

**TOWN OF UTICA, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

TOWN OF UTICA, MISSISSIPPI  
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September 30, 2016

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**BROWN, EWING & CO.**  
P. A.  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor Kenneth Broome  
and Honorable Members of the Board of Alderpersons  
Town of Utica, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Utica, Mississippi, as of and for the year ended September 30, 2016, 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 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 from 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, each major fund, and the aggregate remaining fund information of the Town of Utica, Mississippi, as of September 30, 2016, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-9), budgetary comparison information (page 16), and pension information (pages 40-41) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole

The introductory section has 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 October 26, 2018, 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 Town of Utica, Mississippi's internal control over financial reporting and compliance.

Brown, Eg & Co.

Ridgeland, Mississippi  
October 26, 2018

TOWN OF UTICA, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2016

**INTRODUCTION**

The discussion and analysis of the Town of Utica, Mississippi's annual financial performance provides an overall narrative review of the Town's financial activities for the year ended September 30, 2016. The intent of this discussion and analysis is to look at the Town's performance as a whole; we encourage readers to consider the information presented here in conjunction with additional information that we have furnished.

**FINANCIAL HIGHLIGHTS**

The assets of the Town of Utica, Mississippi exceeded its liabilities at the close of the most recent fiscal year by \$1,715,758 (*net positions*). Of this amount, \$579,600 (*unrestricted net positions*) is available to meet the Town's ongoing obligations to citizens and creditors.

The Town's total net positions increased by \$168,192. This increase is due to an increase in total assets.

As of close of the current fiscal year, the Town's governmental funds reported combined ending deficit fund balances of \$43,290, a decrease of \$50,612 in comparison with the prior year. Approximately \$178,650 or 412.68% of this total amount, is not *available for spending* at the Town's discretion (*unrestricted fund balance*) since this amount is a deficit.

At the end of the current fiscal year, unassigned fund balance for the general fund was a deficit of \$146,387, or 32.62% of total general fund expenditures.

The Town's total debt had a net increase of \$186,392 or 37.93% during the current fiscal year. The key factor in this increase was due to issuance of new debt with the Mississippi Development Authority for sewer infrastructure improvements.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**GOVERNMENT - WIDE FINANCIAL STATEMENTS**

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The Town reports all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets (including infrastructure acquired after July 1, 1980) and all of the Town's liabilities (including long-term debt).

TOWN OF UTICA, MISSISSIPPI  
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The government-wide financial statements are divided into two categories, which are described as follows:

- ◆ **Governmental Activities** - Expenses incurred in connection with providing basic services including public safety, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, intergovernmental sources, and utility franchise arrangements.
- ◆ **Business - Type Activities** - Expenses associated with providing utility services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with these services are reported as business type activities.

#### FUND FINANCIAL STATEMENTS

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- ◆ **Governmental Funds** - These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- ◆ **Proprietary Fund** - These funds are used to account for activities that function in a manner similar to commercial enterprises. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

TOWN OF UTICA, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2016

**GOVERNMENT - WIDE FINANCIAL ANALYSIS**

**NET POSITION**

A condensed version of the government-wide Statement of Net Position is presented as follows:

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Assets:</b>						
Current and Other Assets	\$ 329,805	315,724	986,938	487,002	\$ 1,316,743	\$ 802,726
Internal Balances	-	(388,556)	-	388,556	-	-
Capital Assets	<u>89,370</u>	<u>120,841</u>	<u>1,634,275</u>	<u>1,366,806</u>	<u>1,723,645</u>	<u>1,487,647</u>
Total Assets	<u>419,175</u>	<u>48,009</u>	<u>2,621,213</u>	<u>2,242,364</u>	<u>3,040,388</u>	<u>2,290,373</u>
<b>Liabilities:</b>						
Current and Other Liabilities	430,203	50,458	216,678	121,486	646,881	171,944
Long-term Liabilities	<u>32,262</u>	<u>11,947</u>	<u>645,487</u>	<u>479,410</u>	<u>677,749</u>	<u>491,357</u>
Total Liabilities	<u>462,465</u>	<u>62,405</u>	<u>862,165</u>	<u>600,896</u>	<u>1,324,630</u>	<u>663,301</u>
Deferred inflows of resources	-	79,506	-	-	-	79,506
<b>Net Position:</b>						
Invested in Capital Assets (Net)	89,370	120,841	1,000,798	886,018	1,090,168	1,006,859
Restricted	45,990	40,611	-	-	45,990	40,611
Unrestricted	<u>(178,650)</u>	<u>(255,354)</u>	<u>758,250</u>	<u>755,450</u>	<u>579,600</u>	<u>500,096</u>
Total Net Position	<u>\$ (43,290)</u>	<u>\$ (93,902)</u>	<u>1,759,048</u>	<u>1,641,468</u>	<u>\$ 1,715,758</u>	<u>\$ 1,547,566</u>

As the presentation appearing above demonstrates, the largest portion of the Town's net positions of \$1,715,758 or 63.54% are invested in capital assets. Net assets invested in capital assets consist of land, buildings, equipment, and any infrastructure acquired prior to September 30, 2016 less any debt used to acquire assets that remains outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net assets 2.68% represent resources that are subject to restrictions that are imposed by agreements with the Town's requirements imposed by various revenue sources. The remaining unrestricted net assets deficit 33.78% is not available to be used to meet the Town's ongoing obligations to citizens and creditors.

TOWN OF UTICA, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2016

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- ◆ Increase in total current assets in the amount of \$514,017.
- ◆ Increase in net capital assets in the amount of \$235,998.
- ◆ Increase in current liabilities in the amount of \$474,937.
- ◆ Increase in long-term liabilities in the amount of \$186,392.

**CHANGES IN NET POSITION**

A condensed version of the government-wide Statement of Changes in Net Position is presented as follows:

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>						
<b>Program Revenue:</b>						
Charges for services	\$ 62,553	\$ 111,825	486,800	618,842	\$ 549,353	\$ 730,667
Operating grants and contributions	10,318	-	-	-	10,318	-
Capital grants and contributions	213,363	9,212	177,278	237,208	390,641	246,420
<b>General Revenue:</b>						
Property taxes	92,808	79,335	-	-	92,808	79,335
Sales taxes	106,553	113,998	-	-	106,553	113,998
Franchise taxes	10,913	-	-	-	10,913	-
Licenses and permits	1,768	-	-	-	1,768	-
Fines and forfeits	56,394	-	-	-	56,394	-
Other	14,485	29,264	11,014	643	25,499	29,907
<b>Total Revenue</b>	<u>569,155</u>	<u>343,634</u>	<u>675,092</u>	<u>858,693</u>	<u>1,244,247</u>	<u>1,200,327</u>
<b>Program Expenses:</b>						
<b>General Government</b>						
Finance & Administrative	96,677	122,202	-	-	96,677	122,202
Public safety	321,041	300,644	-	-	321,041	300,644
Parks and recreation	11,637	-	-	-	11,637	-
Sanitation	59,658	-	-	-	59,658	-
Public works	143,354	36,554	-	-	143,354	36,554
Interest on long-term debt	-	-	22,150	-	22,150	-
Other	-	76,029	-	-	-	76,029
Cost of services	-	-	479,659	486,493	479,659	486,493
<b>Total Expenses</b>	<u>632,367</u>	<u>535,429</u>	<u>501,809</u>	<u>486,493</u>	<u>1,134,176</u>	<u>1,021,922</u>
<b>Increase (decrease) in Net Assets</b>						
Before Transfers and Special Items	(63,212)	(191,795)	173,283	370,200	110,071	178,405
Transfers and Special Items	105,000	155,000	(105,000)	(155,000)	-	-
<b>Change in Net Positions</b>	<u>41,788</u>	<u>(36,795)</u>	<u>68,283</u>	<u>215,200</u>	<u>110,071</u>	<u>178,405</u>
Net Position Beginning	(93,902)	(57,107)	1,641,468	1,426,268	1,547,566	1,369,161
Prior period adjustment	8,824	-	49,297	-	58,121	-
<b>Net Position Ending</b>	<u>\$ (43,290)</u>	<u>\$ (93,902)</u>	<u>1,759,048</u>	<u>1,641,468</u>	<u>\$ 1,715,758</u>	<u>\$ 1,547,566</u>

