

TOWN OF UTICA, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

TOWN OF UTICA, MISSISSIPPI
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September 30, 2018

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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, 2018, 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, 2018, 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 on pages pages 4-9 and budgetary comparison information on pages page 16-18 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 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

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 December 14, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Utica, Mississippi's 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, Eng & Co.

Ridgeland, Mississippi
December 14, 2020

TOWN OF UTICA, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2018

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, 2018. 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 \$1,531,458 (*net positions*). Of this amount, \$454,702 (*unrestricted net positions*) is available to meet the Town's ongoing obligations to citizens and creditors.

The Town's total net positions decreased by \$53,666. This decrease is due to a decrease in total assets.

As of close of the current fiscal year, the Town's governmental funds reported combined ending deficit fund balances of \$152,858, a deficit increase of \$79,375 in comparison with the prior year. Approximately \$311,711 or 203.92% 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 \$273,458, or 64.21% of total general fund expenditures.

The Town's total debt had a net decrease of \$32,893 or 4.78% during the current fiscal year. The key factor in this increase was due to issuance of new debt with BancorpSouth Equipment Finance for the purchase of a vehicle for the police department.

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).

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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, 2018

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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Assets:</u>						
Current and Other Assets	\$ 215,862	280,735	1,010,971	966,417	\$ 1,226,833	\$ 1,247,152
Capital Assets	<u>128,613</u>	<u>145,030</u>	<u>1,458,639</u>	<u>1,543,756</u>	<u>1,587,252</u>	<u>1,688,786</u>
Total Assets	<u>344,475</u>	<u>425,765</u>	<u>2,469,610</u>	<u>2,510,173</u>	<u>2,814,085</u>	<u>2,935,938</u>
<u>Liabilities:</u>						
Current and Other Liabilities	439,403	433,503	229,062	228,936	668,465	662,439
Long-term Liabilities	<u>57,930</u>	<u>65,745</u>	<u>597,552</u>	<u>622,630</u>	<u>655,482</u>	<u>688,375</u>
Total Liabilities	<u>497,333</u>	<u>499,248</u>	<u>826,614</u>	<u>851,566</u>	<u>1,323,947</u>	<u>1,350,814</u>
<u>Net Position:</u>						
Invested in Capital Assets (Net)	108,934	117,536	917,903	936,622	1,026,837	1,054,158
Restricted	49,919	46,396	-	-	49,919	46,396
Unrestricted	<u>(311,711)</u>	<u>(237,415)</u>	<u>766,413</u>	<u>721,985</u>	<u>454,702</u>	<u>484,570</u>
Total Net Position	<u>\$ (152,858)</u>	<u>\$ (73,483)</u>	<u>1,684,316</u>	<u>1,658,607</u>	<u>\$ 1,531,458</u>	<u>\$ 1,585,124</u>

As the presentation appearing above demonstrates, the largest portion of the Town's net positions of \$1,531,458 or 67.05% are invested in capital assets. Net assets invested in capital assets consist of land, buildings, equipment, and any infrastructure acquired prior to September 30, 2018 less any debt used to acquire assets that remain 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 3.26% 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 29.69% is not available to be used to meet the Town's ongoing obligations to citizens and creditors.

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

- ◆ Decrease in total current assets in the amount of \$20,319.
- ◆ Decrease in net capital assets in the amount of \$101,534.
- ◆ Increase in current liabilities in the amount of \$6,026.
- ◆ Decrease in long-term liabilities in the amount of \$32,893.

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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program Revenue:						
Charges for services	\$ 62,521	\$ 63,965	515,047	484,974	\$ 577,568	\$ 528,939
Operating grants and contributions	18,257	18,113	-	-	18,257	18,113
Capital grants and contributions	34,689	59,894	41,320	-	76,009	59,894
General Revenue:						
Property taxes	103,875	89,401	-	-	103,875	89,401
Sales taxes	97,787	109,152	-	-	97,787	109,152
Franchise taxes	8,618	10,134	-	-	8,618	10,134
Licenses and permits	1,433	1,409	-	-	1,433	1,409
Fines and forfeits	39,928	46,753	-	-	39,928	46,753
Other	46,695	29,407	25,277	9,124	71,972	38,531
Total Revenue	<u>413,803</u>	<u>428,228</u>	<u>581,644</u>	<u>474,098</u>	<u>995,447</u>	<u>902,328</u>
Program Expenses:						
General Government						
Finance & Administrative	88,862	106,830	-	-	88,862	106,830
Public safety	261,430	261,625	-	-	261,430	261,625
Parks and recreation	10,188	10,887	-	-	10,188	10,887
Sanitation	45,317	47,688	-	-	45,317	47,688
Public works	101,797	74,246	-	-	101,797	74,246
Community development	-	11,844	-	-	-	11,844
Interest on long-term debt	584	301	17,871	-	18,455	301
Other	-	-	-	20,185	-	20,185
Cost of services	-	-	523,064	503,469	523,064	503,469
Total Expenses	<u>508,178</u>	<u>513,421</u>	<u>540,935</u>	<u>523,654</u>	<u>1,049,113</u>	<u>1,037,075</u>
Increase (decrease) in Net Assets						
Before Transfers and Special Items	(94,375)	(85,193)	40,709	(49,556)	(53,666)	(134,749)
Transfers and Special Items	15,000	55,000	(15,000)	(55,000)	-	-
Change in Net Position	<u>(79,375)</u>	<u>(30,193)</u>	<u>25,709</u>	<u>(104,556)</u>	<u>(53,666)</u>	<u>(134,749)</u>
Net Position Beginning	(73,483)	(43,290)	1,654,492	1,759,048	1,581,009	1,715,758
Net Position Ending	<u>\$ (152,858)</u>	<u>\$ (73,483)</u>	<u>1,680,201</u>	<u>1,654,492</u>	<u>\$ 1,527,343</u>	<u>\$ 1,581,009</u>

