

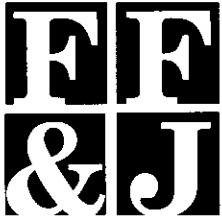


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FINANCIAL STATEMENTS  
City of Saltillo, Mississippi

For the Year Ended  
September 30, 2009



**FRANKS,  
FRANKS &  
JARRELL, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS OF THE

AICPA & MSCPA

**INDEPENDENT AUDITORS' REPORT**

Mayor and Board of Aldermen  
City of Saltillo  
Saltillo, Mississippi

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saltillo, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the City of Saltillo's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Saltillo, Mississippi's management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saltillo, Mississippi at September 30, 2009, and the respective changes in financial position and the cash flows, where appropriate, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2010, on our consideration of the City of Saltillo, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Saltillo, Mississippi's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

*Franks, Franks & Jarrell, P.A.*

FRANKS, FRANKS & JARRELL, P.A.  
January 12, 2010

# **CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Required Supplemental Information for the Year Ended September 30, 2009**

This section of the City of Saltillo's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2009. Please read it in conjunction with the City of Saltillo's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The City has adopted the provisions of Governmental Auditing Standards Board Statements No. 34, No. 37, and No. 38 and Interpretation No. 6 in the current fiscal year.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,232,586 compared to \$5,767,564 in the prior year. Of this amount, \$1,604,643 may be used to meet the City of Saltillo's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Saltillo's governmental funds reported combined ending fund balances of \$366,259, a decrease of \$172,447 in comparison to the prior year. Approximately 97% of the combined fund balances, \$356,477 is considered unreserved and is available for spending at the City of Saltillo's discretion.
- The City of Saltillo's total debt is \$5,049,186. Debt in the amount of \$328,901 was repaid during the current fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two types of statements that present different views of the City of Saltillo.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City of Saltillo's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City of Saltillo's operations in more detail than the government-wide statements.

The Governmental Funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending. The City of Saltillo has four Governmental Fund types: the General, Capital Projects, Debt Service, and Special Revenue.

Proprietary fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and include the Water and Sewer fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-

# CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the City of Saltillo's financial statements, including the portion of the City of Saltillo they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

### Major Features of the City of Saltillo's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks and recreation	Activities the city operates similar to private businesses: Water and Sewer System.
Required financial statements	Statement of Net Assets; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets' Statement of Net Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

# CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

## **Government-wide Statements**

The government-wide statements report information about the City of Saltillo as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City of Saltillo's net assets and how they have changed. Net assets—the difference between the City of Saltillo's assets and liabilities—is one way to measure the City of Saltillo's financial health, or position.

- Over time, increases or decreases in the city of Saltillo's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City of Saltillo, the reader should consider additional non-financial factors such as changes in the City of Saltillo's property tax base.
- *Governmental activities* –Most of the City of Saltillo's basic services are included here, such as the police, fire, public works, parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City of Saltillo charges fees to customers to help cover the costs of certain services that it provides. The City of Saltillo's water and sewer system services are included here.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the City of Saltillo's most significant funds—not the City as a whole. The "fund" level is where the basic unit of financial organization and operation within the City of Saltillo exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Alderman establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

# CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Saltillo has two types of funds:

- **Governmental funds**—most of the City of Saltillo's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Saltillo's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City of Saltillo utilizes four types of governmental funds: the General Fund, Capital Projects, Debt Service, and Special Revenue Funds.
  
- **Proprietary funds**—Services for which the City of Saltillo charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary fund—enterprise funds. The City of Saltillo's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Balance Sheet, Statement of Revenues, Expenses and Changes in Retained Earnings, and Statement of Cash Flows are all required statements.

## **Government-wide Financial Analysis**

Net assets may serve over time as a useful indicator of a government's financial position. The City of Saltillo's assets exceeded liabilities by \$6,232,586 at the close of the most recent fiscal year.

## CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

A large portion, 74%, of the City's net assets reflect its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1