TOWN OF UTICA, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2016

The following are significant current year transactions that have had an impact on the Statement of Activities:

**Governmental activities.** Governmental activities increased the Town's net position by \$50,612, accounting for 53.90% of the increase in the Town's net assets. A key element of this increase is detailed as follows:

- ◆ Capital grants and contributions increased by \$204,151 or 231.60% during the year.
- ◆ Total governmental expenses increased by \$96,938 or 8.30% during the year.

**Business-type activities.** Business-type activities increased the Town's net position by \$117,580, accounting for 7.16% of the increase in the Town's net position. Key elements of this increase are as follows:

- ◆ Prior period adjustment to write-off customer's utility deposits in the amount of \$64,554.
- ◆ Total business-type expense increased by \$15,316 or 3.15% during the year.

#### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

**Governmental Funds** - The focus of the Town's governmental funds is to provide information on current inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserve fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending deficit fund balances of \$43,290, a decrease of \$41,788 in comparison to the prior year. In addition, the Town's general fund, reported a deficit net position of \$133,127, which is not available for spending at the Town's discretion.

**Proprietary Funds**-are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses a proprietary fund to account for the water and sewer, solid waste and electric funds. Fund financial statements for the proprietary fund provide the same type of information as the government-wide financial statements, only in more detail.

TOWN OF UTICA, MISSISSIPPI  
Management's Discussion and Analysis  
September 30, 2016

**BUDGETARY HIGHLIGHTS OF MAJOR FUNDS**

A schedule showing the original and final budget amounts compared to the Town's actual financial activity for the General Fund is provided in this report as part of the basic financial statements. Significant revisions to the General Fund's budget during the fiscal year are as follows:

- ◆ Actual property tax revenue collected during the fiscal year exceeded budget amounts due primarily to an increase in tax collections.
- ◆ Actual intergovernmental revenues fines reported for the fiscal year exceeded budgeted amounts due to increase in state shared revenues.
- ◆ Actual expenditures for the general fund were more than the budgeted amounts primarily due to a failure to budget for the retirement of long-term debt.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital asset** - As of September 30, 2016, the Town's total capital assets were \$5,263,142. This includes land, buildings, furniture and equipment, mobile equipment and infrastructure. This amount represents a gross increase, before depreciation, of \$341,836 from the previous fiscal year. The majority of this increase is due to improvements made to Town's Sewer System.

Total accumulated depreciation as of September 30, 2016 was \$1,952,244, including \$105,882, of depreciation expense for the year. The balance in total net capital assets was \$1,723,645 at year end.

**Debt Administration** - As of September 30, 2016, the Town had \$676,157 in long term debt outstanding. This includes state revolving loans and obligations under capital leases. Of this debt, \$36,200 is due within one year.

**CONTACTING THE CITY'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 demonstrate the Town's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Town of Utica at P. O. Box 335, Utica, Mississippi 39175.

TOWN OF UTICA, MISSISSIPPI  
Statement of Net Position  
For the Year Ended September 30, 2016

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 163,098	105,290	\$ 268,388
Certificate of deposits	71,459	258,594	330,053
Accounts receivable, net	62,329	42,018	104,347
Other receivables	12,833	-	12,833
Intergovernmental receivables	6,826	-	6,826
Due from other funds	-	581,036	581,036
Restricted Assets:			
Cash and cash equivalents	13,260	-	13,260
Capital Assets:			
Land	71,105	29,150	100,255
Buildings	12,712	-	12,712
Machinery and equipment	5,553	182,308	187,861
Infrastructure	-	1,422,817	1,422,817
<b>TOTAL ASSETS</b>	<b>\$ <u>419,175</u></b>	<b><u>2,621,213</u></b>	<b>\$ <u>3,040,388</u></b>
<b>LIABILITIES</b>			
Accounts payable, general	\$ 44,008	21,400	\$ 65,408
Accrued expenses	-	437	437
Due to other funds	386,195	194,841	581,036
Noncurrent liabilities:			
Due within one year	6,284	31,510	37,794
Due in more than one year	<u>25,978</u>	<u>613,977</u>	<u>639,955</u>
<b>Total Liabilities</b>	<b><u>462,465</u></b>	<b><u>862,165</u></b>	<b><u>1,324,630</u></b>
Net Position:			
Net investment in capital assets	89,370	1,000,798	1,090,168
Restricted	45,990	-	45,990
Unrestricted	<u>(178,650)</u>	<u>758,250</u>	<u>579,600</u>
<b>Total Net Position</b>	<b><u>(43,290)</u></b>	<b><u>1,759,048</u></b>	<b><u>1,715,758</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ <u>419,175</u></b>	<b><u>2,621,213</u></b>	<b>\$ <u>3,040,388</u></b>

The Accompanying Notes are an intergral part of these Financial Statements.

**TOWN OF UTICA, MISSISSIPPI**  
**Statement of Activities**  
**For the Year Ended September 30, 2016**

	Program Revenues			Net (Expenses) Revenues Changes in Net Assets			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
Administration	\$ 81,597	-	10,318	60,000	(11,279)	-	\$ (11,279)
Judicial	15,080	-	-	-	(15,080)	-	(15,080)
Public safety	321,041	-	-	-	(321,041)	-	(321,041)
Public works	143,354	-	-	101,681	(41,673)	-	(41,673)
Parks and recreation	11,637	-	-	132	(11,505)	-	(11,505)
Sanitation	59,658	62,553	-	-	2,895	-	2,895
Community development	-	-	-	51,550	51,550	-	51,550
Interest on long-term debt	-	-	-	-	-	-	-
<b>Total governmental activities</b>	<u>632,367</u>	<u>62,553</u>	<u>10,318</u>	<u>213,363</u>	<u>(346,133)</u>	<u>-</u>	<u>(346,133)</u>
<b>Business-type activities:</b>							
Water/Sewer	253,677	247,538	-	177,278	-	171,139	171,139
Gas	225,982	239,262	-	-	-	13,280	13,280
Interest on long-term debt	22,150	-	-	-	-	(22,150)	(22,150)
<b>Total Business-type activities</b>	<u>501,809</u>	<u>486,800</u>	<u>-</u>	<u>177,278</u>	<u>-</u>	<u>162,269</u>	<u>162,269</u>
<b>Total Primary Government</b>	<u>\$ 1,134,176</u>	<u>549,353</u>	<u>10,318</u>	<u>390,641</u>	<u>(346,133)</u>	<u>162,269</u>	<u>\$ (183,864)</u>
<b>General Revenues:</b>							
Property taxes					\$ 92,808	-	\$ 92,808
Sales taxes					106,553	-	106,553
Franchise taxes					10,913	-	10,913
Fines and report fees					56,394	-	56,394
License and permits					1,768	-	1,768
Miscellaneous					14,282	9,231	23,513
Unrestricted investment earnings					203	1,783	1,986
Transfers					105,000	(105,000)	-
<b>Total general revenues, special items, and transfers</b>					<u>387,921</u>	<u>(93,986)</u>	<u>293,935</u>
Change in net positions					41,788	68,283	110,071
Net Positions - Beginning					(93,902)	1,641,468	1,547,566
Prior period adjustments					8,824	49,297	58,121
<b>Net Positions - Ending</b>					<u>\$ (43,290)</u>	<u>1,759,048</u>	<u>\$ 1,715,758</u>

The Accompanying Notes are an integral part of these Financial Statements.

