

TOWN OF UTICA, MISSISSIPPI
ANNUAL REPORT
YEAR ENDED SEPTEMBER 30, 2014

CONTENTS

<u>DESCRIPTION</u>	<u>PAGE</u>
INTRODUCTORY SECTION:	
List of Elected and Appointed Officials	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - General Fund	15
Reconciliation of the General Fund Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the General Fund to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	19
Statements of Net Position - Proprietary Funds	22
Statements of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	23
Statements of Cash Flows - Proprietary Funds	24
Notes to the Financial Statements	26
ADDITIONAL AUDITOR'S REPORTS:	
Independent Auditor's 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	42
Independent Auditor's Report on Compliance with State Laws and Regulations	44
Schedule of Findings and Responses	45

CONTENTS

DESCRIPTION

PAGE

SUPPLEMENTARY INFORMATION:

General Fund:

Schedule of Revenues by Source and Expenditures by Function	47
Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections on Fiscal Year 2014 Ad Valorem Taxes	48
Schedule of Surety Bonds for Municipal Officials	49

TOWN OF UTICA, MISSISSIPPI
LIST OF ELECTED AND APPOINTED OFFICIALS
AS OF SEPTEMBER 30, 2014

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



CPAs & Advisors

INDEPENDENT AUDITOR'S 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, 2014, 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

Auditor's Responsibility - continued:

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, 2014, and the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* in 2013. Our opinion is not modified with respect to this matter.

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 5-12 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 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 supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters - continued:

Other Information - continued:

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 February 26, 2015, 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.

Hodday Reid Eubank Betts

Jackson, Mississippi
February 26, 2015

TOWN OF UTICA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
UNAUDITED

The discussion and analysis of the Town of Utica, Mississippi's financial performance provides an overall review of the Town's financial activities for the year ended September 30, 2014. 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

- The Town's total net position at the close of the fiscal year was \$1,369,161. This amount is comprised of \$827,875 in net investment in capital assets, \$7 of restricted net position and \$541,279 in unrestricted net position.
- Governmental net position decreased by \$36,428 and business-type net position decreased by \$111,024.
- Equity in pooled cash and cash equivalents decreased \$44,993 or 8.76% from 2013.
- The book value of capital assets decreased \$118,035 from 2013.
- The Town's sales tax revenue decreased slightly, less than one percent, and still is the single largest revenue in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Town of Utica 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 government-wide financial statements provide both long-term and short-term information about the Town's overall financial status.
- Fund financial statements focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
 - Governmental fund statements tell how general government services such as police and public works were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short-term and long-term financial information about the activities the Town operates like businesses, such as water and gas services.

TOWN OF UTICA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2014 UNAUDITED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Financial Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all the Town's assets plus deferred outflows of resources less liabilities and deferred inflows of resources and liabilities. All of the current year's revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net position is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or condition of the Town's roads to accurately assess the overall health of the Town.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Governmental activities - All of the Town's basic services are considered to be governmental activities, including general government, public safety, streets, economic development, and culture and recreation. Sales tax, federal grants, intergovernmental revenues and charges for services finance most of these activities.
- Business-type activities - The Town charges a fee to customers that is intended to cover all or most of the cost of the services provided for water/sewer and gas.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and

TOWN OF UTICA, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
UNAUDITED**

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED:

local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds. Fund financial statements provide more detailed information about the Town's largest funds, not the city as a whole.

- Governmental funds - Most of the Town's basic services are included in governmental funds, and report essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year end balances available for spending.

The Town adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund as part of the basic financial statements to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

- Proprietary funds - Services for which the Town charges customers a fee generally are reported in the proprietary funds. Proprietary fund financial statements, like government-wide financial statements, provide both short-term and long-term financial information. The Town's proprietary fund is an enterprise fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The Town uses an enterprise fund to account for its water / sewer and natural gas operations.

The basic proprietary fund financial statements can be found on pages 22-25.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-41.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceeded liabilities and deferred inflows of resources

TOWN OF UTICA, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

by \$1,369,161 as of September 30, 2014 as shown in the following condensed statement of net position. The Town has chosen to account for its water/sewer and natural gas operations in an enterprise fund which is shown as Business Activities. Table 1 provides a summary of the Town's net position at September 30, 2014 and 2013.

Table 1 - Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	9/30/14	9/30/13	9/30/14	9/30/13	9/30/14	9/30/13
Current and other assets	\$ (62,872)	(152,194)	816,389	1,002,536	753,517	850,342
Capital assets	<u>151,586</u>	<u>190,080</u>	<u>699,006</u>	<u>778,547</u>	<u>850,592</u>	<u>968,627</u>
Total assets	<u>88,714</u>	<u>37,886</u>	<u>1,515,396</u>	<u>1,781,083</u>	<u>1,604,110</u>	<u>1,818,969</u>
Long-term liabilities outstanding	11,896	21,001	4,504	-	16,400	21,001
Other liabilities	<u>82,042</u>	<u>54,934</u>	<u>84,623</u>	<u>243,792</u>	<u>166,665</u>	<u>298,726</u>
Total liabilities	<u>93,938</u>	<u>75,935</u>	<u>89,128</u>	<u>243,792</u>	<u>183,066</u>	<u>319,727</u>
Deferred inflows of resources	<u>51,883</u>	-	-	-	<u>51,883</u>	-
Net investment in capital assets	128,869	148,825	699,006	778,547	827,875	927,372
Restricted assets	7	7	-	-	7	7
Unrestricted	<u>(185,983)</u>	<u>(169,511)</u>	<u>727,262</u>	<u>758,744</u>	<u>541,279</u>	<u>589,233</u>
Total net position	<u>\$ (57,107)</u>	<u>(20,679)</u>	<u>1,426,268</u>	<u>1,537,291</u>	<u>1,369,161</u>	<u>1,516,612</u>

The Town has \$1,604,109 in total assets with \$850,592 in capital assets (net of depreciation). The Town's water/sewer and gas enterprise funds are included in the business-type activities column. These operations are capital intensive, using a large portion of their resources to maintain and replace major equipment and facilities.

