,339)	(8,727)	(8,727)	-
Total property taxes	<u>(71,519)</u>	<u>(69,801)</u>	<u>(71,768)</u>	<u>1,967</u>
Sales taxes	(138,500)	(145,193)	(145,787)	594
Licenses and permits	(2,000)	(1,100)	(1,766)	666
Fines and forfeits	(90,000)	(45,232)	(47,625)	2,393
Utility franchise fees	(12,000)	(13,000)	(13,001)	1
Public works	(63,000)	(63,000)	(62,219)	(781)
Intergovernmental revenues				
Fire Protection rebate	-	(4,371)	(4,370)	(1)
Emergency Management funds	-	(1,092)	(1,092)	-
Grand Gulf tax	(4,664)	(4,540)	(4,540)	-
Total intergovernmental revenues	<u>(4,664)</u>	<u>(10,003)</u>	<u>(10,002)</u>	<u>(1)</u>
Miscellaneous	(4,900)	(12,184)	(8,627)	(3,557)
Total revenues	<u>(386,583)</u>	<u>(359,513)</u>	<u>(360,795)</u>	<u>1,282</u>
Expenditures:				
Current:				
General government				
Salaries	43,740	45,015	45,115	(100)
Employee benefits	11,059	8,299	8,499	(200)
Office supplies	23,300	19,847	15,201	4,646
Operating supplies	1,950	1,250	1,295	(45)
Repairs and maintenance	5,700	6,518	6,556	(38)
Utilities	2,000	2,000	1,770	230
Insurance	6,000	1,449	10,713	(9,264)
Professional services	12,300	17,506	17,643	(137)
Total general government	<u>106,049</u>	<u>101,884</u>	<u>106,792</u>	<u>(4,908)</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
For the Year Ended September 30, 2013

	<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	170,218	172,480	(2,262)
Employee benefits	30,475	24,976	30,592	(5,616)
Training	1,200	970	970	-
Operating supplies	31,900	33,417	11,341	22,076
Uniforms	800	2,600	2,574	26
Repairs and maintenance	250	-	-	-
Vehicle expense	34,500	37,580	39,552	(1,972)
Utilities	2,500	2,225	2,195	30
Insurance	3,000	1,500	1,609	(109)
Professional services	15,700	16,700	16,651	49
Fees on fines	35,000	16,552	17,876	(1,324)
Total public safety: Police	<u>305,325</u>	<u>306,738</u>	<u>295,840</u>	<u>10,898</u>
Fire	-	-	120	(120)
Public works				
Repairs and maintenance	2,500	-	-	-
Utilities	32,000	32,830	32,790	40
Sanitation	63,000	69,386	64,049	5,337
Total public works	<u>97,500</u>	<u>102,216</u>	<u>96,839</u>	<u>5,377</u>
Cemetery	11,850	6,882	7,680	(798)
Debt service	-	-	1,884	(1,884)
Total expenditures before other financing sources (uses)	<u>520,724</u>	<u>517,720</u>	<u>509,155</u>	<u>8,565</u>
Other financing uses:				
Interest income	-	(11)	(115)	104
Gain on asset disposal	-	-	(27,500)	27,500
Transfer in	(130,285)	(153,980)	(153,980)	-
Total other financing uses	<u>(130,285)</u>	<u>(153,991)</u>	<u>(181,595)</u>	<u>27,604</u>
Total other expenditures	<u>390,439</u>	<u>363,729</u>	<u>327,560</u>	<u>36,169</u>
Net change in fund balances	(3,856)	(4,216)	33,235	(37,451)
Fund balances - beginning	<u>607,469</u>	<u>607,469</u>	<u>607,469</u>	<u>-</u>
Fund balances - ending	<u>\$ 603,613</u>	<u>\$ 603,253</u>	<u>\$ 640,704</u>	<u>\$ (37,451)</u>

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

Town of Utica, Mississippi
Statements of Net Assets
Proprietary Funds
September 30, 2013