TOWN OF UTICA, MISSISSIPPI  
 Reconciliation of Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 For the Year Ended September 30, 2016

Amounts reported for net position in the Statement of Net Position are different because:

Total Fund Balances - Governmental Funds		\$ (100,397)
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Amounts reported for net position in the Statement of Net Position are different because:

Capital Assets	873,864	
Less: Accumulated Depreciation	<u>(784,494)</u>	89,370

Long-term liabilities not due and payable in the current period are not reported in the funds, as follows:

Compensated absences	(32,262)	
Other adjustments	<u>(1)</u>	<u>(32,263)</u>

Net Position of Governmental Activities		\$ <u><u>(43,290)</u></u>
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The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF UTICA, MISSISSIPPI  
Balance Sheet  
Governmental Funds  
For the Year Ended September 30, 2016

	General Fund	Fire Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 145,342	32,611	\$ 177,953
Certificate of deposits	71,459	-	71,459
Accounts receivable, net of allowances	60,733	-	60,733
Other receivables	12,835	-	12,835
Intergovernmental receivable	6,826	-	6,826
Due from other funds	-	119	119
<b>TOTAL ASSETS</b>	<b>\$ 297,195</b>	<b>32,730</b>	<b>\$ 329,925</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable, general	\$ 13,757	-	\$ 13,757
Accrued expenses	30,251	-	30,251
Due to other funds	386,314	-	386,314
<b>Total Liabilities</b>	<b>430,322</b>	<b>-</b>	<b>430,322</b>
<b>Fund Balance</b>			
Restricted	13,260	32,730	45,990
Unassigned	(146,387)	-	(146,387)
<b>Total Fund Balance</b>	<b>(133,127)</b>	<b>32,730</b>	<b>(100,397)</b>
<b>TOTAL LIABILITIES AND NET FUND BALANCES</b>	<b>\$ 297,195</b>	<b>32,730</b>	<b>\$ 329,925</b>

The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF UTICA, MISSISSIPPI  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended September 30, 2016

	General Fund	Fire Fund	CDBG Fund	Total Governmental Funds
<b>REVENUES:</b>				
General property taxes	\$ 88,235	-	-	\$ 88,235
Privilege licenses and permits	1,768	-	-	1,768
Intergovernmental revenues	283,258	5,259	51,550	288,517
Franchise taxes	10,913	-	-	10,913
Charges for services	65,841	-	-	65,841
Fines and report fees	34,591	-	-	34,591
Interest income	203	-	-	203
Miscellaneous	5,738	-	-	5,738
<b>Total Revenues</b>	<u>490,547</u>	<u>5,259</u>	<u>51,550</u>	<u>495,806</u>
<b>EXPENDITURES:</b>				
<b>General Government:</b>				
Administration	70,052	-	-	70,052
Judicial	15,080	-	-	15,080
Public safety	259,585	-	-	259,585
Public works	32,694	-	-	32,694
Sanitation	59,659	-	-	59,659
Cemetery	11,637	-	-	11,637
<b>Capital outlay:</b>				
General government	-	-	6,769	6,769
Public works	-	-	104,781	104,781
<b>TOTAL EXPENDITURES</b>	<u>448,707</u>	<u>-</u>	<u>111,550</u>	<u>560,257</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>41,840</u>	<u>5,259</u>	<u>(60,000)</u>	<u>47,099</u>
<b>Other Financing Sources:</b>				
Operating transfers in	105,000	-	60,000	165,000
Operating transfers out	(60,000)	-	-	(60,000)
<b>Total Other Financing Sources</b>	<u>45,000</u>	<u>-</u>	<u>60,000</u>	<u>105,000</u>
<b>Net change in fund balance</b>	<u>86,840</u>	<u>5,259</u>	<u>-</u>	<u>92,099</u>
<b>Fund Balance at Beginning of Year, as previously reported</b>	<u>(266,950)</u>	<u>27,471</u>	<u>-</u>	<u>(239,479)</u>
<b>Prior period adjustment</b>	<u>46,983</u>	<u>-</u>	<u>-</u>	<u>46,983</u>
<b>Fund Balance at Beginning of Year, as restated</b>	<u>(219,967)</u>	<u>27,471</u>	<u>-</u>	<u>(192,496)</u>
<b>Fund Balance at End of Year</b>	<u>\$ (133,127)</u>	<u>32,730</u>	<u>-</u>	<u>\$ (100,397)</u>

The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF UTICA, MISSISSIPPI  
 Reconciliation of the Statement of Revenues  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended September 30, 2016

Amounts reported in the Statement of Activities are different because:

		<u>AMOUNTS</u>
Net change in fund balances	\$	92,099
Prior period adjustments		8,824
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Expenditures for capital assets	111,500	
Current year depreciation expense	<u>(31,471)</u>	80,029
<p>Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:</p>		
Change in Compensated absences	18,838	
Other adjustments	<u>(158,002)</u>	<u>(139,164)</u>
Change in fund balances of governmental activities		\$ <u>41,788</u>