### City of Saltillo's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and Other Assets	\$ 930,689	\$ 1,160,111	\$ 1,240,631	\$ 1,347,091	\$ 2,171,320	\$ 2,507,202
Noncurrent Assets	2,030,208	1,861,996	7,504,624	7,207,400	9,534,832	9,069,396
<b>Total Assets</b>	<b>2,960,897</b>	<b>3,022,107</b>	<b>8,745,255</b>	<b>8,554,491</b>	<b>11,706,152</b>	<b>11,576,598</b>
Current and Other Liabilities	310,115	333,797	429,526	425,628	739,641	759,425
Long-Term Liabilities	838,769	965,126	3,895,156	4,084,483	4,733,925	5,049,609
<b>Total Liabilities</b>	<b>1,148,884</b>	<b>1,298,923</b>	<b>4,324,682</b>	<b>4,510,111</b>	<b>5,473,566</b>	<b>5,809,034</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt:						
Restricted	1,226,286	924,767	3,391,875	2,890,027	4,618,161	3,814,794
Unrestricted	9,782				9,782	
Unrestricted	575,945	798,417	1,028,698	1,154,353	1,604,643	1,952,770
<b>Total Net Assets</b>	<b>\$ 1,812,013</b>	<b>\$ 1,723,184</b>	<b>\$ 4,420,573</b>	<b>\$ 4,044,380</b>	<b>\$ 6,232,586</b>	<b>\$ 5,767,564</b>

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The \$1,604,643 of unrestricted net assets provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net assets of our business-type activities were \$1,028,698 at the end of the current fiscal year. These resources cannot be used to add to the net asset surplus in governmental activities. The City of Saltillo generally can only use these net assets to finance the continuing operations of the business type activities.

## CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

**Changes in net assets.** Approximately 20.55 percent of the City of Saltillo's revenue comes from property taxes, with 40.35 percent of all revenue coming from some type of tax. (See Table A-2.) Another 48.01 percent comes from fees charged for services and the balance is from investment earnings and other miscellaneous receipts.

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2  
Changes in The City of Saltillo's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 280,934	\$ 277,465	\$ 1,188,933	\$ 1,334,273	\$ 1,469,867	\$ 1,611,738
Operating Grants & Contributions	59,245	-	-	-	59,245	-
Capital Grants & Contributions	84,668	-	296,412	-	381,080	-
General Revenues:						
Property Taxes	756,236	711,741	-	-	756,236	711,741
Other Taxes	728,301	756,387	-	-	728,301	756,387
Capital Grants Unrestricted	-	-	-	-	-	-
Investment Income	13,843	19,458	22,952	27,543	36,795	47,001
Other	247,338	215,219	-	-	247,338	215,219
<b>Total Revenues</b>	<b>2,170,565</b>	<b>1,980,270</b>	<b>1,508,297</b>	<b>1,361,816</b>	<b>3,678,862</b>	<b>3,342,086</b>
<b>Expenses</b>						
General Government	532,240	559,070			532,240	559,070
Public Safety	976,667	883,730			976,667	883,730
Public Works	204,516	162,306			204,516	162,306
Culture & Recreation	342,958	331,375			342,958	331,375
Other Functions	-	-			-	-
Capital Projects	-	-			-	-
Debt Service	33,407	52,887			33,407	52,887
Water and Sewer System	-	-	1,132,104	1,105,282	1,132,104	1,105,282
<b>Total Expenses</b>	<b>2,089,788</b>	<b>1,989,368</b>	<b>1,132,104</b>	<b>1,105,282</b>	<b>3,221,892</b>	<b>3,094,650</b>
Excess of Revenue Over Expenses	80,777	(9,098)	376,193	256,534	456,970	247,436
Transfers	0	4,485	0	(3,624)	0	861
<b>Increase in Net Assets</b>	<b>80,777</b>	<b>(4,613)</b>	<b>376,193</b>	<b>252,910</b>	<b>456,970</b>	<b>248,297</b>
Net Assets—Beginning restated	1,731,236	1,727,797	4,044,380	3,791,470	5,775,616	5,519,267
<b>Net Assets—Ending</b>	<b>\$ 1,812,013</b>	<b>\$ 1,723,184</b>	<b>\$ 4,420,573</b>	<b>\$ 4,044,380</b>	<b>\$ 6,232,586</b>	<b>\$ 5,767,564</b>

# CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

## **Governmental Activities**

Governmental activities increased the City's net assets by \$80,777, thereby accounting for 18 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are other taxes (34%), property taxes (35%) and charges for services (13%).

The largest expense category for the City's governmental activities is public safety (47%).

## **Business-type Activities**

Business-type activities increased the City's net assets by \$376,193.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$1,188,933 for water and sewer.

## **Financial Analysis of the Government's Funds**

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

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

**General Fund**—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$356,477, which comprised the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, reserved and unreserved, to total fund expenditures. Total fund balance represents 18% of total fund expenditures. The fund balance of the City's general fund decreased by \$153,411 during the current fiscal year.

**Special Revenue Fund**—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$(382), which will be used for future expenditures.

**Proprietary Funds**—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the proprietary funds at the end of the current fiscal year totaled \$4,420,573.

## **Budgetary Highlights**

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the governmental funds.

The City's 2008-09 general fund operating budget increased by approximately \$101,739 during the current fiscal year.

## CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's tax millage for the 2009 fiscal year remained constant with no change.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets**—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2009, amounted to \$9,478,867, net of accumulated depreciation of \$4,729,213. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3  
City of Saltillo's Capital assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 244,915	\$ 244,915	\$ -	\$ -	\$ 244,915	\$ 244,915
Plant, Buildings, & improvements	1,188,739	1,132,867	10,195,325	9,660,780	11,384,064	10,793,647
Machinery & Equipment	2,037,935	1,797,450	469,096	315,551	2,507,031	2,113,001
Infrastructure	35,179	35,179	-	-	35,179	35,179
Construction in Progress	36,891	-	-	113,545	36,891	113,545
Accumulated Depreciation	<u>(1,540,994)</u>	<u>(1,376,908)</u>	<u>(3,188,219)</u>	<u>(2,911,878)</u>	<u>(4,729,213)</u>	<u>(4,288,786)</u>
Total	\$ 2,002,665	\$ 1,833,503	\$ 7,476,202	\$ 7,177,998	\$ 9,478,867	\$ 9,011,501

**Long-term Debt**—At year-end, the City had \$5,049,186 in bonds and notes outstanding. More detailed information about the City of Saltillo's long-term liabilities is presented in the notes to the financial statements.

# CITY OF SALTILLO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-4  
City of Saltillo's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Obligation Bonds	\$ 567,674	\$ 601,974	\$ 587,326	\$ 623,026	\$ 1,155,000	\$ 1,225,000
CAP Loans	397,185	488,142	423,262	444,813	820,447	932,955
Promissory Notes	-	-	452,745	479,350	452,745	479,350
DEQ Loan	-	-	2,620,994	2,740,782	2,620,994	2,740,782
<b>Total</b>	<b>\$ 964,859</b>	<b>\$ 1,090,116</b>	<b>\$ 4,084,327</b>	<b>\$ 4,287,971</b>	<b>\$ 5,049,186</b>	<b>\$ 5,378,087</b>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2010 budget. The total budgeted appropriations for the City operations is \$2,225,336. This budget reflects an increase of approximately \$113,000.

### CONTACTING THE CITY OF SALTILLO FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Saltillo finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Saltillo's Finance Department, P.O. Box 1426 Saltillo, MS 38866.

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF NET ASSETS - GOVERNMENT-WIDE**  
**September 30, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Current Assets:			
Cash on Deposit	\$ 457,596	\$ 279,330	\$ 736,926
Investments		754,041	754,041
Due From Other Governments	82,738		82,738
Accounts Receivable, net		135,035	135,035
Court Fines Receivable, net	152,850		152,850
Property Taxes Receivable	11,082		11,082
Lease Receivable	216,473		216,473
Prepaid Expenses	-		-
Due From Other Funds	9,950	72,225	82,175
<b>TOTAL CURRENT ASSETS</b>	<u>930,689</u>	<u>1,240,631</u>	<u>2,171,320</u>
Noncurrent Assets:			
Bond Issuance Costs	27,543	28,422	55,965
Capital Assets:			
Land	244,915		244,915
Plant, Buildings and Improvements	1,188,739	10,195,325	11,384,064
Machinery and Equipment	2,037,935	469,096	2,507,031
Infrastructure	35,179		35,179
Construction in Progress	36,891		36,891
Accumulated Depreciation	<u>(1,540,994)</u>	<u>(3,188,219)</u>	<u>(4,729,213)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>2,030,208</u>	<u>7,504,624</u>	<u>9,534,832</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,960,897</u>	<u>\$ 8,745,255</u>	<u>\$ 11,706,152</u>

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF NET ASSETS - GOVERNMENT-WIDE**  
**September 30, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>LIABILITIES:</u></b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 74,005	\$ 58,167	\$ 132,172
Accrued Compensated Absences	33,112	22,416	55,528
Due to Other Funds	76,908		76,908
Current Maturities of Long-Term Debt			
General Obligation Bonds	31,850	33,150	65,000
Notes Payable	94,240	156,021	250,261
Customer Deposits		159,772	159,772
<b>TOTAL CURRENT LIABILITIES</b>	<b>310,115</b>	<b>429,526</b>	<b>739,641</b>
Noncurrent Liabilities:			
General Obligation Bonds, net of current maturities	535,824	554,176	1,090,000
Notes Payable, net of current maturities	302,945	3,340,980	3,643,925
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>838,769</b>	<b>3,895,156</b>	<b>4,733,925</b>
<b>TOTAL LIABILITIES</b>	<b>1,148,884</b>	<b>4,324,682</b>	<b>5,473,566</b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	1,226,286	3,391,875	4,618,161
Restricted for:			
Special Revenue	(382)		(382)
Debt Service	10,164		10,164
Capital Projects			-
Unrestricted	575,945	1,028,698	1,604,643
<b>TOTAL NET ASSETS</b>	<b>1,812,013</b>	<b>4,420,573</b>	<b>6,232,586</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,960,897</b>	<b>\$ 8,745,255</b>	<b>\$ 11,706,152</b>

See accompanying notes to financial statements.