Governmental Activities

The Town's programs include: General Government, Public Safety, Streets, Economic Development, Culture and Recreation, Water and Sewer and Natural Gas. Each program's net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the Town's general taxes support each of the Town's programs. Table 2 summarizes the changes in net position for the years ended September 30, 2014 and 2013.

TOWN OF UTICA, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

Table 2 - Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	9/30/14	9/30/13	9/30/14	9/30/13	9/30/14	9/30/13
REVENUES:						
Program revenues:						
Charges for services	\$ 61,754	62,219	576,122	574,724	637,876	636,943
Capital grants and contributions	<u>39,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,983</u>	<u>-</u>
	101,737	62,219	576,122	574,724	677,859	636,943
General revenues:						
Property taxes	74,308	71,768	-	-	74,308	71,768
Fines and forfeitures	112,786	47,625	-	-	112,786	47,625
State aid	142,544	145,787	-	-	142,544	145,787
Other	<u>35,769</u>	<u>61,011</u>	<u>458</u>	<u>362</u>	<u>36,227</u>	<u>61,373</u>
Total revenues	<u>467,144</u>	<u>388,410</u>	<u>576,580</u>	<u>575,086</u>	<u>1,043,724</u>	<u>963,496</u>
Expenses:						
General government	124,473	106,792	-	-	124,473	106,792
Public safety - Police	392,949	295,840	-	-	392,949	295,840
Public safety - Fire	3,974	120	-	-	3,974	120
Public works	100,175	96,839	-	-	100,175	96,839
Grant expenditures	35,514	-	-	-	35,514	-
Other	9,383	9,564	-	-	9,383	9,564
Cost of services	<u>-</u>	<u>-</u>	<u>524,708</u>	<u>524,367</u>	<u>524,708</u>	<u>524,367</u>
Total expenses	<u>666,468</u>	<u>509,155</u>	<u>524,708</u>	<u>524,367</u>	<u>1,191,176</u>	<u>1,033,522</u>
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS	(199,324)	(120,745)	51,872	50,719	(147,452)	(70,026)
TRANSFERS	<u>162,896</u>	<u>153,980</u>	<u>(162,896)</u>	<u>(153,980)</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	(36,428)	33,235	(111,024)	(103,261)	(147,452)	(70,026)
NET POSITION, BEGINNING - RESTATE	<u>(20,679)</u>	<u>(53,914)</u>	<u>1,537,291</u>	<u>1,640,552</u>	<u>1,516,613</u>	<u>1,586,639</u>
NET POSITION, ENDING	<u>\$ (57,107)</u>	<u>(20,679)</u>	<u>1,426,267</u>	<u>1,537,291</u>	<u>1,369,161</u>	<u>1,516,613</u>

Total resources available during the year to finance governmental operations were \$682,000 consisting of net position deficit at October 1, 2013 of \$21,000, program revenues of \$102,000, general revenues of \$467,000 and transfers of \$163,000. Total governmental activities expenses during the year were \$666,000. The governmental net position was decreased \$36,000 during the current fiscal year.

TOWN OF UTICA, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED:

Business-type Activities

Net position of the Business-type activities at September 30, 2014, as reflected in the Statement of Net Position was approximately \$1,426,000. The cost of providing all Business-type activities this year was approximately \$525,000. As shown by the Statement of Changes in Net Position, the amounts paid by users of the systems were approximately \$576,000 with interest earnings of \$458. The net position decreased approximately \$111,000.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

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

As of the end of the current fiscal year, the Town of Utica's general fund reported ending fund balance deficit of \$236,670, a decrease of \$26,088, in comparison with the prior year.

Proprietary funds - The Waterworks Fund and Gas Fund combined decreased in net position by approximately \$111,000 for the year. This decrease was primarily due to depreciation of fixed assets.

General Fund Budgetary Highlights

The Town's annual budget is the legally adopted expenditure control document of the Town. The annual budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. Budgetary comparison statements are required for the General Fund. These statements require the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

The budget was amended to adjust the appropriations of revenues and expenditures. Revenues for the original budget were increased approximately \$71,000 mainly for an increase in federal aid and the maturity of certificates of deposit. Expenditures were increased a net of approximately \$35,000 for an increase in police expenses of \$22,000, increase in grant expenditures of approximately \$31,000, and a decrease in fire expenses of \$18,000.

TOWN OF UTICA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2014 UNAUDITED

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets used in the performance of the Town's functions including infrastructure assets. Capital assets include equipment, vehicles, buildings, land and roads. At the end of the fiscal year 2014, net capital assets of the government activities totaled \$151,586 and the net capital assets of the business-type activities totaled \$699,006. Depreciation is recognized in the government-wide financial statements.

Debt Administration

At year-end, the Town owed Hancock Bank for a lease obligation for police cars. Debt for this obligation was \$22,717, of which all was current.

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.

Next Year's Budget and Economic Factors

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 auditor's report has been included in this report.