The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF UTICA, MISSISSIPPI  
Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual  
General Fund  
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 90,037	91,221	88,235	\$ (2,986)
Privilege licenses and permits	1,700	814	1,768	954
Intergovernmental revenues	116,500	181,923	283,258	101,335
Franchise taxes	15,000	10,913	10,913	-
Charges for services	65,000	63,596	65,841	2,245
Fines and report fees	65,448	53,386	34,591	(18,795)
Interest	15	15	203	188
Miscellaneous	7,500	9,955	738	(9,217)
<b>TOTAL REVENUES</b>	<u>361,200</u>	<u>411,823</u>	<u>485,547</u>	<u>73,724</u>
<b>OPERATING DISBURSEMENTS:</b>				
<b>General Government</b>				
Personal services	28,300	30,974	30,770	204
Supplies	8,800	8,611	4,068	4,543
Other services and charges	50,175	42,232	50,294	(8,062)
Capital outlays	-	60,000	-	60,000
<b>Total General Government</b>	<u>87,275</u>	<u>141,817</u>	<u>85,132</u>	<u>56,685</u>
<b>Public Safety</b>				
Personal services	184,460	209,330	205,684	3,646
Supplies	41,000	37,689	36,448	1,241
Other services and charges	36,546	32,820	17,453	15,367
<b>Total Public Safety</b>	<u>262,006</u>	<u>279,839</u>	<u>259,585</u>	<u>20,254</u>
<b>Public Works</b>				
Other services and charges	60,000	33,000	32,694	306
Capital outlay	500	-	-	-
<b>Total Public Works</b>	<u>60,500</u>	<u>33,000</u>	<u>32,694</u>	<u>306</u>
<b>Sanitation</b>				
Other services and charges	65,088	65,088	59,659	5,429
<b>Cemetery</b>				
Other services and charges	12,600	11,200	11,637	(437)
<b>Debt service</b>				
	1,800	-	-	-
<b>Total Expenditures</b>	<u>489,269</u>	<u>530,944</u>	<u>448,707</u>	<u>159,482</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(128,069)</u>	<u>(119,121)</u>	<u>36,840</u>	<u>233,206</u>
<b>Other Financing Sources:</b>				
Operating transfers in	104,819	104,819	105,000	181
Sale of real property/equipment	-	5,000	5,000	-
Operating transfers out	-	-	(60,000)	(60,000)
<b>Total Other Financing Sources</b>	<u>104,819</u>	<u>109,819</u>	<u>50,000</u>	<u>(59,819)</u>
<b>Net change in fund balance</b>	(23,250)	(9,302)	86,840	173,387
Fund Balance at Beginning of Year	(266,950)	(266,950)	(266,950)	-
<b>Fund Balance at End of Year</b>	<u>\$ (290,200)</u>	<u>(276,252)</u>	<u>(180,110)</u>	<u>\$ 173,387</u>

The Accompanying Notes are an integral part of these Financial Statements.

TOWN OF UTICA, MISSISSIPPI  
 Fire Fund  
 Statement of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual  
 For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental revenues	\$ 4,463	5,259	5,259	\$ -
TOTAL REVENUES	4,463	5,259	5,259	-
Excess of Revenues Over (Under) Expenditures	4,463	5,259	5,259	-
Net Change in fund balance	4,463	5,259	5,259	-
Fund Balance at beginning of year	27,471	27,471	27,471	-
Fund Balance at end of year	\$ 31,934	32,730	32,730	\$ -

The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF UTICA, MISSISSIPPI  
Community Development Block Grant  
Statement of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual  
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental revenues	\$ 51,550	51,550	51,550	\$ -
<b>TOTAL REVENUES</b>	<u>51,550</u>	<u>51,550</u>	<u>51,550</u>	<u>-</u>
<b>OPERATING DISBURSEMENTS:</b>				
General Government				
Capital outlays	111,550	111,550	111,550	-
<b>Total Expenditures</b>	<u>111,550</u>	<u>111,550</u>	<u>111,550</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
<b>Other Financing Sources:</b>				
Operating transfers in	60,000	60,000	60,000	-
<b>Total Other Financing Sources</b>	<u>\$ 60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>\$ -</u>

The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF UTICA, MISSISSIPPI  
Statement of Net Position  
Proprietary Fund  
For the Year Ended September 30, 2016

	<u>Business - Type Activities</u>		Total Proprietary Funds
	<u>Waterworks Fund</u>	<u>Gas Fund</u>	
<b>Assets</b>			
Cash and cash equivalents	\$ 45,514	59,776	\$ 105,290
Investments	49,375	209,219	258,594
Accounts receivable, net of allowances	29,936	12,082	42,018
Due from other funds	<u>69,750</u>	<u>511,286</u>	<u>581,036</u>
<b>Total Current Assets</b>	<u>194,575</u>	<u>792,363</u>	<u>986,938</u>
<b>Property, plant and Equipment, at Cost</b>			
Land	29,150	-	29,150
Utility system	3,857,412	320,408	4,177,820
Machinery and equipment	<u>103,754</u>	<u>78,554</u>	<u>182,308</u>
	3,990,316	398,962	4,389,278
Less: accumulated depreciation	<u>(2,359,857)</u>	<u>(395,146)</u>	<u>(2,755,003)</u>
Net property, plant and equipment	<u>1,630,459</u>	<u>3,816</u>	<u>1,634,275</u>
<b>Total Assets</b>	<u>\$ 1,825,034</u>	<u>796,179</u>	<u>\$ 2,621,213</u>
<b>Liabilities and Net Assets</b>			
Accounts payable	9,747	11,653	21,400
Accrued expenses	143	294	437
Due to other funds	192,528	2,313	194,841
Compensated absences	<u>2,880</u>	<u>2,880</u>	<u>5,760</u>
<b>Total current liabilities</b>	<u>205,298</u>	<u>17,140</u>	<u>222,438</u>
<b>Current Liabilities Payable from restricted Assets:</b>			
Accrued interest payable	1,594	-	1,594
Current portion of note	<u>24,156</u>	-	<u>24,156</u>
<b>Total Current liabilities payable from restricted assets</b>	<u>25,750</u>	-	<u>25,750</u>
<b>Long-Term Debt (less amounts classified as current)</b>			
Note payable	609,321	-	609,321
Compensated absences	<u>2,328</u>	<u>2,328</u>	<u>4,656</u>
<b>Total long-term debt</b>	<u>611,649</u>	<u>2,328</u>	<u>613,977</u>
<b>Total Liabilities</b>	<u>842,697</u>	<u>19,468</u>	<u>862,165</u>
<b>Net Position</b>			
Net Investment in Capital Assets	996,982	3,816	1,000,798
Unrestricted	<u>(14,645)</u>	<u>772,895</u>	<u>758,250</u>
<b>Total Net Positions</b>	<u>982,337</u>	<u>776,711</u>	<u>1,759,048</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 1,825,034</u>	<u>\$ 796,179</u>	<u>\$ 2,621,213</u>

The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF UTICA, MISSISSIPPI  
Statement of Revenues, Expenditures, and Changes in Net Position  
Proprietary Funds  
For the Year Ended September 30, 2016

	<u>Business - Type Activities</u>		
	Waterworks Fund	Gas Fund	Totals
Operating Revenues:			
Water/sewer sales to customers	\$ 247,538	-	\$ 247,538
Gas sales to customers	-	239,262	239,262
Other revenue	<u>6,876</u>	<u>2,355</u>	<u>9,231</u>
Total Operating Revenues	<u>254,414</u>	<u>241,617</u>	<u>496,031</u>
Operating Expenses:			
Personnel services	93,945	97,922	191,867
Supplies	33,186	35,879	69,065
Other services and charges	68,098	27,348	95,446
Natural gas purchases	-	48,870	48,870
Depreciation	<u>58,448</u>	<u>15,963</u>	<u>74,411</u>
Total Operating Expenses	<u>253,677</u>	<u>225,982</u>	<u>479,659</u>
Operating Income (Loss)	<u>737</u>	<u>15,635</u>	<u>16,372</u>
Nonoperating revenues (expenses)			
Interest income	462	1,321	1,783
Interest and service charges on long-term debt	(22,150)	-	(22,150)
Federal grant contribution	<u>177,278</u>	-	<u>177,278</u>
Total nonoperating revenues	<u>155,590</u>	<u>1,321</u>	<u>156,911</u>
Net Income Before Operating Transfers	156,327	16,956	173,283
Operating Transfers (Out)	<u>(35,000)</u>	<u>(70,000)</u>	<u>(105,000)</u>
Change in net position	121,327	(53,044)	68,283
Total net position, beginning	<u>835,600</u>	<u>805,868</u>	<u>1,641,468</u>
Prior period adjustment	25,410	23,887	49,297
Retained Earnings as restated	<u>861,010</u>	<u>829,755</u>	<u>1,690,765</u>
Total net position, ending	<u>\$ 982,337</u>	<u>776,711</u>	<u>\$ 1,759,048</u>