TOWN OF UTICA, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2018

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

Governmental activities. Governmental activities decreased the Town's net position by \$79,375, accounting for 108.02% of the decrease in the Town's net assets. A key element of this decrease is detailed as follows:

- ◆ Capital grants and contributions decreased by \$25,205 or 42.10% during the year.
- ◆ Sales tax revenue decreased by \$11,365 or 10.40% during the year.

Business-type activities. Business-type activities increased the Town's net position by \$25,709, accounting for 1.55% of the increase in the Town's net position. Key elements of this increase are as follows:

- ◆ Charges for services increased by \$50,073 or 10.70% during the year.
- ◆ Capital grants and contributions increased by \$41,320 or 100.00% 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 \$152,858, an increase of \$79,375 in comparison to the prior year. In addition, the Town's general fund, reported a deficit net position of \$260,198, 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, 2018

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 intergovernmental revenues reported for the fiscal year exceeded budgeted amounts due to increase in state shared revenues.
- ◆ Actual expenditures for the general fund were less than the budgeted amounts primarily due to a reduction in spending.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset - As of September 30, 2018, the Town's total capital assets were \$5,375,190. This includes land, buildings, furniture and equipment, mobile equipment and infrastructure. This amount represents a gross increase, before depreciation, of \$41,320 from the previous fiscal year. The majority of this increase is due to improvements made to Town's all purpose community center.

Total accumulated depreciation as of September 30, 2018 was \$3,746,618, including \$101,534, of depreciation expense for the year. The balance in total net capital assets was \$1,628,572 at year end.

Debt Administration - As of September 30, 2018, the Town had \$653,890 in long term debt outstanding. This includes state revolving loans and obligations under capital leases. Of this debt, \$45,098 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, 2018

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 88,715	146,954	\$ 235,669
Certificate of deposits	31,666	224,491	256,157
Accounts receivable, net	60,829	48,584	109,413
Other receivables	12,833	-	12,833
Intergovernmental receivables	8,440	-	8,440
Due from other funds	119	590,942	591,061
Restricted Assets:			
Cash and cash equivalents	13,260	-	13,260
Capital Assets:			
Land	71,105	29,150	100,255
Buildings	34,202	-	34,202
Automotive and equipment	21,997	-	21,997
Machinery and equipment	1,309	182,308	183,617
Infrastructure	-	1,247,181	1,247,181
Construction in progress	-	41,320	41,320
TOTAL ASSETS	<u>\$ 344,475</u>	<u>2,510,930</u>	<u>\$ 2,855,405</u>
LIABILITIES			
Accounts payable, general	\$ 46,712	20,597	\$ 67,309
Accrued expenses	6,011	677	6,688
Due to other funds	386,680	207,788	594,468
Noncurrent liabilities:			
Due within one year	13,522	33,170	46,692
Due in more than one year	44,408	564,382	608,790
Total Liabilities	<u>497,333</u>	<u>826,614</u>	<u>1,323,947</u>
Net Position:			
Net investment in capital assets	108,934	917,903	1,026,837
Restricted	49,919	-	49,919
Unrestricted	(311,711)	766,413	454,702
Total Net Position	<u>(152,858)</u>	<u>1,684,316</u>	<u>1,531,458</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 344,475</u>	<u>2,510,930</u>	<u>\$ 2,855,405</u>

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

TOWN OF UTICA, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2018

	Program Revenues			Net (Expenses) Revenues Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental activities:							
Administration	\$ 74,312	-	18,257	-	(56,055)	-	\$ (56,055)
Judicial	14,550	-	-	-	(14,550)	-	(14,550)
Public safety	261,430	-	-	-	(261,430)	-	(261,430)
Public works	101,797	-	-	-	(101,797)	-	(101,797)
Parks and recreation	10,188	-	-	34,689	24,501	-	24,501
Sanitation	45,317	62,521	-	-	17,204	-	17,204
Interest on long-term debt	584	-	-	-	(584)	-	(584)
Total governmental activities	508,178	62,521	18,257	34,689	(392,711)	-	(392,711)
Business-type activities:							
Water/Sewer	311,607	248,871	-	41,320	-	(21,416)	(21,416)
Gas	211,457	266,176	-	-	-	54,719	54,719
Interest on long-term debt	17,871	-	-	-	-	(17,871)	(17,871)
Total Business-type activities	540,935	515,047	-	41,320	-	15,432	15,432
Total Primary Government	\$ 1,049,113	577,568	18,257	76,009	(392,711)	15,432	\$ (377,279)
General Revenues:							
Property taxes				\$ 103,875	-		\$ 103,875
Sales taxes				97,787	-		97,787
Franchise taxes				8,618	-		8,618
Fines and report fees				39,928	-		39,928
License and permits				1,433	-		1,433
Miscellaneous				46,677	25,126		71,803
Unrestricted investment earnings				18	151		169
Transfers				15,000	(15,000)		-
Total general revenues, special items, and transfers				313,336	10,277		323,613
Change in net positions				(79,375)	25,709		(53,666)
Net Positions - Beginning				(73,483)	1,654,492		1,581,009
Net Positions - Ending				\$ (152,858)	1,680,201		\$ 1,527,343