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - GOVERNMENT-WIDE**  
**September 30, 2009**

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	PRIMARY GOVERNMENT
								Total
<b>PRIMARY GOVERNMENT</b>								
Government Activities:								
General Government	\$ 532,240	\$ 35,702	\$ -	\$ 76,374	\$ 35,702	\$ (496,538)	\$ -	\$ (496,538)
Public Safety	976,667	144,141	59,245	8,294	279,760	(696,907)	-	(696,907)
Public Works	204,516	-	-	-	8,294	(196,222)	-	(196,222)
Culture and Recreation	342,958	101,091	-	-	101,091	(241,867)	-	(241,867)
Capital Projects	-	-	-	-	-	-	-	(33,407)
Debt Service	33,407	-	-	-	-	(33,407)	-	(33,407)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>2,089,788</b>	<b>280,934</b>	<b>59,245</b>	<b>84,668</b>	<b>424,847</b>	<b>(1,664,941)</b>	<b>-</b>	<b>(1,664,941)</b>
Business-Type Activities:								
Water & Sewer System	1,132,104	1,188,933	-	296,412	1,485,345	-	353,241	353,241
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,132,104</b>	<b>1,188,933</b>	<b>-</b>	<b>296,412</b>	<b>1,485,345</b>	<b>-</b>	<b>353,241</b>	<b>353,241</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 3,221,892</b>	<b>\$ 1,469,867</b>	<b>\$ 59,245</b>	<b>\$ 381,080</b>	<b>\$ 1,910,192</b>	<b>\$ (1,664,941)</b>	<b>\$ 353,241</b>	<b>\$ (1,311,700)</b>

**GENERAL REVENUES:**

Taxes:								
Property Taxes, Levied for General Purposes	\$ 633,505	\$ -	\$ -	\$ -	\$ -	\$ 633,505	\$ -	\$ 633,505
Property Taxes, Levied for Specific Purposes	111,334	-	-	-	-	111,334	-	111,334
Sales Taxes	607,049	-	-	-	-	607,049	-	607,049
Licenses and Permits	35,787	-	-	-	-	35,787	-	35,787
In Lieu Taxes	110,545	-	-	-	-	110,545	-	110,545
Gasoline Taxes & Other Taxes	10,707	-	-	-	-	10,707	-	10,707
Homestead Reimbursement	11,397	-	-	-	-	11,397	-	11,397
Other Intergovernmental Revenues	92,470	-	-	-	-	92,470	-	92,470
Sale of Land and Equipment	1,263	-	-	-	-	1,263	-	1,263
Investment Earnings	13,843	-	-	-	-	13,843	22,952	36,795
Miscellaneous	117,818	-	-	-	-	117,818	-	117,818
Transfers	-	-	-	-	-	-	-	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>	<b>1,745,718</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,745,718</b>	<b>22,952</b>	<b>1,768,670</b>
<b>CHANGE IN NET ASSETS</b>	<b>80,777</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,777</b>	<b>376,193</b>	<b>456,970</b>
<b>NET ASSETS--BEGINNING, as previously stated</b>	<b>1,723,184</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,723,184</b>	<b>4,044,380</b>	<b>5,767,564</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>8,052</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,052</b>	<b>-</b>	<b>8,052</b>
<b>NET ASSETS--BEGINNING, as restated</b>	<b>1,731,236</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,731,236</b>	<b>4,044,380</b>	<b>5,775,616</b>
<b>NET ASSETS--ENDING</b>	<b>\$ 1,812,013</b>	<b>\$ -</b>	<b>\$ 4,420,573</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,812,013</b>	<b>\$ 4,420,573</b>	<b>\$ 6,232,586</b>

See accompanying notes to financial statements.