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

TOWN OF UTICA, MISSISSIPPI

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
UNAUDITED**

CAPITAL ASSET AND DEBT ADMINISTRATION - CONTINUED:

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 POSITION
SEPTEMBER 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 156,675	342,773	499,448
Accounts receivable, net:			
Customers	-	33,446	33,446
Property taxes	53,196	-	53,196
Sales tax allocation	11,737	-	11,737
State municipal aid	497	-	497
Utility franchise fee	4,088	-	4,088
Public works	4,776	-	4,776
Police fines	52,340	-	52,340
Interest receivable	2	100	102
Internal balances	(373,754)	373,754	-
Prepaid expenses	5,037	454	5,491
Restricted cash and investments	7	65,863	65,870
Note receivable	22,527	-	22,527
Capital assets:			
Non-depreciable capital assets	71,105	29,150	100,255
Depreciable capital assets, net	80,481	669,856	750,337
Total assets	88,714	1,515,396	1,604,110

The accompanying notes are an integral part of these statements.

TOWN OF UTICA, MISSISSIPPI

**STATEMENT OF NET POSITION - CONTINUED:
SEPTEMBER 30, 2014**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 15,293	15,937	31,230
Accrued expenses	44,032	2,824	46,856
Payable from restricted assets	-	-	
Customer deposits	-	64,554	64,554
Unredeemed bonds and interest	-	1,309	1,309
Current portion of capital lease	22,717	-	22,717
Non-current liabilities:			
Due within one year:			
Compensated absences	1,273	1,080	2,353
Due in more than one year:			
Compensated absences	10,623	3,424	14,047
Lease payable, less current portion	-	-	-
Total liabilities	<u>93,938</u>	<u>89,128</u>	<u>183,066</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	51,883	-	51,883
Total deferred inflows of resources	<u>51,883</u>	<u>-</u>	<u>51,883</u>
NET POSITION:			
Net investment in capital assets	128,869	699,006	827,875
Restricted for public safety	7	-	7
Unrestricted (deficit)	(185,983)	727,262	541,279
Total net position	<u>\$ (57,107)</u>	<u>1,426,268</u>	<u>1,369,161</u>

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TOWN OF UTICA, MISSISSIPPI

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Governmental activities:			
General government	\$ 124,473	-	-
Public safety:			
Police	392,949	-	4,331
Fire	3,974	-	138
Public works	100,175	61,754	35,514
Cemetery	8,289	-	-
Grant expenditures	35,514	-	-
Debt service	1,094	-	-
Total governmental activities	<u>666,468</u>	<u>61,754</u>	<u>39,983</u>
Business-type activities:			
Waterworks	259,289	226,485	-
Gas	265,419	349,637	-
Total business-type activities	<u>524,708</u>	<u>576,122</u>	<u>-</u>
Total government	\$ <u>1,191,176</u>	<u>637,876</u>	<u>39,983</u>
General revenues:			
Property taxes levied for:			
General purposes			
State aid not restricted to specific purposes			
Licenses and permits			
Fines and forfeitures			
Utility franchise fees			
Intergovernmental revenues			
Miscellaneous			
Interest income			
Transfers			
Total general revenues, interest income and transfers			
Change in net position			
Net position at beginning of year			
Net position at end of year			

The accompanying notes are an integral part of these statements.

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
(124,473)	-	(124,473)
(388,618)	-	(388,618)
(3,836)	-	(3,836)
(2,907)	-	(2,907)
(8,289)	-	(8,289)
(35,514)	-	(35,514)
(1,094)	-	(1,094)
<u>(564,731)</u>	<u>-</u>	<u>(564,731)</u>
-	(32,804)	(32,804)
-	84,218	84,218
<u>-</u>	<u>51,414</u>	<u>51,414</u>
<u>(564,731)</u>	<u>51,414</u>	<u>(513,317)</u>
74,308	-	74,308
142,544	-	142,544
2,177	-	2,177
112,786	-	112,786
14,477	-	14,477
7,453	-	7,453
11,537	-	11,537
125	458	583
<u>162,896</u>	<u>(162,896)</u>	<u>-</u>
<u>528,303</u>	<u>(162,438)</u>	<u>365,865</u>
(36,428)	(111,024)	(147,452)
(20,679)	1,537,292	1,516,613
<u>(57,107)</u>	<u>1,426,268</u>	<u>1,369,161</u>

TOWN OF UTICA, MISSISSIPPI

**BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2014**

ASSETS:

Cash and cash equivalents	\$	156,675
Accounts receivable, net:		
Property taxes		53,196
Sales tax allocation		11,737
Utility franchise fee		4,088
Sanitation fees		4,776
State municipal aid		497
Police fines, net of allowance		52,340
Interest receivable		2
Prepaid expenses		<u>5,037</u>
Total assets	\$	<u><u>288,348</u></u>

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES, AND FUND BALANCE:**

Liabilities:

Accounts payable	\$	15,293
Accrued salaries		6,011
Accrued fines due to state		38,021
Due to other funds		<u>373,754</u>
Total liabilities		<u>433,079</u>

Deferred inflows of resources:

Unavailable revenue - property taxes		51,883
Unavailable revenue - police fines		<u>40,056</u>
Total deferred inflows of resources		<u>91,939</u>

Fund balance (deficit):

Nonspendable:

Prepays		5,037
Unrestricted		<u>(241,707)</u>
Total fund balance (deficit)		<u>(236,670)</u>

Total liabilities, deferred inflows of resources, and fund balance	\$	<u><u>288,348</u></u>
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The accompanying notes are an integral part of these statements.