The Accompanying Notes are an intergral 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, 2018

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

Total Fund Balances - Governmental Funds		\$ (223,539)
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Amounts reported for net position in the Statement of Net Position are different because:

Capital Assets	944,592	
Less: Accumulated Depreciation	<u>(815,979)</u>	128,613

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

Notes payable	(19,679)	
Compensated absences	(38,251)	
Other adjustments	<u>(2)</u>	<u>(57,932)</u>

Net Position of Governmental Activities		\$ <u><u>(152,858)</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, 2018

	General Fund	Fire Fund	CDBG Fund	Total Governmental Funds
ASSETS				
Cash	\$ 65,434	36,540	-	\$ 101,974
Certificate of deposits	31,666	-	-	31,666
Accounts receivable, net of allowances	60,829	-	-	60,829
Other receivables	12,835	-	-	12,835
Intergovernmental receivable	8,440	-	-	8,440
Due from other funds	-	119	-	119
TOTAL ASSETS	\$ 179,204	36,659	-	\$ 215,863
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable, general	\$ 15,793	-	-	\$ 15,793
Accrued expenses	36,930	-	-	36,930
Due to other funds	386,679	-	-	386,679
Total Liabilities	439,402	-	-	439,402
Fund Balance				
Restricted	13,260	36,659	-	49,919
Unassigned	(273,458)	-	-	(273,458)
Total Fund Balance	(260,198)	36,659	-	(223,539)
TOTAL LIABILITIES AND NET FUND BALANCES	\$ 179,204	36,659	-	\$ 215,863

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, 2018

	General Fund	Fire Fund	CDBG Fund	Total Governmental Funds
REVENUES:				
General property taxes	\$ 100,183	-	-	\$ 100,183
Privilege licenses and permits	1,433	-	-	1,433
Intergovernmental revenues	154,425	4,544	-	158,969
Franchise taxes	8,618	-	-	8,618
Charges for services	71,759	-	-	71,759
Fines and report fees	33,228	-	-	33,228
Interest income	18	-	-	18
Rent income	1,000	-	-	1,000
Miscellaneous	35,198	-	-	35,198
TOTAL REVENUES	405,862	4,544	-	410,406
EXPENDITURES:				
General Government:				
Administration	63,007	-	-	63,007
Judicial	14,550	-	-	14,550
Public safety	253,343	375	-	253,718
Public works	31,046	-	646	31,692
Sanitation	45,318	-	-	45,318
Cemetery	10,188	-	-	10,188
Debt services:				
Principal	7,816	-	-	7,816
Interest and service charges	584	-	-	584
Capital outlay:				
General government	-	-	2,600	2,600
Public works	-	-	70,105	70,105
TOTAL EXPENDITURES	425,852	375	73,351	499,578
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,990)	4,169	(73,351)	(89,172)
Other Financing Sources:				
Proceeds from sale of property	3,400	-	-	3,400
Operating transfers in	15,000	-	72,705	87,705
Operating transfers out	(72,705)	-	-	(72,705)
Total Other Financing Sources	(54,305)	-	72,705	18,400
Net change in fund balance	(74,295)	4,169	(646)	(70,772)
Fund Balance at Beginning of Year	(185,903)	32,490	646	(152,767)
Fund Balance at End of Year	\$ (260,198)	36,659	-	\$ (223,539)

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, 2018

Amounts reported in the Statement of Activities are different because:

		<u>AMOUNTS</u>
Net change in fund balances	\$	(70,772)
<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	-	
Current year depreciation expense	<u>(16,417)</u>	(16,417)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		(7,816)
<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	-	
Other adjustments	<u>15,630</u>	<u>15,630</u>
Change in fund balances of governmental activities		\$ <u><u>(79,375)</u></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, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 102,553	100,400	100,183	\$ (217)
Privilege licenses and permits	1,700	1,460	1,433	(27)
Intergovernmental revenues	125,244	132,717	154,425	21,708
Franchise taxes	11,000	17,492	8,618	(8,874)
Charges for services	58,000	69,552	71,759	2,207
Rent	3,000	1,000	1,000	-
Fines and report fees	52,000	38,924	33,228	(5,696)
Interest	15	16	18	2
Miscellaneous	<u>8,300</u>	<u>29,455</u>	<u>35,198</u>	<u>5,743</u>
TOTAL REVENUES	<u>361,812</u>	<u>391,016</u>	<u>405,862</u>	<u>14,846</u>
OPERATING DISBURSEMENTS:				
General Government				
Personal services	47,943	47,561	33,630	13,931
Supplies	4,000	2,800	4,537	(1,737)
Other services and charges	<u>46,125</u>	<u>36,882</u>	<u>39,390</u>	<u>(2,508)</u>
Total General Government	<u>98,068</u>	<u>87,243</u>	<u>77,557</u>	<u>9,686</u>
Public Safety				
Personal services	202,205	190,065	193,039	(2,974)
Supplies	23,200	37,740	37,032	708
Other services and charges	<u>57,100</u>	<u>18,397</u>	<u>23,272</u>	<u>(4,875)</u>
Total Public Safety	<u>282,505</u>	<u>246,202</u>	<u>253,343</u>	<u>(7,141)</u>
Public Works				
Other services and charges	<u>34,000</u>	<u>32,000</u>	<u>31,046</u>	<u>954</u>
Total Public Works	<u>34,000</u>	<u>32,000</u>	<u>31,046</u>	<u>954</u>
Sanitation				
Other services and charges	<u>44,000</u>	<u>45,318</u>	<u>45,318</u>	<u>-</u>
Cemetery				
Other services and charges	<u>10,887</u>	<u>14,382</u>	<u>10,188</u>	<u>4,194</u>
Debt service				
	<u>-</u>	<u>8,400</u>	<u>8,400</u>	<u>-</u>
Total Expenditures	<u>469,460</u>	<u>433,545</u>	<u>425,852</u>	<u>7,693</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(107,648)</u>	<u>(42,529)</u>	<u>(19,990)</u>	<u>22,539</u>
Other Financing Sources:				
Operating transfers in	55,435	95,435	15,000	(80,435)
Sale of real property/equipment	-	3,400	3,400	-
Operating transfers out	<u>-</u>	<u>(40,000)</u>	<u>(72,705)</u>	<u>(32,705)</u>
Total Other Financing Sources	<u>55,435</u>	<u>58,835</u>	<u>(54,305)</u>	<u>(113,140)</u>
Net change in fund balance	(52,213)	16,306	(74,295)	(90,601)
Fund Balance at Beginning of Year	(185,903)	(185,903)	(185,903)	-
Fund Balance at End of Year	\$ (238,116)	\$ (169,597)	\$ (260,198)	\$ (90,601)

The Accompanying Notes are an intergral 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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Intergovernmental revenues	\$ 5,260	4,682	4,544	\$ (138)
TOTAL REVENUES	<u>5,260</u>	<u>4,682</u>	<u>4,544</u>	<u>(138)</u>
OPERATING DISBURSEMENTS:				
Public Safety				
Other services and charges	-	-	240	(240)
Total Expenditures	<u>-</u>	<u>-</u>	<u>240</u>	<u>(240)</u>
Excess of Revenues Over (Under) Expenditures	<u>5,260</u>	<u>4,682</u>	<u>4,304</u>	<u>(378)</u>
Other Financing Sources:				
Sale of real property/equipment	-	-	3,400	3,400
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>3,400</u>	<u>3,400</u>
Net change in fund balance	5,260	4,682	7,704	3,022
Fund Balance at beginning of year	<u>32,490</u>	<u>32,490</u>	<u>32,490</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 37,750</u>	<u>37,172</u>	<u>40,194</u>	<u>\$ 3,022</u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Intergovernmental revenues	\$ <u>257,128</u>	<u>41,320</u>	<u>-</u>	\$ <u>(41,320)</u>
TOTAL REVENUES	<u>257,128</u>	<u>41,320</u>	<u>-</u>	<u>(41,320)</u>
OPERATING DISBURSEMENTS:				
General Government				
Public works	-	-	646	(646)
Capital outlays	<u>308,427</u>	<u>114,025</u>	<u>72,705</u>	<u>41,320</u>
Total Expenditures	<u>308,427</u>	<u>114,025</u>	<u>73,351</u>	<u>40,674</u>
Excess of Revenues Over (Under) Expenditures	<u>(51,299)</u>	<u>(72,705)</u>	<u>(73,351)</u>	<u>(646)</u>
Other Financing Sources:				
Operating transfers in	<u>-</u>	<u>-</u>	<u>72,705</u>	<u>72,705</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>72,705</u>	<u>72,705</u>
Net change in fund balance	(51,299)	(72,705)	(646)	72,059
Fund Balance at beginning of year	<u>646</u>	<u>646</u>	<u>646</u>	<u>-</u>
Fund Balance at end of year	<u>\$ (50,653)</u>	<u>(72,059)</u>	<u>-</u>	<u>\$ 72,059</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, 2018