	Waterworks Fund 2013	Gas Fund 2013	Total Enterprise Funds 2013
Assets			
Current assets:			
Cash and cash equivalents	\$ 73,433	\$ 293,410	\$ 366,843
Advances to other funds	-	501,531	501,531
Accounts receivable	25,538	11,234	36,772
Interest receivable	21	35	56
Prepaid expenses	232	232	464
Total current assets	99,224	806,442	905,666
Restricted assets:			
Cash and investments	39,081	57,789	96,870
Total restricted assets	39,081	57,789	96,870
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	(2,160,768)	(364,701)	(2,525,469)
Total non-current assets	748,006	30,541	778,547
Total assets	886,311	894,772	1,781,083
Liabilities			
Current liabilities:			
Advances from other funds	151,286	-	151,286
Accounts payable	10,108	7,826	17,934
Accrued expenses	4,355	4,355	8,710
Customer deposits	26,185	38,369	64,554
Unredeemed bonds and interest	-	1,309	1,309
Total current liabilities	191,934	51,859	243,793
Total liabilities	191,934	51,859	243,793
Net assets			
Invested in capital assets, net of related debt	748,006	30,541	778,547
Unrestricted	(53,629)	812,372	758,743
Total net assets	\$ 694,377	\$ 842,913	\$ 1,537,290

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
For the Year Ended September 30, 2013

	<u>Waterworks Fund 2013</u>	<u>Gas Fund 2013</u>	<u>Total Enterprise Funds 2013</u>
Operating revenues:			
Charges for services	\$ 236,935	\$ 337,789	\$ 574,724
Operating expenses:			
Personnel services	74,637	74,484	149,121
Materials and supplies	38,703	12,872	51,575
Chemicals	1,950	-	1,950
Electricity	12,412	336	12,748
Natural gas costs	-	110,082	110,082
Fuel	7,736	8,162	15,898
Contractual services	36,454	6,587	43,041
Repairs and maintenance	25,585	5,457	31,042
Insurance	639	639	1,278
Professional services	5,000	7,841	12,841
Personnel training	100	3,365	3,465
Depreciation	77,489	10,249	87,738
Bad debts expense	1,606	1,982	3,588
Total operating expenses	<u>282,311</u>	<u>242,056</u>	<u>524,367</u>
Operating income (loss)	<u>(45,376)</u>	<u>95,733</u>	<u>50,357</u>
Nonoperating revenue:			
Earnings on investments	<u>87</u>	<u>275</u>	<u>362</u>
Income (loss) before transfers	(45,289)	96,008	50,719
Transfer out	<u>(63,980)</u>	<u>(90,000)</u>	<u>(153,980)</u>
Change in net assets	(109,269)	6,008	(103,261)
Total net assets - beginning	<u>803,646</u>	<u>836,905</u>	<u>1,640,551</u>
Total net assets - ending	<u>\$ 694,377</u>	<u>\$ 842,913</u>	<u>\$ 1,537,290</u>

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

Town of Utica, Mississippi
Statements of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013