TOWN OF UTICA, MISSISSIPPI

RECONCILIATION OF THE GENERAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

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

Total fund balance - general fund	\$ (236,670)
Reconciling items:	
Notes receivable are accrued as revenue in the government-wide statements because they are earned, but are considered unearned in the governmental funds because the repayments do not provide current financial resources and are not available to liquidate liabilities in the governmental funds	22,527
Capital assets are not financial resources and, therefore, are not reported in the funds	151,586
Receivables that were earned in the current period but not received within 60 days are not recognized in the fund statement but recognized under full accrual	
Police fines	40,056
Other long-term assets (restricted cash) are not available to pay current period expenditures and, therefore, are deferred in the funds	7
Long-term liabilities of governmental funds, including compensated absences, are not due and payable in the current period and, therefore are not reported in the funds	(11,896)
Obligations under capital leases are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(22,717)</u>
Total net position - governmental activities	\$ <u>(57,107)</u>

The accompanying notes are an integral part of these statements.

TOWN OF UTICA, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

REVENUES:

Property taxes	\$ 74,308
Sales taxes	142,544
Licenses and permits	2,177
Fines and forfeits	56,186
Utility franchise fees	14,477
Public works	61,754
Intergovernmental revenues	11,921
Federal aid	35,514
Miscellaneous	11,537
Interest income	<u>125</u>
Total revenues	<u>410,543</u>

EXPENDITURES:

General government	111,663
Public safety:	
Police	342,672
Fire protection	120
Public works	100,175
Cemetery	8,289
Grant expenditures	35,514
Debt service	<u>1,094</u>
Total expenditures	<u>599,527</u>

Deficiency of revenues under expenditures (188,984)

OTHER FINANCING SOURCES:

Transfers	<u>162,896</u>
Total other financing sources	<u>162,896</u>

Net change in fund balance	(26,088)
Fund balance, beginning - restated	<u>(210,582)</u>
Fund balance, ending	\$ <u>(236,670)</u>

The accompanying notes are an integral part of these statements.

TOWN OF UTICA, MISSISSIPPI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GENERAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Net change in fund balance - general fund		\$ (26,088)
Revenues in the statement of activities that do not provide current resources are not reported as fund revenues		
Unavailable police fines		29,524
Governmental funds report capital outlay as expenditures, However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives		
Expenditures of capital assets	-	
Less current year depreciation expense	<u>(38,494)</u>	<u>(38,494)</u>
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Change in compensated absences		<u>(1,370)</u>
Change in net position of governmental activities		\$ <u>(36,428)</u>

The accompanying notes are an integral part of these statements.

TOWN OF UTICA, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<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	\$ 53,442	47,147	49,961	2,814
Automobile	15,188	15,895	15,989	94
Bad debts	500	400	411	11
Utilities	<u>8,913</u>	<u>7,947</u>	<u>7,947</u>	<u>-</u>
Total property taxes	<u>78,043</u>	<u>71,389</u>	<u>74,308</u>	<u>2,919</u>
Sales taxes	136,000	143,000	143,413	413
Licenses and permits	2,000	1,900	2,177	277
Fines and forfeits	45,000	48,573	44,203	(4,370)
Utility franchise fees	12,000	17,422	14,477	(2,945)
Public works	64,080	63,000	61,867	(1,133)
Intergovernmental revenues:				
Fire Protection rebate	4,371	-	4,469	4,469
Grand Gulf tax	4,500	4,510	4,510	-
Other municipal aid	<u>2,000</u>	<u>2,446</u>	<u>2,942</u>	<u>496</u>
Total intergovernmental revenues	<u>10,871</u>	<u>6,956</u>	<u>11,921</u>	<u>4,965</u>
Federal aid	-	30,740	35,514	4,774
Miscellaneous	5,550	41,665	11,537	(30,128)
Interest income	<u>10</u>	<u>15</u>	<u>125</u>	<u>110</u>
Total revenues	<u>353,554</u>	<u>424,660</u>	<u>399,542</u>	<u>(25,118)</u>
EXPENDITURES:				
General government				
Salaries	43,740	44,885	44,856	29
Employee benefits	8,859	7,825	8,211	(386)
Office supplies	16,650	17,061	17,632	(571)
Operating supplies	1,850	1,200	1,200	-
Repairs and maintenance	6,500	6,504	7,233	(729)
Utilities	2,000	3,332	3,078	254
Insurance	5,000	300	11,504	(11,204)
Professional services	<u>15,800</u>	<u>17,660</u>	<u>17,692</u>	<u>(32)</u>
Total general government	<u>100,399</u>	<u>98,767</u>	<u>111,406</u>	<u>(12,639)</u>