**CITY OF SALTILLO, MISSISSIPPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2009**

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Fire Department Fund	Other Governmental Funds	
<b><u>ASSETS:</u></b>				
Cash on Deposit	\$ 438,633	\$ 2,573	\$ 16,390	\$ 457,596
Accounts Receivable	82,738			82,738
Due From Other Governments				-
Due From Other Funds	1,005	8,945		9,950
Prepaid Expenses	0			-
Lease Receivable				-
<b>TOTAL ASSETS</b>	<b>\$ 522,376</b>	<b>\$ 11,518</b>	<b>\$ 16,390</b>	<b>\$ 550,284</b>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable and Accrued Expenses	\$ 59,062	\$ 8,717	\$ 6,226	\$ 74,005
Accrued Compensated Absences	29,929	3,183		33,112
Due to Other Funds	76,908			76,908
Due to Other Governments				-
<b>TOTAL LIABILITIES</b>	<b>165,899</b>	<b>11,900</b>	<b>6,226</b>	<b>184,025</b>
<b><u>FUND BALANCES:</u></b>				
Unrestricted:				
Special Revenue Funds		(382)		(382)
Restricted for Debt Service			10,164	10,164
Undesignated	356,477			356,477
<b>TOTAL FUND BALANCES</b>	<b>356,477</b>	<b>(382)</b>	<b>10,164</b>	<b>366,259</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 522,376</b>	<b>\$ 11,518</b>	<b>\$ 16,390</b>	<b>\$ 550,284</b>

See accompanying notes to financial statements.

**CITY OF SALTILLO, MISSISSIPPI**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**For the Year Ended September 30, 2009**

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	366,259
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		2,002,665
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(964,859)
Bond Issuance Costs associated with General Obligation Bonds		27,543
Deferred revenues for capital lease receivables deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.		216,473
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.		11,082
Accrual of court fine revenues to qualify as financial resources.		152,850
		1,812,013
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	1,812,013

See accompanying notes to financial statements.

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**

For the year ended September 30, 2009

	<b>Major Funds</b>			Total Governmenta Funds
	General Fund	Fire Department Fund	Other Governmental Funds	
<b>REVENUES:</b>				
General Property Taxes	\$ 625,560	\$ 51,847	\$ 59,487	\$ 736,894
Sales and Use Taxes	607,049			607,049
Licenses and Permits	35,787			35,787
In Lieu of Taxes	110,545			110,545
Intergovernmental Revenues	91,643	22,500	431	114,574
Charges for Services	0			0
Recreation Use Fees	101,091			101,091
Rentals	24,870		74,711	99,581
Fines and Forfeits	128,454			128,454
Interest Revenues	13,782	61		13,843
Grant Income	70,913	73,000		143,913
Miscellaneous Revenues	108,468	9,350		117,818
<b>TOTAL REVENUES</b>	<u>1,918,162</u>	<u>156,758</u>	<u>134,629</u>	<u>2,209,549</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	525,422			525,422
Public Safety	672,361	320,505		992,866
Public Works	240,552			240,552
Culture and Recreation	493,783			493,783
Capital Projects				0
Debt Service	0		130,636	130,636
<b>TOTAL EXPENDITURES</b>	<u>1,932,118</u>	<u>320,505</u>	<u>130,636</u>	<u>2,383,259</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(13,956)</u>	<u>(163,747)</u>	<u>3,993</u>	<u>(173,710)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	1,263			1,263
Proceeds from Issuance of Debt	0	0		0
Transfers from Other Funds	(140,718)	140,718	0	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(139,455)</u>	<u>140,718</u>	<u>0</u>	<u>1,263</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(153,411)</u>	<u>(23,029)</u>	<u>3,993</u>	<u>(172,447)</u>
<b>FUND BALANCES - Beg., as previously</b>	501,836	22,647	6,171	530,654
<b>PRIOR PERIOD ADJUSTMENT</b>	8,052			8,052
<b>FUND BALANCES - Beginning, as restated</b>	<u>509,888</u>	<u>22,647</u>	<u>6,171</u>	<u>538,706</u>
<b>FUND BALANCES - Ending</b>	<u>\$ 356,477</u>	<u>\$ (382)</u>	<u>\$ 10,164</u>	<u>\$ 366,259</u>

See accompanying notes to financial statements.

**CITY OF SALTILLO, MISSISSIPPI**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT**  
**OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended September 30, 2009**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (172,447)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 333,249

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. (164,086)

Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds. 7,945

Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received. 15,687

Payments received related to lease receivable reported as revenue on the Governmental Funds financial statements as received. (63,879)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

This amount represents amortization of bond issuance costs (950)  
This amount represents long-term debt repayments and issuance costs. 125,258

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 80,777

See accompanying notes to financial statements.