	<u>Business - Type Activities</u>		Total Proprietary Funds
	<u>Waterworks Fund</u>	<u>Gas Fund</u>	
Assets			
Cash and cash equivalents	\$ 62,157	84,797	\$ 146,954
Investments	14,345	210,146	224,491
Accounts receivable, net of allowances	37,311	11,273	48,584
Due from other funds	<u>71,752</u>	<u>519,190</u>	<u>590,942</u>
Total Current Assets	<u>185,565</u>	<u>825,406</u>	<u>1,010,971</u>
Property, plant and equipment, at cost			
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>(2,532,173)</u>	<u>(398,466)</u>	<u>(2,930,639)</u>
	1,458,143	496	1,458,639
Construction in progress	<u>41,320</u>	-	<u>41,320</u>
Net property, plant and equipment	<u>1,499,463</u>	<u>496</u>	<u>1,499,959</u>
Total Assets	<u>\$ 1,685,028</u>	<u>825,902</u>	<u>\$ 2,510,930</u>
Liabilities and Net Assets			
Accounts payable	\$ 14,982	5,615	\$ 20,597
Accrued expenses	226	451	677
Due to other funds	197,721	10,067	207,788
Compensated absences	<u>2,880</u>	<u>2,880</u>	<u>5,760</u>
Total current liabilities	<u>215,809</u>	<u>19,013</u>	<u>234,822</u>
Current Liabilities Payable from Restricted Assets:			
Accrued interest payable	1,594	-	1,594
Current portion of note	<u>25,816</u>	-	<u>25,816</u>
Total Current Liabilities Payable from Restricted Assets	<u>27,410</u>	<u>-</u>	<u>27,410</u>
Long-Term Debt (less amounts classified as current)			
Note payable	556,240	-	556,240
Compensated absences	<u>4,071</u>	<u>4,071</u>	<u>8,142</u>
Total Long-Term Debt	<u>560,311</u>	<u>4,071</u>	<u>564,382</u>
Total Liabilities	<u>803,530</u>	<u>23,084</u>	<u>826,614</u>
Net Position			
Net Investment in Capital Assets	917,407	496	917,903
Unrestricted	<u>(35,909)</u>	<u>802,322</u>	<u>766,413</u>
Total Net Positions	<u>881,498</u>	<u>802,818</u>	<u>1,684,316</u>
Total Liabilities and Net Position	<u>\$ 1,685,028</u>	<u>\$ 825,902</u>	<u>\$ 2,510,930</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, 2018

	<u>Business - Type Activities</u>		
	<u>Waterworks Fund</u>	<u>Gas Fund</u>	<u>Totals</u>
Operating Revenues:			
Water/sewer sales to customers	\$ 248,871	-	\$ 248,871
Gas sales to customers	-	266,176	266,176
Other revenue	<u>22,886</u>	<u>2,240</u>	<u>25,126</u>
Total Operating Revenues	<u>271,757</u>	<u>268,416</u>	<u>540,173</u>
Operating Expenses:			
Personnel services	92,989	92,640	185,629
Supplies	48,692	16,619	65,311
Other services and charges	85,553	24,017	109,570
Natural gas purchases	-	77,437	77,437
Depreciation	<u>84,373</u>	<u>744</u>	<u>85,117</u>
Total Operating Expenses	<u>311,607</u>	<u>211,457</u>	<u>523,064</u>
Operating Income (Loss)	<u>(39,850)</u>	<u>56,959</u>	<u>17,109</u>
Nonoperating revenues (expenses)			
Interest income	22	129	151
Interest and service charges on long-term debt	(17,871)	-	(17,871)
Federal grant contribution	<u>41,320</u>	<u>-</u>	<u>41,320</u>
Total nonoperating revenues	<u>23,471</u>	<u>129</u>	<u>23,600</u>
Net Income Before Operating Transfers	(16,379)	57,088	40,709
Operating Transfers (Out)	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
Change in net position	(16,379)	42,088	25,709
Total net position, beginning	<u>897,877</u>	<u>760,730</u>	<u>1,658,607</u>
Total net position, ending	<u>\$ 881,498</u>	<u>\$ 802,818</u>	<u>\$ 1,684,316</u>

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

TOWN OF UTICA, MISSISSIPPI
Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended September 30, 2018

	<u>Business-Type Activities</u>		
	<u>Waterworks</u>	<u>Gas</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from water customers and users	\$ 165,738	-	\$ 165,738
Receipts from sewer customers and users	41,494	-	41,494
Receipts from gas customers and users	-	271,714	271,714
Payments to employees	(92,989)	(92,640)	(185,629)
Payments to suppliers	(85,346)	(117,850)	(203,196)
Net cash provided by (used for) operating activities	<u>28,897</u>	<u>61,224</u>	<u>90,121</u>
CASH FLOWS FROM NON-CAPITAL FINANCIAL ACTIVITIES:			
Operating transfer out	-	(15,000)	(15,000)
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital grants and contributions	41,320	-	41,320
Principal paid on capital debt	(25,077)	-	(25,077)
Interest paid on capital debt	(17,871)	-	(17,871)
Acquisition of capital assets	(41,320)	-	(41,320)
Net cash provided by (used in) capital and related financing activities	<u>(42,948)</u>	<u>-</u>	<u>(42,948)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Earnings on investments	22	129	151
Purchase of investments	35,277	(96)	35,181
Other	8,391	(2,463)	5,928
Net cash provided by (used in) investing activities	<u>43,690</u>	<u>(2,430)</u>	<u>41,260</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,639	43,794	73,433
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>32,517</u>	<u>41,003</u>	<u>73,520</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 62,156</u>	<u>84,797</u>	<u>\$ 146,953</u>
<u>Supplemental cash flow information:</u>			
Cash paid during the year:			
Interest Expense	<u>\$ 17,871</u>	<u>-</u>	<u>\$ 17,871</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, 2018