TOWN OF UTICA, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Public safety:				
Police:				
Salaries	\$ 158,186	180,115	179,788	327
Employee benefits	27,082	25,717	33,110	(7,393)
Training	1,200	1,541	1,541	-
Operating supplies	31,600	30,103	10,128	19,975
Uniforms	1,000	1,200	1,194	6
Repairs and maintenance	250	100	30	70
Vehicle expense	33,500	41,612	41,291	321
Utilities	2,500	2,306	2,303	3
Insurance	2,500	350	356	(6)
Professional services	17,700	15,172	16,648	(1,476)
Fees on fines	20,000	19,000	19,094	(94)
Total public safety: Police	<u>295,518</u>	<u>317,216</u>	<u>305,483</u>	<u>11,733</u>
Fire	<u>18,555</u>	<u>-</u>	<u>120</u>	<u>(120)</u>
Public works				
Repairs and maintenance	2,500	-	-	-
Utilities	32,200	36,900	36,126	774
Sanitation	64,049	64,049	64,049	-
Total public works	<u>98,749</u>	<u>100,949</u>	<u>100,175</u>	<u>774</u>
Cemetery	10,500	8,988	8,289	699
Grant expenditures	<u>-</u>	<u>30,740</u>	<u>35,514</u>	<u>(4,774)</u>
Total expenditures before other financing sources (uses)	<u>523,721</u>	<u>556,660</u>	<u>560,987</u>	<u>(4,327)</u>
OTHER FINANCING SOURCES:				
Transfer in	<u>145,456</u>	<u>132,000</u>	<u>162,896</u>	<u>30,896</u>
Total other financing uses	<u>145,456</u>	<u>132,000</u>	<u>162,896</u>	<u>30,896</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(24,711)	-	1,451	1,451
FUND BALANCE - BEGINNING - RESTATED	<u>(200,050)</u>	<u>(200,050)</u>	<u>(200,050)</u>	<u>-</u>
FUND BALANCE - ENDING	\$ <u>(224,761)</u>	<u>(200,050)</u>	<u>(198,599)</u>	<u>1,451</u>

TOWN OF UTICA, MISSISSIPPI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXPLANATION OF DIFFERENCES
BETWEEN BUDGETARY FUND
BALANCE AND GAAP FUND
BALANCE:

Fund balance - budgetary basis	\$	(198,599)
Adjustments to GAAP basis:		
Less accrued revenue not collected:		
Police fines		(5,087)
Less accrued expenses:		
Fees on fines		(38,021)
Prepaid expenses		<u>5,037</u>
Fund balance - GAAP basis	\$	<u><u>(236,670)</u></u>

The accompanying notes are an integral part of these statements.

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TOWN OF UTICA, MISSISSIPPI

**STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

	<u>Waterworks Fund</u>	<u>Gas Fund</u>	<u>Total Enterprise Funds</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 81,096	261,677	342,773
Accounts receivable	21,239	12,207	33,446
Interest receivable	39	61	100
Due from other funds	-	510,854	510,854
Prepaid expenses	227	227	454
Total current assets	<u>102,601</u>	<u>785,026</u>	<u>887,627</u>
Restricted assets:			
Cash and investments	<u>26,185</u>	<u>39,678</u>	<u>65,863</u>
Total restricted assets	<u>26,185</u>	<u>39,678</u>	<u>65,863</u>
Non-current assets:			
Capital assets:			
Land	29,150	-	29,150
Utility system	2,779,590	320,408	3,099,998
Machinery and equipment	103,754	78,554	182,308
Less accumulated depreciation	<u>(2,238,093)</u>	<u>(374,357)</u>	<u>(2,612,450)</u>
Total non-current assets	<u>674,401</u>	<u>24,605</u>	<u>699,006</u>
Total assets	<u>803,187</u>	<u>849,309</u>	<u>1,652,496</u>

The accompanying notes are an integral part of these statements.

	<u>Waterworks Fund</u>	<u>Gas Fund</u>	<u>Total Enterprise Funds</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 9,574	6,363	15,937
Accrued expenses	1,412	1,412	2,824
Compensated absences	540	540	1,080
Customer deposits	26,185	38,369	64,554
Due to other funds	137,100	-	137,100
Unredeemed bonds and interest	-	1,309	1,309
Total current liabilities	<u>174,811</u>	<u>47,993</u>	<u>222,804</u>
Long-term liabilities:			
Compensated absences	<u>1,712</u>	<u>1,712</u>	<u>3,424</u>
Total liabilities	<u>176,523</u>	<u>49,705</u>	<u>226,228</u>
<u>NET POSITION</u>			
Net investment in capital assets	674,401	24,605	699,006
Unrestricted	<u>(47,737)</u>	<u>774,999</u>	<u>727,262</u>
Total net position	<u>\$ 626,664</u>	<u>799,604</u>	<u>1,426,268</u>

TOWN OF UTICA, MISSISSIPPI

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Waterworks Fund	Gas Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 226,485	349,637	576,122
OPERATING EXPENSES:			
Personnel services	64,037	64,343	128,380
Materials and supplies	44,281	7,044	51,325
Chemicals	2,858	-	2,858
Electricity	14,122	139	14,261
Natural gas costs	-	159,097	159,097
Fuel	6,208	6,109	12,317
Contractual services	23,754	5,276	29,030
Repairs and maintenance	20,338	5,639	25,977
Insurance	596	596	1,192
Professional services	5,000	7,400	12,400
Personnel training	375	300	675
Depreciation	77,325	9,656	86,981
Bad debt expense (recovery)	395	(180)	215
Total operating expenses	<u>259,289</u>	<u>265,419</u>	<u>524,708</u>
Operating income (loss)	<u>(32,804)</u>	<u>84,218</u>	<u>51,414</u>
NON-OPERATING REVENUE (EXPENSE):			
Earnings on investments	91	367	458
Transfer out	<u>(35,000)</u>	<u>(127,896)</u>	<u>(162,896)</u>
CHANGE IN NET POSITION	(67,713)	(43,311)	(111,024)
TOTAL NET POSITION - BEGINNING	<u>694,377</u>	<u>842,915</u>	<u>1,537,292</u>
TOTAL NET POSITION - ENDING	<u>\$ 626,664</u>	<u>799,604</u>	<u>1,426,268</u>

The accompanying notes are an integral part of these statements.