**CITY OF SALTILLO, MISSISSIPPI**  
**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-BUDGET AND ACTUAL -**  
**BUDGETARY BASIS**  
**For the year ended September 30, 2009**

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
General Property Taxes	\$ 630,405	\$ 625,424	\$ 625,425	\$ 1
Sales and Use Taxes	660,000	612,204	612,204	0
Licenses and Permits	40,333	38,007	35,787	(2,220)
In Lieu of Taxes	152,278	154,602	154,604	2
Intergovernmental Revenues	115,556	116,981	47,408	(69,573)
Charges for Services	0	0	0	0
Recreation Use Fees	106,329	106,329	101,091	(5,238)
Rentals	14,400	16,940	24,870	7,930
Fines and Forfeits	140,000	126,034	128,454	2,420
Grant Income	180,000	180,000	70,913	(109,087)
Interest Revenues	17,700	12,868	13,782	914
Miscellaneous Revenues	111,702	110,834	108,468	(2,366)
<b>TOTAL REVENUES</b>	<u>2,168,703</u>	<u>2,100,223</u>	<u>1,923,006</u>	<u>(177,217)</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	528,689	544,144	525,422	18,722
Public Safety	659,896	694,307	672,361	21,946
Public Works	365,050	375,700	240,552	135,148
Culture and Recreation	387,920	497,443	493,783	3,660
Debt Service	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<u>1,941,555</u>	<u>2,111,594</u>	<u>1,932,118</u>	<u>179,476</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>227,148</u>	<u>(11,371)</u>	<u>(9,112)</u>	<u>2,259</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from issuance of debt	0	0	0	0
Sale of Land and Equipment	800	1,263	1,263	0
Transfers (to) from Other Funds	(177,699)	(150,452)	(140,718)	9,734
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(176,899)</u>	<u>(149,189)</u>	<u>(139,455)</u>	<u>9,734</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES</b>	<u>\$ 50,249</u>	<u>\$ (160,560)</u>	<u>\$ (148,567)</u>	<u>\$ 11,993</u>

See accompanying notes to financial statements.

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2009**

<u>ASSETS</u>	<u>2009</u>
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 279,330
Investments	754,041
Accounts Receivable, Net of Provision for Bad Debts	135,035
Due From Other Funds	72,225
Total Current Assets	1,240,631
<u>Noncurrent Assets</u>	
Bond Issue Costs, Net of Accumulated Amortization	28,422
Water and Sewer System, Vehicles and Equipment	10,664,421
Less: Accumulated Depreciation	(3,188,219)
Net Noncurrent Assets	7,504,624
TOTAL ASSETS	\$ 8,745,255
 <u>LIABILITIES AND NET ASSETS</u>	
<u>Current Liabilities</u>	
Accounts Payable	\$ 58,167
Refundable Meter Deposits	159,772
Accrued Liabilities	0
Accrued Compensated Absences	22,416
Notes and Bonds- Within One Year	189,171
Total Current Liabilities	429,526
<u>Long-Term Debt</u>	
Notes and Bonds, Less Current Portion	3,895,156
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	3,391,875
Unrestricted	1,028,698
Total Net Assets	4,420,573
TOTAL LIABILITIES AND NET ASSETS	\$ 8,745,255

See accompanying notes to financial statements.

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET ASSETS - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2009**

<u>OPERATING REVENUES</u>	<b>2009</b>
Charges for Services	\$ 1,076,637
Service Charges and Penalties	45,750
Other Receipts	66,546
Total Operating Revenues	1,188,933
<u>OPERATING EXPENSES</u>	
Personal Services	328,204
Contractual Services	23,708
Supplies	95,029
Depreciation and Amortization	277,321
Other Services	297,022
Total Operating Expenses	1,021,284
Net Operating Income	167,649
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Grant Income	296,412
Interest Income	22,952
Interest and Fiscal Charges	(110,820)
Total Non-Operating Revenues (Expenses)	208,544
Income before Operating Transfers	376,193
<u>OPERATING TRANSFERS IN (OUT)</u>	
Transfer (to) from General Fund	0
Total Operating Transfers In (Out)	0
NET INCOME	376,193
NET ASSETS - OCTOBER 1	4,044,380
NET ASSETS - SEPTEMBER 30	\$ 4,420,573

See accompanying notes to financial statements.

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2009**

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>	
Cash Received from Customers	\$ 1,179,742
Cash Payments for Personal Services	(322,711)
Cash Payments for Contractual Services	(23,708)
Cash Payments for Supplies	(93,071)
Cash Payments for Other Services	(297,022)
Net Cash Provided By Operating Activities	443,230
 <b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>	
Operating Transfers - In from (Out) to Other Funds	0
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	0
 <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>	
Acquisition Fixed Assets	(574,545)
Grant Funds Received	296,412
Principal Paid on Bonds, Notes and Capital Lease Payables	(203,644)
Interest Paid on Bonds, Notes and Capital Lease Payables	(110,820)
Net Cash Provided By (Used In) Noncapital Financing Activities	(592,597)
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Interest on Investments	22,952
Net Cash Provided By Investing Activities	22,952
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(126,415)
CASH AND RESTRICTED CASH, OCTOBER 1	1,159,786
CASH AND RESTRICTED CASH, SEPTEMBER 30	\$ 1,033,371
 <b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u></b>	
Operating Income	\$ 167,649
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities	
Depreciation	277,321
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(19,955)
Increase (Decrease) in Accounts Payable - operating activities	1,958
Increase (Decrease) in Accrued Compensated Absences	5,493
Increase in Customer Deposits	10,764
Total Adjustments	275,581
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 443,230

See accompanying notes to financial statements.