	<u>Waterworks Fund</u>	<u>Gas Fund</u>	<u>Total Enterprise Funds</u>
Cash flows from operating activities:			
Cash received for utility services	\$ 236,349	\$ 337,686	\$ 574,035
Payments for personnel services	(74,333)	(77,327)	(151,660)
Purchase of materials and supplies	(39,563)	(10,539)	(50,102)
Purchase of chemicals	(1,950)	-	(1,950)
Payments for electricity	(12,112)	(335)	(12,447)
Purchase of natural gas	-	(112,196)	(112,196)
Purchase of fuel	(7,603)	(8,028)	(15,631)
Payments for contractual services	(36,568)	(5,878)	(42,446)
Payments for repairs and maintenance	(25,424)	(5,384)	(30,808)
Insurance premiums paid	(620)	(639)	(1,259)
Payments for professional services	(5,000)	(9,480)	(14,480)
Payments to other funds	<u>(63,980)</u>	<u>(90,000)</u>	<u>(153,980)</u>
Net cash provided by (used for) operating activities	<u>(30,804)</u>	<u>17,880</u>	<u>(12,924)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(6,154)</u>	<u>(5,546)</u>	<u>(11,700)</u>
Net cash used for noncapital financing activities	<u>(6,154)</u>	<u>(5,546)</u>	<u>(11,700)</u>
Cash flows from investing activities:			
Interest received	<u>97</u>	<u>276</u>	<u>373</u>
Net cash provided by investing activities	<u>97</u>	<u>276</u>	<u>373</u>
Net increase (decrease) in cash and cash equivalents	(36,861)	12,610	(24,251)
Cash and cash equivalents - beginning	<u>149,375</u>	<u>338,589</u>	<u>487,964</u>
Cash and cash equivalents - ending	<u>\$ 112,514</u>	<u>\$ 351,199</u>	<u>\$ 463,713</u>
Cash as presented on the statement of net assets:			
Cash and investments - unrestricted	\$ 73,433	\$ 293,410	\$ 366,843
Cash and investments - restricted	<u>39,081</u>	<u>57,789</u>	<u>96,870</u>
	<u>\$ 112,514</u>	<u>\$ 351,199</u>	<u>\$ 463,713</u>

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

Town of Utica, Mississippi
Statements of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013

	<u>Waterworks Fund</u>	<u>Gas Fund</u>	<u>Total Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (45,376)	\$ 95,733	\$ 50,357
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	77,489	10,249	87,738
Provision for bad debts	1,606	1,982	3,588
Accounts receivable	(494)	(168)	(662)
Prepaid expenses	19	-	19
Accounts payable	(577)	(425)	(1,002)
Accrued expenses	509	509	1,018
Payments to other funds	<u>(63,980)</u>	<u>(90,000)</u>	<u>(153,980)</u>
Total adjustments	<u>14,572</u>	<u>(77,853)</u>	<u>(63,281)</u>
Net cash provided by (used for) operating activities	<u>\$ (30,804)</u>	<u>\$ 17,880</u>	<u>\$ (12,924)</u>

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

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2013

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, 2013

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, 2013

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 \$95,561 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, 2013

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

Restricted assets

Cash and investments reported on the proprietary funds are customer deposits for the Waterworks Fund and Gas Fund are set aside for repayment.

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, 2013

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.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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, 2013

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.

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 is subject to custodial credit risk. Custodial credit risk is the risk that the Town's deposits may not be returned in the event of a bank failure.

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, 2013, 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, 2013

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	\$ 146,495	\$ 146,495	\$ 146,495
<i>Business-type activities</i>			
Major Funds:			
Waterworks and Sewerage Fund	73,433	73,433	73,433
Natural Gas Fund	<u>293,410</u>	<u>293,410</u>	<u>293,410</u>
Total Deposits	<u>\$ 513,338</u>	<u>\$ 513,338</u>	<u>\$ 513,338</u>

Cash restricted for specified purposes at September 30, 2013, is comprised of the following:

Governmental activities:	
Street Grant	\$ 7
Business-type activities:	
Customer deposits	95,561
Unredeemed bonds and interest	<u>1,309</u>
	<u>\$ 96,877</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	\$ 27,538	\$ 13,234	\$ 40,772
Less: allowance for uncollectible accounts	<u>(2,000)</u>	<u>(2,000)</u>	<u>(4,000)</u>
Net accounts receivable	<u>\$ 25,538</u>	<u>\$ 11,234</u>	<u>\$ 36,772</u>
Uncollectible amounts charged to operations	<u>\$ 1,606</u>	<u>\$ 1,982</u>	<u>\$ 3,588</u>

TOWN OF UTICA, MISSISSIPPI

Notes to Financial Statements

September 30, 2013

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. The tax rate levied by the Town for the year ended September 30, 2013 was set at 22 mills. 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, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
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	409,327	-	-	409,327
Total capital assets, not being depreciated	868,835	-	-	868,835
Governmental activities capital assets	\$ 868,835	\$ -	\$ -	\$ 868,835
Business-type activities:				
Capital assets, not being depreciated				
Land-Waterworks System	\$ 29,150	\$ -	\$ -	\$ 29,150
Total capital assets, not being depreciated	29,150	-	-	29,150
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	100,034	-	-	100,034
Machinery and equipment-Gas System	74,834	-	-	74,834
Total capital assets, being depreciated	3,274,866	-	-	3,274,866