The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF UTICA, MISSISSIPPI  
Statement of Cash Flows  
All Proprietary Fund Types  
For the Year Ended September 30, 2016

	<u>Business-Type Activities</u>		
	Waterworks Fund	Gas Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from water customers and users	\$ 158,994	-	\$ 158,994
Receipts from sewer customers and users	88,682	-	88,682
Receipts from gas customers and users	-	241,277	241,277
Payments to employees	(92,477)	(97,347)	(189,824)
Payments to suppliers	<u>(177,676)</u>	<u>(169,039)</u>	<u>(346,715)</u>
Net cash provided by (used for) operating activities	<u>(22,477)</u>	<u>(25,109)</u>	<u>(47,586)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCIAL ACTIVITIES:</b>			
Operating transfer out	<u>(35,000)</u>	<u>(70,000)</u>	<u>(105,000)</u>
Net cash provided by (used in) non-capital financing activities	<u>(35,000)</u>	<u>(70,000)</u>	<u>(105,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from capital grants and contributions	177,278	-	177,278
Proceeds from long-term debt	164,558	-	164,558
Principal paid on capital debt	(11,868)	-	(11,868)
Interest paid on capital debt	(22,150)	-	(22,150)
Acquisition of capital assets	<u>(341,836)</u>	<u>-</u>	<u>(341,836)</u>
Net cash provided by (used in) capital and related financing activities	<u>(34,018)</u>	<u>-</u>	<u>(34,018)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Earnings on investments	462	1,321	1,783
Purchase of investments	(23,190)	(19,074)	(42,264)
Other	<u>103,174</u>	<u>89,697</u>	<u>192,871</u>
Net cash provided by (used in) investing activities	<u>80,446</u>	<u>71,944</u>	<u>152,390</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(11,049)</b>	<b>(23,165)</b>	<b>(34,214)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>56,563</u>	<u>82,941</u>	<u>139,504</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 45,514</u>	<u>\$ 59,776</u>	<u>\$ 105,290</u>
<b><u>Supplemental cash flow information:</u></b>			
Cash paid during the year:			
Interest Expense	<u>\$ 22,150</u>	<u>-</u>	<u>\$ (22,150)</u>

The Accompanying Notes are an intergral part of these Financial Statements.

TOWN OF UTICA, MISSISSIPPI  
Statement of Cash Flows  
All Proprietary Fund Types  
For the Year Ended September 30, 2016

	<u>Business-Type Activities</u>		Totals
	Waterworks Fund	Gas Fund	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ <u>737</u>	<u>15,635</u>	\$ <u>16,372</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Prior period adjustments	<u>25,410</u>	<u>23,887</u>	<u>49,297</u>
Depreciation	<u>58,448</u>	<u>15,963</u>	<u>74,411</u>
(Increase) Decrease in:			
Accounts receivable	(3,286)	(342)	(3,628)
Interest receivable	(39)	-	(39)
Prepaid expenses	216	216	432
Due from other funds	(8,756)	(27,175)	(35,931)
Increase (Decrease) in:			
Accounts payable	(70,521)	(17,282)	(87,803)
Compensated absences payable	1,468	1,469	2,937
Accrued liabilities	-	(3,018)	(6,036)
Customer's deposits	(26,185)	(38,369)	(64,554)
Due to other funds	-	2,313	2,313
Sales tax payable	<u>31</u>	<u>1,594</u>	<u>1,625</u>
Total adjustments	<u>(23,214)</u>	<u>(40,744)</u>	<u>(66,976)</u>
Net Cash Provided by (used in) Operating Activities	\$ <u>(22,477)</u>	<u>(25,109)</u>	\$ <u>(50,604)</u>
Recap of cash and cash equivalents:			
Cash and cash equivalent	\$ 45,514	59,776	\$ 105,290
Restricted cash and cash equivalents	-	-	-
Net Cash Provided by (used in) Operating Activities	<u>\$ 45,514</u>	<u>59,776</u>	<u>\$ 105,290</u>

TOWN OF UTICA, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Utica, Mississippi (the City) was incorporated under the provisions of Mississippi Law. The Town is governed by its Mayor and a Board of Aldermen/Alderwomen consisting of five members. Services provided to the citizens of Utica include but are not limited to public safety (police and fire protection), streets, recreation, and utility services (water and sewer).

The Town's accompanying policies conform to generally accepted accounting principles for governmental units. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Some of the Town's more significant accounting policies are described as follows:

***FINANCIAL REPORTING ENTITY***

The accompanying financial statements reflect only the primary government of the Town of Utica. The primary government includes only those funds, organizations, institutions, agencies, departments, and offices that are not legally separate from the Town.

***BASIC FINANCIAL STATEMENTS***

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

1. Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
2. Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Town only applies those FASB pronouncement that were issued on or before November 30, 1989.

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

The Statement of Net Assets and the Statement of Activities display information about the Town as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

TOWN OF UTICA, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2016

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

**FUND FINANCIAL STATEMENTS**

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and business-type (enterprise) funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

**MAJOR GOVERNMENTAL FUNDS**

General Fund - The general fund is the primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**MAJOR BUSINESS- TYPE FUNDS**

Water/Sewer System - The water/sewer system fund is used to account for the operation of the Town's water/sewer system, which is supported by user charges.

Natural Gas System - The natural gas system fund is used to account for the operation of the Town's natural gas system, which is supported by user charges and special taxes.

Business-Type funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with the funds ongoing operations. Principal operating revenues are charges to customers for water and sewer service and gas services.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

TOWN OF UTICA, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2016

Under the modified accrual basis of accounting and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end or if it is due under cost reimbursement arrangement. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, claims and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measure focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

***Cash and Cash Equivalents***

The Town's deposits excess funds in the financial institutions selected by the Mayor and governing board. State statute specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificate of deposits with maturities of 12 months or less. Cash and cash equivalents are valued at costs.

***Investments***

The Town can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

Investments are reported at fair value.

***Receivables***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

***INTERFUND TRANSACTIONS AND BALANCES***

Interfund transactions and balances are the result of timing differences between the date expense/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are not offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF UTICA, MISSISSIPPI  
Notes to Financial Statements  
September 30, 2016

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

**INTERNAL ACTIVITY**

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statement, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

**Restricted Assets** - Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

**Capital Assets** - Capital assets, which include property, equipment and infrastructure acquired after October 1, 2003, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the Town.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5-50
Improvement, other than buildings	5-50
Mobile equipment	5-10
Furniture, machinery, and equipment	5-10
Infrastructure	8-50

Interest is capitalized on proprietary funds assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on investment proceeds over the same period.

TOWN OF UTICA, MISSISSIPPI  
Notes to Financial Statements  
September 30, 2016

**Compensated Absences** - Full-time, permanent employees are granted forty (40) 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 (1) 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 statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fund Balance Spending Policy** - The City has not adopted a formal spending policy as it relates to the fund balance therefore, excess amounts are expended in the following manner in accordance with GASB 54 default level: committed, assigned and unassigned.