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2009**

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

The City of Saltillo, Mississippi operates under the Home-Rule authority granted by the 1985 Mississippi Legislature. A mayor-board of aldermen form of government is used and the City provides the following services: public safety (police and fire), street maintenance, water and sewer services and general administrative services.

**Government-Wide and Fund Financial Statements**

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information on all nonfiduciary activities of the primary government and its component units. The statements distinguish between those activities of the City that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Nonmajor funds, where applicable, are aggregated and presented in a single column. Fiduciary funds are reported by type.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purposes, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants.

The City reports the following major governmental funds:

*General Fund* – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds.

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Special Revenue Fund* – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes. The City has only one special revenue fund for the fire department and this fund is a major governmental fund.

Additionally the City reports the following governmental fund types:

*Debt Service Fund* – The Debt Service Fund was established to receive and account for resources restricted for the payment of interest and principal on general improvement and park bonds and notes. This is a non-major governmental fund.

The City reports the following major proprietary funds:

*The Water & Sewer Fund* – This fund is used to account for the City's water treatment and distribution system. This fund is responsible for water delivery to the residents of the City of Saltillo.

The City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water for the Water Fund and refuse collection charges for the Solid Waste Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash and Investments

The collateral for the City's 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 Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

General Obligation Enterprise Bonds

The enterprise funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements. Since the enterprise funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Enterprise Funds and have been reported on the balance sheets of the Enterprise Funds.

Although the general obligation enterprise bonds are reported on the balance sheets of the Enterprise Funds, they are backed by the full faith and credit of the City and are therefore a contingent liability to the general government.

Encumbrances

State law does not require that funds be available when goods or services are ordered, only when paid for. Due to this circumstance the City does not employ an encumbrance system.

Compensated Absences

The City's policy allows employees to accumulate unused sick leave. The City also allows employees to accumulate comp time. Upon termination, any accumulated comp time will be paid to the employee.

**CITY OF SALTILLO, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Business Information

The City of Saltillo provides water and sewer services to customers located within the City limits of Saltillo, Mississippi as well as a limited number of customers outside the City limits. Credit is extended to all of these customers for services.

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements.

**NOTE 2 - PROPERTY TAXES**

Property taxes, except motor vehicles, attach as an enforceable lien on property as of January 1st. The City bills and collects its own property taxes, except motor vehicle taxes. Motor vehicle taxes are collected by the County Tax Collector and remitted to the City. Taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year end.

The millage was allocated as follows:

General Fund	22.50
Fire Fund	2.00
Debt Service Fund	<u>2.50</u>
Total	<u>27.00</u>

**CITY OF SALTILLO, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2009**

**NOTE 3 - FIXED ASSETS**

The following is a summary of capital asset activity as of September 30, 2009:

Primary Government:

	<u>Restated</u> Balance <u>10-01-2008</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>9-30-2009</u>
Capital Assets, not being depreciated:				
Land	\$ 244,915	\$ 0	\$ 0	\$ 244,915
Construction in Progress	<u>0</u>	<u>36,891</u>	<u>0</u>	<u>36,891</u>
Total Capital Assets, not being depreciated:				
Depreciated:	244,915	36,891	0	281,806
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	1,132,867	55,872	0	1,188,739
Infrastructure	35,179	0	0	35,179
Machinery and Equipment	<u>1,797,450</u>	<u>240,485</u>	<u>0</u>	<u>2,037,935</u>
Total Capital Assets being depreciated	2,965,496	296,357	0	3,261,853
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(194,567)	(23,104)	0	(217,671)
Infrastructure	(24,625)	0	0	(24,625)
Machinery and Equipment	<u>(1,157,716)</u>	<u>(140,982)</u>	<u>0</u>	<u>(1,298,698)</u>
Total Accumulated Depreciation	(1,376,908)	(164,086)	0	(1,540,994)
Total Capital Assets, depreciated, net Governmental Activities	<u>1,588,588</u>	<u>132,271</u>	<u>0</u>	<u>1,720,859</u>
Capital Assets, net	<u>\$ 1,833,503</u>	<u>\$ 169,162</u>	<u>\$ 0</u>	<u>\$ 2,002,665</u>

The City adopted a capitalization threshold of \$500 for general fixed assets and a threshold of \$5,000 for infrastructure assets effective for the current fiscal year. The City has retroactively applied these thresholds to all general fixed assets in service at September 30, 2009.