TOWN OF UTICA, MISSISSIPPI

Notes to Financial Statements

September 30, 2013

Note 4 – Capital assets (Continued):

Accumulated depreciation for:

Waterworks System	(2,083,279)	(77,489)	-	(2,160,768)
Gas System	(354,452)	(10,249)	-	(364,701)
	<u>(2,437,731)</u>	<u>(87,738)</u>	-	<u>(2,525,469)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	837,135	(87,738)	-	749,397
Business-type activities capital assets, net	<u>\$ 866,285</u>	<u>\$(87,738)</u>	<u>\$ -</u>	<u>\$ 778,547</u>

Depreciation expense recorded in proprietary funds for the year ended September 30, 2013 was as follows:

Waterworks System	\$ 77,489
Gas System	<u>10,249</u>
	<u>\$ 87,738</u>

Note 5 – Note receivable:

The Town entered into a note receivable on June 28, 2013, in the amount of \$27,500 bearing interest at 2.0%. The note is due and payable in one installment due 60 days after the date of the note with the remaining installments due annually. The balance of the note was \$22,527 at September 30, 2013.

Note 6 - 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, 2013, consist of the following:

Fund	Advances From Other Funds	Advances To Other Funds
General	\$ -	\$ 350,245
Gas System	501,531	-
Waterworks System	-	<u>151,286</u>
	<u>\$ 501,531</u>	<u>\$ 501,531</u>

TOWN OF UTICA, MISSISSIPPI

Notes to Financial Statements

September 30, 2013

Note 7 – Long-term liabilities:

The Mississippi Development Authority (MDA) has made a revolving loan (not to exceed \$391,456) to the Town for capital improvements to the sewer system. The note is to be repaid over 240 months at an interest rate of 3%. Repayment of the loan will begin 30 days after completion of the project. As of September 30, 2013, there had been no draws made on the loan.

Note 8 - 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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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:

Year ending September 30:	
2014	\$ 20,254
2015	21,001
2016	-
2017	-
2018	-
Total minimum lease payments	41,255
Less: Amount representing interest	(1,578)
Present value of net minimum lease payments	<u>\$ 39,677</u>

Interest expense for the year ended September 30, 2013, was \$1,884.

Note 9 - 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, 2013

Note 9 - Contributed capital (Continued):

The following is a summary of total contributed capital at September 30, 2013:

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 10 - 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, 2013, the approximate percentage of total revenues from these funding sources is as follows:

State government	41.97%
County government	19.89%

Note 11 – 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 12 – Compliance:

In June 2009, the Town was issued National Pollutant Discharge Elimination System operating permits with stricter limits for the north and south lagoons. Compliance under these permits was to be met by June 2012. May 2012, the Town was notified of noncompliance by the Mississippi Department of Environmental Quality (MDEQ). Upon notice of violation, the Town then entered into an agreement with WGK, Inc. for engineering, surveying and / or construction of the wastewater treatment systems. MDEQ held an Administrative Conference on April 16, 2013 with town officials to discuss and reach a settlement regarding violations.

WGK, Inc. has developed a Wastewater Improvements Facilities Plan for the Town with an estimated cost of \$821,701. The Town received a Community Development Block Grant, effective October 1, 2013, in the amount of \$450,000 for improvements to the wastewater sewer system. The revolving loan in Note 6 will be accessed to pay the remaining costs of the project. The Town is currently requesting bids for the project.

TOWN OF UTICA, MISSISSIPPI

Notes to Financial Statements

September 30, 2013

Note 13 – Interfund transfers:

During the year ended September 30, 2013, 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>
\$ (63,980)	\$ (90,000)	\$ 153,980	\$ -

Note 14 – Subsequent events:

Subsequent events have been evaluated through December 30, 2013, which is the date the financial statements were available to be issued.