TOWN OF UTICA, MISSISSIPPI
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Waterworks Fund</u>	<u>Gas Fund</u>	<u>Total Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for utility services	\$ 230,342	348,778	579,120
Payments for personnel services	(64,344)	(64,160)	(128,504)
Purchase of materials and supplies	(47,202)	(9,334)	(56,536)
Purchase of chemicals	(2,858)	-	(2,858)
Payments for electricity	(14,257)	(145)	(14,402)
Purchase of natural gas	-	(159,097)	(159,097)
Purchase of fuel	(6,305)	(6,206)	(12,511)
Payments for contractual services	(22,485)	(5,781)	(28,266)
Payments for repairs and maintenance	(19,700)	(5,037)	(24,737)
Insurance premiums paid	(591)	(572)	(1,163)
Payments for professional services	(5,000)	(7,692)	(12,692)
Payments to other funds	<u>(35,000)</u>	<u>(127,896)</u>	<u>(162,896)</u>
Net cash provided by (used for) operating activities	<u>12,600</u>	<u>(37,142)</u>	<u>(24,542)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	<u>(14,186)</u>	<u>(9,323)</u>	<u>(23,509)</u>
Net cash used for noncapital financing activities	<u>(14,186)</u>	<u>(9,323)</u>	<u>(23,509)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(3,720)	(3,720)	(7,440)
Gain on disposal of property, plant and equipment	-	-	-
Interest received	<u>73</u>	<u>341</u>	<u>414</u>
Net cash used for investing activities	<u>(3,647)</u>	<u>(3,379)</u>	<u>(7,026)</u>
Net decrease in cash and cash equivalents	(5,233)	(49,844)	(55,077)
Cash and cash equivalents - beginning	<u>112,514</u>	<u>351,199</u>	<u>463,713</u>
Cash and cash equivalents - ending	<u>\$ 107,281</u>	<u>301,355</u>	<u>408,636</u>
Cash as presented on the statement of net position:			
Cash and cash equivalents - unrestricted	\$ 81,096	261,677	342,773
Cash and cash equivalents - restricted	<u>26,185</u>	<u>39,678</u>	<u>65,863</u>
	<u>\$ 107,281</u>	<u>301,355</u>	<u>408,636</u>

TOWN OF UTICA, MISSISSIPPI
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED:
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<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)	\$ (32,804)	84,218	51,414
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	77,325	9,656	86,981
Provision for bad debts	395	(180)	215
Accounts receivable	3,904	(793)	3,111
Prepaid expenses	5	-	5
Accounts payable	(534)	(2,147)	(2,681)
Accrued expenses	(691)	-	(691)
Customer deposits	-	-	-
Payments to other funds	<u>(35,000)</u>	<u>(127,896)</u>	<u>(162,896)</u>
Total adjustments	<u>45,404</u>	<u>(121,360)</u>	<u>(75,956)</u>
Net cash provided by (used for) operating activities	\$ <u>12,600</u>	<u>(37,142)</u>	<u>(24,542)</u>

The accompanying notes are an integral part of these statements.

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

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.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

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

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprises funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported in separate columns.

The government reports the following major governmental fund:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other specialized funds.

The Town reports the following major enterprise funds:

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

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

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

TOWN OF UTICA, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued:

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing resources.

Sales taxes, property taxes, intergovernmental revenues, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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 considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Cash and Investments - continued:

Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

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

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

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Generally, capital assets are defined by the Town as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of one year.

Capital assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of both the government-wide and 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.

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Capital Assets - continued:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no items which qualify for reporting in this category.

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

Net Position and Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Net Position and Fund Balances - continued:

In addition to the nonspendable fund balance, spendable fund balance is composed of four classifications designed to disclose the hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose

When expenditures are incurred for the purposes for which amounts in any of the spendable fund balance classifications can be used, it is the Town's policy to use restricted resources first, followed by committed amounts, assigned amounts and then unassigned amounts.

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

TOWN OF UTICA, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Use of Estimates - continued:

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.

Change in Accounting Principle

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The Statement focused on improved financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the government's net position. No restatements of prior amounts were required in adopting this Statement.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

The general fund statement of revenues, expenditures, and changes in the fund balances includes a reconciliation between net changes in fund balance-general fund and change in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and the modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Mayor and Board of Aldermen annually approve the budget ordinance for the funds of the Town of Utica. The general fund is budgeted in accordance with the laws of the State of

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED:

Budgets and Budgetary Accounting - continued:

Mississippi which require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. Capital project funds, however, are budgeted per project and do not lapse at the year end. The required budgetary basis is therefore not considered to be in accordance with generally accepted accounting principles. Governmental accounting requires that the "Budget to Actual" statement be prepared according to budgetary laws and the "Combined Statements of Revenues, Expenditures, and Fund Balance" be prepared according to the modified accrual basis (GAAP).

Budgets of proprietary funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary control is maintained at a department level. Budgets are amended by resolution of the Board of Aldermen to authorize expenditures of various grants received and to adjust department budgets as required. The reported budgetary data has been revised for amendments authorized by the governing board.

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.

Fund deficits:

As of September 30, 2014, total fund balance for the Town's general fund reflected a fund deficit of \$236,670. The Town's governmental activities reflected (\$57,107) in net position.

TOWN OF UTICA, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4 - DEPOSITS

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the Town's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. Deposits at September 30, 2014 are summarized as follows:

	Reported Amount	Bank Balance
Primary Government:		
Government activities:		
General Fund	\$ 156,682	160,245
Business-type activities:		
Major Funds:		
Waterworks and Sewerage Fund	107,281	107,281
Natural Gas Fund	301,355	301,355
Total Deposits	\$ 565,318	568,881

The difference of \$3,563 was due to outstanding checks. Of the bank balance, \$250,000 was covered by Federal Depository Insurance.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of September 30, 2014, none of the Town's bank balance of \$568,881 was exposed to custodial credit risk.