	<u>Business-Type Activities</u>		
	Waterworks Fund	Gas Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ <u>(39,850)</u>	<u>56,959</u>	\$ <u>17,109</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	<u>84,373</u>	<u>744</u>	<u>85,117</u>
(Increase) Decrease in:			
Accounts receivable	(7,129)	827	(6,302)
Due from other funds	(8,756)	-	(8,756)
Increase (Decrease) in:			
Accounts payable	207	224	431
Accrued liabilities	-	157	157
Due to other funds	-	2,313	2,313
Sales tax payable	<u>53</u>	<u>-</u>	<u>53</u>
Total adjustments	<u>68,748</u>	<u>4,265</u>	<u>73,013</u>
Net Cash Provided by (used in) Operating Activities	<u>\$ 28,898</u>	<u>61,224</u>	<u>\$ 90,122</u>
Recap of cash and cash equivalents:			
Cash and cash equivalent	\$ <u>62,157</u>	<u>84,797</u>	\$ <u>146,954</u>
Net Cash Provided by (used in) Operating Activities	<u>\$ 62,157</u>	<u>84,797</u>	<u>\$ 146,954</u>

TOWN OF UTICA, MISSISSIPPI
Notes to the Financial Statements
September 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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 \$133,641 and \$371,445, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$235,669, certificate of deposits of \$256,157 and restricted assets of \$13,260.

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, 2018, none of the Town's bank balance of \$510,625 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, 2018, none of the city's bank balance of \$510,625 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, 2018, the city had no investments.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2018

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, 2018, 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, 2018 as follows:

	Interfund Receivables	Interfund Payables
Major Funds:		
General	\$ -	\$ 386,433
Water/sewer system funds	71,752	197,967
Gas system fund	519,191	6,662
Non Major Fund		
Fire Fund	119	-
Total	\$ 591,062	\$ 591,062

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2018

Individual fund interfund transfers are presented as of September 30, 2018 as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General Fund	\$ 15,000	\$ 72,705
Gas System Fund	-	15,000
Non Major Fund:		
CDBG Fund	72,705	-
Total	\$ 87,705	\$ 87,705

NOTE 6 - RECEIVABLES

Receivables at September 30, 2018 consisted of the following:

	<u>General Fund</u>	<u>CDBG Fund</u>	<u>Waterworks Fund</u>	<u>Gas Fund</u>	<u>Total</u>
<u>Accounts Receivable</u>					
Charges for services	\$ 6,958	-	34,528	9,092	\$ 50,578
Franchise taxes	3,276	-	-	-	3,276
Property taxes	2,992	-	-	-	2,992
Police fines and assessments	322,419	-	-	-	322,419
Interest	2	-	39	61	102
Other	12,832	-	4,744	4,120	21,696
Total accounts receivable	348,479	-	39,311	13,273	401,063
<u>Due From Other Governments</u>					
Sales Taxes	8,440	-	-	-	8,440
Total due from other governments	8,440	-	-	-	8,440
Less: allowance for uncollectibles	(274,815)	-	(2,000)	(2,000)	(278,815)
Receivables, net of allowance	\$ 82,104	-	37,311	11,273	\$ 130,688

TOWN OF UTICA, MISSISSIPPI
Notes to the Financial Statements
September 30, 2018

NOTE 7 - CAPITAL ASSETS

A summary of capital asset transactions for the year ended September 30, 2018 follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Governmental Activities:					
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	187,623	-	-	-	187,623
Infrastructure	97,355	-	-	-	97,355
Automotive and equipment	30,693	-	-	-	30,693
Machinery and Equipment	557,816	-	-	-	557,816
Total depreciable capital assets	873,487	-	-	-	873,487
Accumulated Depreciation	(799,562)	(16,417)	-	-	(815,979)
Net depreciable capital assets	<u>73,925</u>	<u>(16,417)</u>	<u>-</u>	<u>-</u>	<u>57,508</u>
Total Governmental Activities	<u>\$ 145,030</u>	<u>(16,417)</u>	<u>-</u>	<u>-</u>	<u>\$ 128,613</u>
Business-Type Activities:					
Non Depreciable Capital Assets					
Land and Right of Ways	\$ 29,150	-	-	-	\$ 29,150
Utility Construction in Process	-	41,320	-	-	41,320
Total nondepreciable capital assets	<u>29,150</u>	<u>41,320</u>	<u>-</u>	<u>-</u>	<u>70,470</u>
Depreciable Capital Assets					
Waterworks and sewage system	3,857,412	-	-	-	3,857,412
Natural gas system	320,408	-	-	-	320,408
Machinery and equipment - waterworks	103,754	-	-	-	103,754
Machinery and equipment - natural gas	78,554	-	-	-	78,554
Total depreciable capital assets	4,360,128	-	-	-	4,360,128
Less: Accumulated depreciation					
Waterworks fund	(2,447,799)	(84,373)	-	-	(2,532,172)
Gas fund	(397,723)	(744)	-	-	(398,467)
Total accumulated depreciation	<u>(2,845,522)</u>	<u>(85,117)</u>	<u>-</u>	<u>-</u>	<u>(2,930,639)</u>
Net depreciable capital assets	<u>1,514,606</u>	<u>(85,117)</u>	<u>-</u>	<u>-</u>	<u>1,429,489</u>
Total Business-type activities capital assets, net	<u>\$ 1,543,756</u>	<u>(43,797)</u>	<u>-</u>	<u>-</u>	<u>\$ 1,499,959</u>