**Deferred Outflows/Inflows of Resources** - In additions to assets, the statement of financial position 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 (expenses/expenditures) until then.

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

**NOTE 2 - BUDGETARY CONTROL**

The Town Charter establishes the fiscal year as the twelve-month period beginning October 1. The procedures detailed below are followed in establishing the budgetary data reflected in the financial statements.

The Town Clerk and Mayor prepare a proposed budget based on an estimate of the revenues expected to be received in the next fiscal year and submits the proposal to the Board of Aldermen. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is set.

A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

As required by state law, the budgets are amended whenever projected revenue fails to meet original expectations or when projected expenditures exceed original expectations. Budgetary amounts are presented as amended and all budgetary appropriations lapse at the end of the fiscal year.

TOWN OF UTICA, MISSISSIPPI  
Notes to Financial Statements  
September 30, 2016

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The collateral for public entities, deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

The carrying amount of the Town's deposits with financial institutions in the governmental activities and the business-type activities funds was \$163,098 and \$105,290, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$268,388, none which are Restricted Assets.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of a failure of a financial institutions, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. However, the Mississippi State Treasury manages the risk on behalf of the Town deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the city. As of September 30, 2016, none of the Town's bank balance of \$547,246 was exposed to custodial credit risk.

**Interest Rate Risk.** The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The city does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**Custodial Credit Risk - Investments.** Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The city does not have a formal investment policy that addresses custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the city. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the city. As of September 30, 2016, none of the city's bank balance of \$547,246 was exposed to custodial credit risk.

**Concentration of Credit Risk.** Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2016, the city had no investments.

TOWN OF UTICA, MISSISSIPPI  
Notes to Financial Statements  
September 30, 2016

Following is a list of the Town's eligible investments, which in accordance with State statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

- Certificates of deposit with municipal depositories approved annually by the State Treasurer bonds or direct obligations of the:
- United States of America
  - State of Mississippi
  - County or Municipality of Mississippi
  - School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

**NOTE 4 - AD VALOREM TAXES**

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year in which the tax is levied. Property taxes are recognized when the revenue is measurable and available. Available means due or past due and collected no longer than 60 days after the close of the current period. For the year ended September 30, 2016, the Town levied and collected 40.00 mills of taxes for general corporate purposes of the Town.

**NOTE 5 - INTERFUND BALANCES AND TRANSFERS**

Individual fund interfund receivable and payable balances are presented as of September 30, 2016 as follows:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
Major Funds:		
General	\$ -	\$ 386,433
Water/sewer system funds	69,750	194,409
Gas system fund	513,286	2,313
Non Major Fund		
Fire Fund	119	-
Total	\$ 583,155	\$ 583,155

TOWN OF UTICA, MISSISSIPPI  
Notes to Financial Statements  
September 30, 2016

Individual fund interfund transfers are presented as of September 30, 2016 as follows:

	Transfer In	Transfer Out
Major Funds:		
General Fund	\$ 60,000	\$ 165,000
Gas System Fund	70,000	-
Waterworks Fund	35,000	-
<b>Total</b>	<b>\$ 165,000</b>	<b>\$ 165,000</b>

**NOTE 6 - RECEIVABLES**

Receivables at September 30, 2016 consisted of the following:

	General Fund	Waterworks Fund	Gas Fund	Total
<u>Accounts Receivable</u>				
Charges for services	\$ 7,071	28,596	9,919	\$ 45,586
Franchise taxes	3,900	-	-	3,900
Property taxes	3,755	-	-	3,755
Police fines and assessments	322,419	-	-	322,419
Interest	2	39	61	102
Other	12,830	3,301	4,102	20,233
Total accounts receivable	349,977	31,936	14,082	395,995
<u>Due From Other Governments</u>				
Sales Taxes	6,826	-	-	6,826
Total due from other governments	6,826	-	-	6,826
Less: allowance for uncollectibles	(274,815)	(2,000)	(2,000)	(278,815)
Receivables, net of allowance	\$ 81,988	29,936	12,082	\$ 124,006

TOWN OF UTICA, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2016

**NOTE 7 - CAPITAL ASSETS**

A summary of capital asset transactions for the year ended September 30, 2016 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Non Depreciable Capital Assets					
Land	\$ 71,105	-	-	-	\$ 71,105
Total non depreciable capital assets	<u>71,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,105</u>
Depreciable Capital Assets					
Buildings and Improvements	147,588	-	-	-	147,588
Infrastructure	97,355	-	-	-	97,355
Machinery and Equipment	<u>557,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>557,816</u>
Total depreciable capital assets	802,759	-	-	-	802,759
Accumulated Depreciation	<u>(753,023)</u>	<u>(31,471)</u>	<u>-</u>	<u>-</u>	<u>(784,494)</u>
Net depreciable capital assets	<u>49,736</u>	<u>(31,471)</u>	<u>-</u>	<u>-</u>	<u>18,265</u>
Total Governmental Activities	<u>\$ 120,841</u>	<u>(31,471)</u>	<u>-</u>	<u>-</u>	<u>\$ 89,370</u>
<b>Business-Type Activities:</b>					
Non Depreciable Capital Assets					
Land and Right of Ways	\$ 29,150	-	-	-	\$ 29,150
Utility Construction in Process	<u>717,996</u>	<u>341,836</u>	<u>(1,059,832)</u>	<u>-</u>	<u>-</u>
Total nondepreciable capital assets	<u>747,146</u>	<u>341,836</u>	<u>(1,059,832)</u>	<u>-</u>	<u>29,150</u>
Depreciable Capital Assets					
Waterworks and sewage system	2,797,580	1,059,832	-	-	3,857,412
Natural gas system	320,408	-	-	-	320,408
Machinery and equipment - waterworks	103,754	-	-	-	103,754
Machinery and equipment - natural gas	<u>78,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,554</u>
Total depreciable capital assets	3,300,296	1,059,832	-	-	4,360,128
Less: Accumulated depreciation					
Waterworks fund	(2,301,408)	(58,448)	-	-	(2,359,856)
Gas fund	<u>(379,228)</u>	<u>(15,963)</u>	<u>-</u>	<u>44</u>	<u>(395,147)</u>
Total accumulated depreciation	<u>(2,680,636)</u>	<u>(74,411)</u>	<u>-</u>	<u>44</u>	<u>(2,755,003)</u>
Net depreciable capital assets	<u>619,660</u>	<u>985,421</u>	<u>-</u>	<u>44</u>	<u>1,605,125</u>
Total Business-type activities capital assets, net	<u>\$ 1,366,806</u>	<u>1,327,257</u>	<u>(1,059,832)</u>	<u>44</u>	<u>\$ 1,634,275</u>

Depreciation expense charged to various functions presented on the statement of activities is presented as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Finance & Administrative	\$ 3,658	-	\$ 3,658
Police Protection	21,934	-	21,934
Public Works	5,879	-	5,879
Water/Sewer System	-	58,448	58,448
Gas System	-	<u>15,963</u>	<u>15,963</u>
Total Depreciation Expense	<u>\$ 31,471</u>	<u>74,411</u>	<u>\$ 105,882</u>

TOWN OF UTICA, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2016

**NOTE 8 - LONG-TERM DEBT**

***Governmental Activities***

A summary of long-term debt transactions for the year ended September 30, 2016, were as follows:

Governmental activities:	Beginning Balance at 10/01/15	Additions	Reductions	Ending Balance at 9/30/16	Amount Due Within One Year
Compensated absences	\$ 13,424	32,262	(13,424)	\$ 32,262	\$ 6,284
Note payable CAP loan	-	-	-	-	-
Total	<u>\$ 13,424</u>	<u>32,262</u>	<u>(13,424)</u>	<u>\$ 32,262</u>	<u>\$ 6,284</u>

***Business-Type Activities***

Long-term debt activity for the year ended September 30, 2016, is presented as follows:

Business -type activities:	Beginning Balance at 10/01/15	Additions	Reductions	Debt Forgiveness Adjustments	Ending Balance at 9/30/16	Amount Due Within One Year
Notes payable	\$ 480,788	164,558	(11,868)	-	\$ 633,478	\$ 24,156
Compensated absences	7,480	10,417	(7,480)	-	10,417	5,760
Totals	<u>\$ 488,268</u>	<u>174,975</u>	<u>(19,348)</u>	<u>-</u>	<u>\$ 643,895</u>	<u>\$ 29,916</u>

Notes payable consist of the following at September 30, 2016.