Cash restricted for specific purposes at September 30, 2014, is comprised of the following:

Government activities:	
Street grant	\$ 7
Business-type activities:	
Customer deposits	65,863
	\$ 65,870

TOWN OF UTICA, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED INFLOWS

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>Governmental</u>	<u>Enterprise Funds</u>		
		<u>WWSF</u>	<u>NGUF</u>	<u>Total</u>
Accounts receivable, gross				
Customers	\$ -	23,239	14,207	37,446
Property taxes	53,196	-	-	53,196
Sales tax allocation	11,737	-	-	11,737
State municipal aid	497	-	-	497
Utility franchise fee	4,088	-	-	4,088
Public works	5,276	-	-	5,276
Police fines	256,296	-	-	256,296
Less: allowance for uncollectible accounts	<u>(204,456)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>(4,000)</u>
Net accounts receivable	\$ <u>126,634</u>	<u>21,239</u>	<u>12,207</u>	<u>364,536</u>
Uncollectible amounts charged to (recovered from) operations	\$ <u>27,076</u>	<u>395</u>	<u>(180)</u>	<u>215</u>

Property, Taxes Receivable, Deferred Inflows, and Property Tax Calendar

Property taxes:

Property taxes for fiscal year 2014 were levied in September 2013 on the assessed valuation of property located in the Town of Utica as of the preceding January 1, the lien date. Revenues from property taxes are recognized in the fiscal year for which property taxes are levied. The financial statements reflect the accrual of the estimated fiscal year 2015 property taxes levied in September 2014. The town has recorded deferred inflows of resources for the estimated fiscal year 2015 property taxes as of September 30, 2014.

The Town's levy on property and automobiles is collected by Hinds County and remitted to the Town monthly. The tax rate levied by the Town for the year ended September 30, 2014 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.

TOWN OF UTICA, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government				
Governmental activities:				
Nondepreciable:				
Land	\$ 71,105	-	-	71,105
Depreciable:				
Building	147,588	-	-	147,588
Infrastructure	97,355	-	-	97,355
Machinery and equipment	552,787	-	-	552,787
Total capital assets	<u>868,835</u>	<u>-</u>	<u>-</u>	<u>868,835</u>
Less accumulated depreciation for:				
Building	(123,614)	(3,734)	-	(127,348)
Infrastructure	(97,355)	-	-	(97,355)
Machinery and equipment	(457,786)	(34,760)	-	(492,546)
Total accumulated depreciation	<u>(678,755)</u>	<u>(38,494)</u>	<u>-</u>	<u>(717,249)</u>
Governmental activities capital assets, net	<u>\$ 190,080</u>	<u>(38,494)</u>	<u>-</u>	<u>151,586</u>

Depreciation expense for governmental activities is charged to functions for the year ended September 30, 2014 was as follows:

General government	\$ 12,559
Public safety:	
Police	22,081
Fire	3,854
	<u>\$ 38,494</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Nondepreciable:				
Land-Waterworks System	\$ 29,150	-	-	29,150
Depreciable:				
Waterworks and sewerage system	2,779,590	-	-	2,779,590
Natural gas system	320,408	-	-	320,408

TOWN OF UTICA, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 6 - CAPITAL ASSETS - CONTINUED:

Machinery and equipment-Waterworks System	100,034	3,720	-	103,754
Machinery and equipment-Gas System	<u>74,834</u>	<u>3,720</u>	-	<u>78,554</u>
Total capital assets	<u>3,304,016</u>	<u>7,440</u>	-	<u>3,311,456</u>
Less accumulated depreciation for:				
Waterworks System	(2,160,768)	(77,325)	-	(2,238,093)
Gas System	<u>(364,701)</u>	<u>(9,656)</u>	-	<u>(374,357)</u>
Total accumulated depreciation	<u>(2,525,469)</u>	<u>(86,981)</u>	-	<u>(2,612,450)</u>
Business-type activities capital assets, net	\$ <u>778,547</u>	<u>(79,541)</u>	-	<u>699,006</u>

Depreciation expense recorded in business-type activities for the year ended September 30, 2014 was as follows:

Waterworks System	\$ 77,325
Gas System	<u>9,656</u>
	\$ <u>86,981</u>

NOTE 7 - NOTES 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 six installments with the first installment due 60 days after the date of the note. The remaining installments are due annually with the final payment, plus accrued interest, due July 1, 2018. The balance of the note was \$22,527 at September 30, 2014.

NOTE 8 - 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).

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 8 - INTERFUND BALANCES – CONTINUED:

Individual interfund receivable and payable balances at September 30, 2014, consist of the following:

Fund	Advances from Other Funds	Advances to Other Funds
General	\$ 373,754	-
Gas system	-	510,854
Waterworks system	<u>137,100</u>	<u>-</u>
	<u>\$ 510,854</u>	<u>510,854</u>

NOTE 9 - 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, 2014, there had been no draws made on the loan.

NOTE 10 - 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 3.63% 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	\$ <u>79,625</u>
-----------	------------------

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, 2014:

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 10 - CAPITAL LEASES – CONTINUED:

Year ending September 30:	
2015	\$ 22,717
2016	-
2017	-
2018	-
2019	-
Total minimum lease payments	22,717
Less: Amount representing interest	(415)
Present value of net minimum lease payments	\$ 22,302

Interest expense for the year ended September 30, 2014 was \$1,094.