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

	Governmental Activities	Business-Type Activities	Total
Finance & Administrative	\$ 8,705	-	\$ 8,705
Police Protection	7,712	-	7,712
Water/Sewer System	-	84,373	84,373
Gas System	-	744	744
Total Depreciation Expense	<u>\$ 16,417</u>	<u>85,117</u>	<u>\$ 101,534</u>

TOWN OF UTICA, MISSISSIPPI
Notes to the Financial Statements
September 30, 2018

NOTE 8 - LONG-TERM DEBT

Governmental Activities

A summary of long-term debt transactions for the year ended September 30, 2018, were as follows:

Governmental activities:	Beginning Balance at 10/01/17	Additions	Reductions	Ending Balance at 9/30/18	Amount Due Within One Year
Compensated absences	\$ 38,251	5,114	(5,114)	\$ 38,251	\$ 5,514
Capital Lease Obligation	<u>27,494</u>	-	<u>(7,815)</u>	<u>19,679</u>	<u>8,008</u>
Total	<u>\$ 65,745</u>	<u>5,114</u>	<u>(12,929)</u>	<u>\$ 57,930</u>	<u>\$ 13,522</u>

Obligations Under Capital Leases

The outstanding Obligations Under Capital Leases are as follows as of September 30, 2018.

	Amount <u>Outstanding</u>
During May 2017, the Town executed a capital lease agreement with BancorpSouth Equipment Finance, a division of Bancorp South Bank for the purpose of acquiring a police vehicle. The agreement is in the amount of \$30,693 with an interest rate of 2.44.%, with annual installment payments of \$8,152, which includes principal and interest payable from the General Fund. The agreement has a maturity dated of May 24, 2021. The lease-purchase agreement qualifies as a capital lease for accounting purposes. This debt will be retired from the general fund.	\$ <u>19,679</u>
Total	<u>\$ 19,679</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

Fiscal year ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 8,009	391	\$ 8,400
2020	8,206	194	8,400
2021	<u>3,464</u>	<u>20</u>	<u>3,484</u>
Total minimum lease payments	<u>\$ 19,679</u>	<u>605</u>	20,284
Less: amount representing interest			<u>(605)</u>
Present value of minimum lease payments			<u>\$ 19,679</u>

Included in capital assets is a motor vehicle with costs totaling \$30,693 under capital lease. The accumulated amortization for this capital asset is \$8,696 as of September 30, 2018, and is recorded as a component of depreciation expense. Amortization expense was \$6,139 for the year ended September 30, 2018.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2018

Business-Type Activities

Long-term debt activity for the year ended September 30, 2018, is presented as follows:

Business -type activities:	Beginning Balance at 10/01/17	Additions	Reductions	Debt Forgiveness Adjustments	Ending Balance at 9/30/18	Amount Due Within One Year
Notes payable	\$ 607,134	-	(25,077)	-	\$ 582,057	\$ 25,816
Compensated absences	13,903	5,760	(5,760)	-	13,903	5,760
Totals	<u>\$ 621,037</u>	<u>5,760</u>	<u>(30,837)</u>	<u>-</u>	<u>\$ 595,960</u>	<u>\$ 31,576</u>

Notes payable consist of the following at September 30, 2018.

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.

\$ 582,057

Debt service requirements at September 30, 2018 are as follows:

Fiscal year ending September 30	Principal	Interest	Total
2019	\$ 25,816	17,133	\$ 42,949
2020	26,825	16,124	42,949
2021	27,231	15,718	42,949
2022	28,036	14,913	42,949
2023	29,130	13,819	42,949
2024-2028	159,494	55,251	214,745
2029-2033	185,271	29,474	214,745
2034-2036	100,254	3,794	104,048
Total payments	<u>\$ 582,057</u>	<u>166,226</u>	<u>\$ 748,283</u>

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.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2018

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.

Fund Balances:	<u>General Fund</u>	<u>Fire Fund</u>	<u>Total</u>
Restricted for:			
Public safety	\$ -	36,659	\$ 36,659
Cemetery maintenance	13,260	-	13,260
Unassigned:			
Other purposes	<u>(273,458)</u>	<u>-</u>	<u>(273,458)</u>
Total Fund Balances	<u>\$ (260,198)</u>	<u>36,659</u>	<u>\$ (223,539)</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Litigation

The Town has been named as a defendant in several lawsuits as of September 30, 2018. 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.

Construction in Progress

The Town has under construction the following project:

<u>Project Description:</u>	<u>Estimated Cost of Project</u>	<u>Balance 10/01/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2018</u>	<u>Estimated Cost to Complete</u>
<i>Business Activities:</i>						
CDBG Water Tank Project	\$ <u>431,000</u>	\$ -	\$ <u>41,320</u>	\$ -	\$ <u>41,320</u>	\$ <u>389,680</u>
Total	\$ <u>431,000</u>	\$ -	\$ <u>41,320</u>	\$ -	\$ <u>41,320</u>	\$ <u>389,680</u>

At September 30, 2018, the construction projects is expected to be completed during fiscal year 2019 and the related cost of this project will be capitalized in the Water/Sewer Fund.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2018

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.

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 Town of 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 - SUBSEQUENT EVENTS

Events that occur after the Statement of Financial Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Position date require disclosure in the accompanying notes. Management of Town of Utica, Mississippi evaluated the activity of the Organization through December 14, 2020, which is the date the financial statements are available to be issued.