***Mississippi Development Authority***

Note payable to the Mississippi Development Authority under the Authority's Capital Improvement Revolving Loan Program. The note is due in monthly installments of \$3,579, which includes principal and interest starting June 2016 through May 2036 with an interest rate of 3.00%. The note is to be paid by the Town's Waterworks Fund.

\$ 633,477

Debt service requirements at September 30, 2016 are as follows:

Fiscal year ending September 30	Principal	Interest	Total
2017	\$ 24,156	18,793	\$ 42,949
2018	24,890	18,059	42,949
2019	25,647	17,302	42,949
2020	26,825	16,124	42,949
2021	27,231	15,718	42,949
2022-2026	149,096	65,649	214,745
2027-2031	173,192	41,553	214,745
2032-2036	182,440	13,615	196,055
Total payments	<u>\$ 633,477</u>	<u>206,813</u>	<u>\$ 840,290</u>

TOWN OF UTICA, MISSISSIPPI  
Notes to Financial Statements  
September 30, 2016

**NOTE 9 - GASB 54 FUND BALANCE PRESENTATION - CLASSIFICATION TOTAL**

The Town has implemented GASB Statement 54, as such, the fund balances of the governmental funds are classified by specific purpose as follows:

**Restricted** - amounts that can be spent for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Unassigned** - amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

	General Fund	Fire Fund	Total
Fund Balances:			
Restricted for:			
Public safety	\$ -	32,730	\$ 32,730
Cemetery maintenance	13,260	-	13,260
Unassigned:			
Other purposes	(146,387)	-	(146,387)
Total Fund Balances	\$ (133,127)	32,730	\$ (100,397)

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

The Town has been named as a defendant in several lawsuits as of September 30, 2016. These suits are at various stages in the legal system. It is not possible to predict at this time the extent of the Town's liability. The Town's legal counsel believes that the Town of Utica will prevail in these lawsuits.

**NOTE 11 - RESERVED FUND BALANCES AND RETAINED EARNINGS**

Various bond covenants require the Town to maintain cash reserves that can only be used under specific circumstances. The Town has no bond covenants.

**NOTE 12 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by participation in a public entity risk pool that operates as a common insurance program and by acquiring commercial insurance coverage. Claims resulting from these risks have historically not exceeded insurance coverage.

TOWN OF UTICA, MISSISSIPPI  
Notes to Financial Statements  
September 30, 2016

**NOTE 13 - PROPERTY TAXES RECEIVABLE AND PROPERTY TAX CALENDAR**

Property taxes receivable are recorded in the general fund after the general fund budget is approved by the Board of Aldermen/Alderwomen. At fiscal year-end, the receivable represent delinquent taxes.

Property taxes on real, personal and public utilities attach as an enforceable lien on the levy date or January 1 for the preceding calendar year. Hinds County bill and collect the real, personal and ad valorem taxes for the Utica, Mississippi. The taxes are remitted to the Town on a monthly basis.

The taxes are due on or before February 1; however, installment payments can be made one-half of balance due February 1 and one-fourth each on May 1 and August 1. Major tax payments are received February through May, are recognized as revenue in the year received. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received.

**NOTE 14 - PRIOR PERIOD ADJUSTMENT**

The following prior period adjustment was made to the government wide beginning Net Position during fiscal year 2015:

	<u>Governmental Activity</u>	<u>Business Activity</u>	<u>Total</u>
Beginning Balance, as previously reported	\$ (93,902)	1,641,468	\$ 1,547,566
Adjustment to write off utility customers balances	-	64,554	64,554
To correct accumulated depreciation balance	-	(14,482)	(14,482)
Adjustment to reconcile beginning account balances	8,824	-	8,824
Other reconciling adjustments	-	(775)	(775)
Total prior period adjustments	<u>8,824</u>	<u>49,297</u>	<u>58,121</u>
Beginning Balance, as restated	<u>\$ (85,078)</u>	<u>1,690,765</u>	<u>\$ 1,605,687</u>

**NOTE 15 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 26, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

TOWN OF UTICA, MISSISSIPPI  
Notes to the Financial Statements  
September 30, 2016

**NOTE 16 - NEW ACCOUNTING STANDARDS**

In fiscal year 2016, the Town implemented the following GASB Statements:

In February 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". This statement will establish the hierarchy of GAAP for state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015.

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosure". GASB 77 requires certain disclosure related to tax abatement agreements. The requirements of this statement are effective for financial statement for the fiscal years beginning after December 15, 2015.

The Town will adopt the following new accounting pronouncements in future years:

In June 2015, the GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68". This statement will improve the usefulness of information for decisions made by the various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for the periods beginning after June 15, 2015. The Town is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans". This statement will improve the usefulness of information about postemployment benefits other than pensions (Other Postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The Town is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). These requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The Town is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

) TOWN OF UTICA, MISSISSIPPI

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

TOWN OF UTICA, MISSISSIPPI

REPORTS ON COMPLIANCE AND  
INTERNAL CONTROL

SEPTEMBER 30, 2016



**BROWN, EWING & CO.**  
P. A.  
CERTIFIED PUBLIC ACCOUNTANTS

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 Kenneth Broome  
and Honorable Members of the Board of Alderman  
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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Utica, Mississippi (the Town), as of and for the year ended September 30, 2016, 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 October 26, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of the internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as item 2016-001 through 2016-005.

## Compliance and Other Matters

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

## Purpose of this Report

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

*Brown, Eg & Co.*

Ridgeland, Mississippi  
October 26, 2018

TOWN OF UTICA, MISSISSIPPI  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
Year Ended September 30, 2016

**Finding 2016-001**

**Preparation of Annual Financial Statements**

***Finding***

The Town's annual financial statements, including the notes, are the responsibility of the Town's management. Therefore, a proper system of internal control over financial reporting is essential in order to prevent, detect, and correct misstatements in the annual financial statements and notes. The Town management has requested that we prepare the Town's financial statements, including the related notes, because the Town does not have the necessary internal expertise to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America. As is the case with many municipalities of similar size, the Town has determined that it is more cost efficient to utilize the expertise of the auditor for preparation of the annual financial statements as opposed to hiring an employee with comparable expertise. While we have implemented appropriate controls over the financial statement preparation process within our CPA firm, our controls cannot be considered as part of the Town's controls. Accordingly, a material weakness in the Town's internal controls exists in the annual financial statement reporting function.