NOTE 11 - 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, 2014, the approximate percentage of total revenues from these funding sources is as follows:

State government	41.57%
County government	34.98%

NOTE 12 - 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.

TOWN OF UTICA, MISSISSIPPI

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 13 - 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.

NOTE 14 - INTERFUND TRANSFERS

During the year ended September 30, 2014, transfers among funds were utilized to provide cash flow for the Town's operating budget, as follows:

WWSF Fund	NGUF Fund	General Fund	Totals
\$ (35,000)	(127,896)	162,896	-

NOTE 15 - PRIOR PERIOD ADJUSTMENT

During 2014, management discovered financial statement errors that caused an overstatement of September 30, 2013, previously reported government-wide net position totaling \$661,385.

The following summarizes the prior period adjustments referred to above.

Governmental Activities

General Fund - Fund Balance

Balance, September 30, 2013 as previously reported	\$ (217,420)
Prior period adjustment for:	
Increase in receivables	6,838
Balance, September 30, 2014, as restated	\$ <u>(210,582)</u>

TOWN OF UTICA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 15 - PRIOR PERIOD ADJUSTMENT - CONTINUED:

<u>Government-Wide governmental Activities - Net Position</u>	
Balance, September 30, 2013 as previously reported	\$ 640,706
Prior period adjustment for:	
Increase in receivables	17,370
Decrease in net capital assets	<u>(678,755)</u>
Balance, September 30, 2014, as restated	<u>\$ (20,679)</u>

NOTE 16 - SUBSEQUENT EVENTS

The Town had no subsequent events of a material nature requiring adjustments to or disclosure in the financial statements through February 26, 2015, the date the financial statements were approved by the Town's management and thereby available to be issued.



CPAs & Advisors

INDEPENDENT AUDITOR'S 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Utica, Mississippi's basic financial statements and have issued our report thereon dated February 26, 2015.

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 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.

Internal Control Over Financial Reporting - continued:

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. 14-01.

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. 14-02.

Compliance and Other Matters

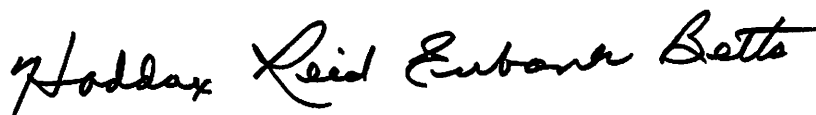
As part of obtaining reasonable assurance about whether the Town of Utica, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

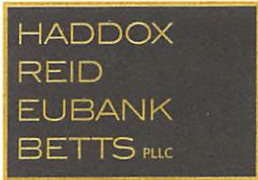
The Town of Utica, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Utica, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, 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.



Jackson, Mississippi
February 26, 2015



CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS

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

We have audited the basic financial statements of the Town of Utica, Mississippi as of and for the year ended September 30, 2014, and have issued our report dated February 26, 2015. 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.

Haddox Reid Eubank Betts

Jackson, Mississippi
February 26, 2015

TOWN OF UTICA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|--------------------|
| (1) Type of auditor's 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

14-01 Finding (Repeat of 13-01 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 financially feasible for the Town to hire personnel to ensure that the financial statements contain all the required adjustments.

Significant Deficiencies in Internal Control

14-02 Finding (Repeat of 13-02 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

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
FOR THE YEAR SEPTEMBER 30, 2014**

	<u>Total</u>	<u>Percentage</u>
REVENUES BY SOURCE:		
Property taxes	\$ 74,308	11.79 %
Sales taxes	142,544	22.62
Licenses and permits	2,177	0.35
Fines and forfeits	112,786	17.90
Utility franchise fees	14,477	2.30
Public works	61,754	9.80
Intergovernmental revenues	7,453	1.18
Federal aid	39,983	6.35
Miscellaneous	11,537	1.83
Interest	125	0.02
Transfers	<u>162,896</u>	<u>25.86</u>
Total revenues by source	\$ <u><u>630,040</u></u>	<u>100.00 %</u>
EXPENDITURES BY FUNCTION:		
General government	\$ 124,473	18.68 %
Public safety:		
Police	392,949	58.96
Fire	3,974	0.60
Public works	100,175	15.03
Cemetery	8,289	1.24
Grant expenditures	35,514	5.33
Debt service	<u>1,094</u>	<u>0.16</u>
Total expenditures by function	\$ <u><u>666,468</u></u>	<u>100.00 %</u>

TOWN OF UTICA, MISSISSIPPI

**SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS ON FISCAL YEAR 2014 AD VALOREM TAXES**

	<u>Assessed Value</u>	<u>Tax</u>
<u>Assessments:</u>		
City tax:		
Realty	\$ 2,017,106	
Personal - other than auto	336,409	
Utilities	<u>351,298</u>	
Total city at 22 mills	\$ <u>2,704,813</u>	\$ 59,506
Add:		
Over 65 homestead reimbursement		6,636
Deduct:		
Over 65 homesteads allowed		<u>(6,998)</u>
<u>Total assessments</u>		59,144
<u>Credits:</u>		
Collections allocated to:		
General Fund		<u>57,831</u>
<u>Balance</u>		\$ <u>1,313</u>
<u>Balance represented by:</u>		
Unpaid personal - current		\$ 1,313
Less: allowance for doubtful accounts		<u>500</u>
Taxes receivable, less allowance for doubtful accounts		\$ <u>813</u>

TOWN OF UTICA, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2014**

<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