TOWN OF UTICA, MISSISSIPPI
ADDITIONAL AUDITORS' REPORTS
YEAR ENDED SEPTEMBER 30, 2013



American Institute of
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Utica, Mississippi as of and for the year ended September 30, 2013, which collectively comprise the Town of Utica, Mississippi's basic financial statements and have issued our report thereon dated December 30, 2013.

Internal Control Over Financial Reporting

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

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement 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. 13-01.

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. 13-02.

Compliance and Other Matters

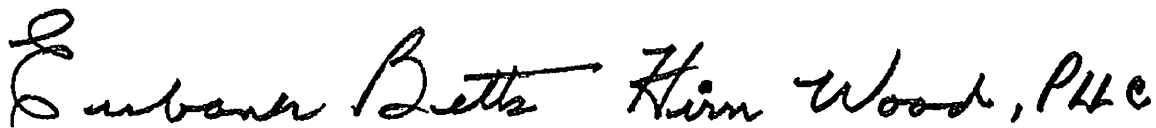
As part of obtaining reasonable assurance about whether the Town of Utica, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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*.

Town of Utica, Mississippi Response to Findings

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

Purpose of this Report

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



EUBANK BETTS HIRN WOOD, PLLC

Jackson, Mississippi
December 30, 2013

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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, 2013, and have issued our report thereon dated December 30, 2013. 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 as outlined by the 2010 Municipal Audit and Accounting Guide recommended compliance audit procedures. Improvements are being made to the wastewater sewer system to reach compliance with the Mississippi Department of Environmental Quality.

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 30, 2013

TOWN OF UTICA, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2013

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

13-01 Finding (Repeat of 12-01 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

13-02 Finding (Repeat of 12-02 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, 2013

Town of Utica, Mississippi
Schedule of Revenues by Source and Expenditures by Function
General Fund
For the Year Ended September 30, 2013

	<u>Total</u>	<u>Percentage</u>
Revenues by source:		
Property taxes	\$ 71,768	13.23 %
Sales taxes	145,787	26.88
Licenses and permits	1,766	0.33
Fines and forfeits	47,625	8.78
Utility franchise fees	13,001	2.40
Public works	62,219	11.47
Intergovernmental revenues	10,002	1.84
Miscellaneous	8,627	1.59
Interest	115	0.02
Gain on asset disposal	27,500	5.07
Transfers	<u>153,980</u>	<u>28.39</u>
Total revenues by source	<u>\$ 542,390</u>	<u>100.00 %</u>
Expenditures by function:		
General government	\$ 106,792	20.97 %
Public safety:		
Police	295,840	58.10
Fire	120	0.02
Public works	96,839	19.02
Cemetery	7,680	1.51
Debt service	<u>1,884</u>	<u>0.38</u>
Total expenditures by function	<u>\$ 509,155</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 2012 Ad Valorem Taxes
 For the Year Ended September 30, 2013

	<u>Assessed Value</u>	<u>Tax</u>
<u>Assessments:</u>		
City tax:		
Realty	\$2,080,858	
Personal - other than auto	348,327	
Utilities	<u>405,158</u>	
Total city at 22 mills	<u>\$2,834,343</u>	\$ 62,356
Add:		
Over 65 homestead reimbursement		6,378
Deduct:		
Over 65 homestead allowed		<u>(6,690)</u>
<u>Total assessments</u>		62,044
<u>Credits:</u>		
Collections allocated to:		
General Fund		<u>61,055</u>
<u>Balance</u>		<u>\$ 989</u>
<u>Balance represented by:</u>		
Unpaid personal - current		\$ 989
Less: allowance for doubtful accounts		<u>500</u>
Taxes receivable, less allowance for doubtful accounts		<u>\$ 489</u>

TOWN OF UTICA, MISSISSIPPI
 Schedule of Surety Bonds for Municipal Officials
 September 30, 2013

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