***Auditor's Recommendation***

The Town should take the necessary steps to ensure that the Town's annual financial statements, including the notes are prepared by an individual who has the expertise to prepare such financial statements to ensure that the statements are complete and accurate.

***Auditee's Response***

The Town's management has determined that it remains more cost efficient to utilize the auditor for preparation of the annual financial statements. However, management thoroughly reviews and approves the annual financial statements prior to issuance.

**Finding 2016-002**

**Significant Adjustments Required (Repeat of 15-01 Finding from Prior Year)**

***Finding***

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

***Auditor's Recommendation***

We recommend that the Town implement policies and procedures to ensure correct account coding on all transactions and journal entries. We also recommend that all accruals should be identified at year end and the necessary general journal entries be posted to the books at year end.

TOWN OF UTICA, MISSISSIPPI  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
Year Ended September 30, 2016

***Auditee's Response***

The Town will implement administrative control procedures to ensure that all transactions are coded to the applicable general ledger account and make the necessary general journal entries to book any and all accruals at year end.

**Finding 2016-003**

**Segregation of Duties: Payroll Procedures**

**Finding**

During our test of controls over payroll and our inquiry about processing payroll, we found that one person is responsible for new employee information input into the payroll system, processing payroll, determining the amount to be transferred to the payroll bank account, maintaining personnel files, and reconciling all bank accounts. This combination of duties is completely incompatible and significantly increases the chance of an error or irregularity going undetected.

***Auditor's Recommendation***

To maintain good internal control, we recommend that data entry for all new employees be documented as being reviewed by appropriate personnel. We also recommend that the bank reconciliations be documented as being reviewed by appropriate personnel.

***Auditee's Response***

The Town will implement internal administrative control procedures to ensure that all new employees data is reviewed and documented accordingly. All bank reconciliations will be reviewed by an employee who duties are segregate from that of banking activities.

**Finding 2016-004**

**Approval of Purchases Should Be in Writing**

**Finding**

Current procedures require all purchases to be approved by the Mayor. However, written evidence documenting his approval on a purchase order/purchase requisition is not required. This practice could allow for unauthorized purchases to occur and not otherwise be detected.

***Auditor's Recommendation***

We recommend that the Mayor's approval for purchases should always be clearly written on the face of a purchase order/purchase requisition so that it is clear the purchase was proper and authorized.

TOWN OF UTICA, MISSISSIPPI  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
Year Ended September 30, 2016

***Auditee's Response***

The Town will implement internal control procedures to ensure that the Mayor's approval of all purchases are clearly written on the face of the purchase order/purchase requisition to indicate that such purchases were properly approved and authorized.

**Finding 2016-005**

***Finding***

**Develop Written Formal Policies**

During our audit, we noted that the Town does not have written formal policies for the cash receipts process, credit card usage, the purchasing process, and the billing process. Policies could help to standardize the Town's processes and could be used to inform all employees of desired operating procedures and policies. Such policies could greatly minimize the time required to train any new staff members with accounting responsibilities.

***Auditor's Recommendation***

We suggest that a formal policies manual be developed, approved by the governing authority, documented, and distributed to all appropriate personnel.

***Auditee's Response***

The Town will implement procedures to adopt and develop a formal policy and accounting procedure manual which would include the necessary control and procedures that allow the Town to operate in a more efficient and affectively manner.



**BROWN, EWING & CO.**  
P. A.  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor Kenneth Broome, and  
Honorable Members of the Board of Alderpersons  
of the Town of Utica, Mississippi

We have audited the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Utica, Mississippi (the City) as of and for the year ended September 30, 2016, which collectively comprise the Town of Utica, Mississippi's basic financial statements and have issued our report thereon dated October 26, 2018. 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 *Governmental Auditing Standards*, issued by the *Comptroller General of the United States*.

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

The results of procedures performed to test compliance with certain other state laws and regulations disclosed no instances of noncompliance.

This report is intended solely for the information of the Mayor, Board of Alderpersons, management and federal awarding agencies and pass-through entities 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.

*Brown, Ewing & Co.*

Ridgeland, Mississippi  
October 26, 2018

TOWN OF UTICA, MISSISSIPPI  
 Schedule of Surety Bonds for Municipal Officials  
 September 30, 2016

Official Name	Position	Insured By	Bond Amount
Kenneth Broome	Mayor	Travelers Casualty	\$ 50,000
Earl Mathes	Alderman, Ward I	Travelers Casualty	25,000
Georger Walker	Alderman, Ward II	Travelers Casualty	25,000
Lennette Watts	Aldermanwoman, Ward III	Travelers Casualty	25,000
Kennerth Frazier, Jr.	Alderman, Ward IV	Travelers Casualty	25,000
Doris Ross	Alderman-at-Large	Travelers Casualty	25,000
Lisa Morris	Town Clerk	Travelers Casualty	50,000
Mary Moreland	Deputy Clerk	Travelers Casualty	50,000
Timothy Myles	Chief of Police	Travelers Casualty	50,000
Lisa Morris	Court Clerk	Travelers Casualty	50,000
Mary Moreland	Court Clerk	Travelers Casualty	50,000

TOWN OF UTICA, MISSISSIPPI  
Statement of Legal Debt Limit  
September 30, 2016

Authorized Debt Limit Percent Rule

	10%	15%
Authorized Debt Limit Percent		
2015 Tax Roll Estimation	\$ 3,347,024	\$ 3,347,024
Less: Homestead Exemption	(7,205)	(7,205)
Net 2015 Estimation Tax Roll	\$ 3,339,819	\$ 3,339,819
Assessed Valuation under respective debt limit	\$ 333,982	\$ 500,973
Less: All Bonded Indebtness	-	-
Deduct: Authorized Exemptions		
Utility Fund Revenue Bonds	-	-
Present debt subject to limitation	-	-
Margin for further debt under respective debt limits	\$ 333,982	\$ 500,973

Section 21-33-303 of Mississippi Code of Ordinances 1972 Annotated - Limitation of indebtedness as amended April 8, 1985, March 30, 1987, October 1, 1989, March 1, 1992, and July 1, 1995.

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%), until September 30, 1999, and then ten percent (10%) thereafter of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes, and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality contract and indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) until September 30, 1999, and fifteen percent (15%) thereafter of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

TOWN OF UTICA, MISSISSIPPI  
 Schedule of Long-Term Debt  
 September 30, 2016

	<u>Authorized</u>	<u>Issued</u>	<u>During Fiscal Year</u>			<u>Balance Outstanding 09/30/16</u>
			<u>Balance Outstanding 10/01/15</u>	<u>Issued</u>	<u>Retired</u>	
<b><u>Proprietary:</u></b>						
Long-term Debt						
Ms Development Authority Cap Loan	<u>480,788</u>	<u>480,788</u>	<u>480,788</u>	<u>164,558</u>	<u>11,869</u>	<u>633,477</u>
Total Long-Term Debt	<u>480,788</u>	<u>480,788</u>	<u>480,788</u>	<u>164,558</u>	<u>11,869</u>	<u>633,477</u>
Total Long-Term Debt	<u>\$ 480,788</u>	<u>480,788</u>	<u>480,788</u>	<u>164,558</u>	<u>11,869</u>	<u>\$ 633,477</u>