TOWN OF UTICA, MISSISSIPPI
Notes to Financial Statements
September 30, 2018

NOTE 14 - SUBSEQUENT EVENTS (Continued)

COVID-19 Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 22, 2020, the Governor of Louisiana ordered the closure of the physical location of every "non-life sustaining" and "non-essential" business for what may be an extended period of time. There has been no immediate impact to our operations however, we had to close our physical locations and all employees must work remotely as they can. Future potential impacts may include continued disruptions or restrictions on our employees' ability to work and impairment of our ability to obtain contributions and volunteers. The future effects of these issues are unknown.

NOTE 15 - NEW ACCOUNTING STANDARDS

In fiscal year 2018, the City implemented the following GASB Statements:

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.

In June 2015, the GASB issued Statements No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures". This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

TOWN OF UTICA, MISSISSIPPI
Notes to the Financial Statements
September 30, 2018

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

The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2016, the GASB issued Statement No. 82, "Pension Issues-An Amendment of GASB Statements Np. 67, No. 68, and No. 73". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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 Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

In November 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations". This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In January 2017, the GASB issued Statement No. 84, "Fiduciary Activities". The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

In March 2017, the GASB issued Statement No. 85, The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

TOWN OF UTICA, MISSISSIPPI
Notes to the Financial Statements
September 30, 2018

In May 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishments Issues". The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In June 2017, the GASB issued Statement No. 87, "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

In April 2018, the GASB issued Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements". The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In June 2018, the GASB issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period". The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

TOWN OF UTICA, MISSISSIPPI

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2018



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, 2018, 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 December 14, 2020.

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.

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 internal control was for the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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. Finding Number 2018-001 through 2018-002.

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, Egger & Co.
Ridgeland, Mississippi
December 14, 2020

TOWN OF UTICA, MISSISSIPPI
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
Year Ended September 30, 2018

Finding 2018-001

Preparation of Annual Financial Statements (Repeat finding from FY 2016)

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 2018-002

Significant Adjustments Required (Repeat finding from FY 2015, 2016 and 2017)

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. Additionally, prior year audit adjustments had not been posted in the Town's accounting records.

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 and the appropriate adjustment be made in the accounting records prior to the start of the audit. Finally, all prior year adjustments should be recorded in accounting records to ensure that the account balances are free from material misstatement.

TOWN OF UTICA, MISSISSIPPI
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
Year Ended September 30, 2018

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.



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 Town) as of and for the year ended September 30, 2018, which collectively comprise the Town of Utica, Mississippi's basic financial statements and have issued our report thereon dated December 14, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 on 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
December 14, 2020

TOWN OF UTICA, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2018

<u>Official Name</u>	<u>Position</u>	<u>Insured By</u>	<u>Bond Amount</u>
Kenneth Broome	Mayor	Travelers Casualty	\$ 50,000
Robin Robinson	Alderwoman, Ward I	Travelers Casualty	25,000
Georger Walker	Alderman, Ward II	Travelers Casualty	25,000
Aerrione Green	Alderwoman, Ward III	Travelers Casualty	25,000
Calvin Williams	Alderman, Ward IV	Travelers Casualty	25,000
Doris Ross	Alderwoman-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, 2018

Authorized Debt Limit Percent Rule

	10%	15%
Authorized Debt Limit Percent		
2017 Tax Roll Estimation	\$ 3,276,143	\$ 3,276,143
Less: Homestead Exemption	<u>(7,762)</u>	<u>(7,762)</u>
Net 2017 Estimation Tax Roll	<u>\$ 3,268,381</u>	<u>\$ 3,268,381</u>
Assessed Valuation under respective debt limit	<u>\$ 326,838</u>	<u>\$ 490,257</u>
Less: All Bonded Indebtness	-	-
Deduct: Authorized Exemptions		
Utility Fund Revenue Bonds	<u>-</u>	<u>-</u>
Present debt subject to limitation	<u>-</u>	<u>-</u>
Margin for further debt under respective debt limits	<u>\$ 326,838</u>	<u>\$ 490,257</u>

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, 2018

	During Fiscal Year				Balance Outstanding 09/30/18	
	Authorized	Issued	Balance Outstanding 10/01/17	Issued		Retired
<u>General Government:</u>						
Obligation under capital lease	\$ <u>30,693</u>	<u>30,693</u>	<u>27,494</u>	<u>-</u>	<u>7,815</u>	\$ <u>19,679</u>
Total General Government	<u>30,693</u>	<u>30,693</u>	<u>27,494</u>	<u>-</u>	<u>7,815</u>	<u>19,679</u>
<u>Proprietary:</u>						
Long-term Debt						
Ms Development Authority Cap Loan	<u>633,478</u>	<u>633,478</u>	<u>607,134</u>	<u>-</u>	<u>25,077</u>	<u>582,057</u>
Total Long-Term Debt	<u>633,478</u>	<u>633,478</u>	<u>607,134</u>	<u>-</u>	<u>25,077</u>	<u>582,057</u>
Total Long-Term Debt	\$ <u>664,171</u>	<u>664,171</u>	<u>634,628</u>	<u>-</u>	<u>32,892</u>	\$ <u>601,736</u>