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE 3 - FIXED ASSETS (continued)**

A summary of business-type capital asset activity at September 30, 2009 follows:

	<u>Balance</u> <u>10-01-2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9-30-2009</u>
Capital Assets, not being depreciated:				
Land	\$ 0	\$ 0	\$ 0	\$ 0
Construction in Progress	<u>113,545</u>	<u>0</u>	<u>(113,545)</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	113,545	0	(113,545)	0
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	9,660,780	534,545	0	10,195,325
Machinery and Equipment	<u>315,551</u>	<u>153,545</u>	<u>0</u>	<u>469,096</u>
Total Capital Assets being depreciated	9,976,331	688,090	0	10,664,421
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(2,686,575)	(228,139)	0	(2,914,714)
Machinery and Equipment	<u>(225,303)</u>	<u>(48,202)</u>	<u>0</u>	<u>(273,505)</u>
Total Accumulated Depreciation	<u>(2,911,878)</u>	<u>(276,341)</u>	<u>0</u>	<u>(3,188,219)</u>
Total Capital Assets, depreciated, net Business-type Activities	<u>7,064,453</u>	<u>411,749</u>	<u>0</u>	<u>7,476,202</u>
Capital Assets, net	<u>\$ 7,177,998</u>	<u>\$ 411,749</u>	<u>\$ (113,545)</u>	<u>\$ 7,476,202</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

Plant, building, and Improvements	5 – 40 Years
Machinery and Equipment	5 – 15 Years
Furniture and Fixtures	5 – 20 Years
Vehicles	5 – 10 Years

**CITY OF SALTILLO, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2009**

**NOTE 3 - FIXED ASSETS (continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 18,914
Public Safety	106,167
Public Works	6,078
Culture & Recreation	<u>32,927</u>
 Total Depreciation Expense – Governmental Activities	 \$ <u>164,086</u>

Business-type Activities:

Water and Sewer	\$ <u>276,341</u>
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Total Depreciation Expense – Business-type Activities	\$ <u>276,341</u>
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**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2009, consisted primarily of taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

No allowance for doubtful accounts has been recorded at September 30, 2009. The City believes that all accounts receivable are collectible.

**NOTE 5 - LONG-TERM DEBT**

The following is a summary of bond transactions of the City for the year ended September 30, 2009:

	General Obligation Bonds Payable	Notes & Bonds Payable	<u>Total</u>
Bonds and Other Long-Term Debt at 10/01/08	\$ 1,225,000	\$ 4,153,087	\$ 5,378,087
Add: Bonds and Other Long-Term Debt Acquired			
Less: Bonds and Other Long-Term Debt Retired	<u>70,000</u>	<u>258,901</u>	<u>328,901</u>
Bonds and Other Long-Term Debt at 09/30/09	\$ <u>1,155,000</u>	\$ <u>3,894,186</u>	\$ <u>5,049,186</u>

Bonds and other long-term debt at September 30, 2009 are comprised of the following issues:

**CITY OF SALTILLO, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2009**

**NOTE 5 - LONG-TERM DEBT (continued)**

**Governmental Activities:**

**Bonds Payable:**

General Obligation Refunding Bonds – Series 2008 - \$1,250,000 original issue with interest rates of 2.00 to 4.30%, maturing on June 1, 2025	\$ 567,674
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**Notes Payable:**

Note Payable – MDECD- CAP Loan. - \$150,000 due in monthly installments of \$1,128 through October 1, 2011; interest at 4.25%.	15,206
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Note Payable – CAP Loan. - \$814,369 due in monthly payments of \$6,226 through November 1, 2012; interest at 4.25%.	216,471
--	---------

Note Payable – CAP Loan - \$180,000 due in monthly payments of through September 1, 2018; interest at 2.0%	165,508
--	---------

**Business-Type Activities:**

**Bonds Payable:**

General Obligation Refunding Bonds – Series 2008 - \$1,250,000 original issue with interest rates of 2.00 to 4.30%, maturing on June 1, 2025	587,326
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**Notes Payable:**

Note Payable – GMAC Credit Corporation. – due in annual payments; interest at 5.0%.	6,783
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Note Payable – Rural Development. - \$45,000 debt issued December 12, 1998, interest payments only for the first two years, principal and interest payment of \$2,644 through 2033; interest at 4.50%.	39,078
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**CITY OF SALTILLO, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2009**

**NOTE 5 - LONG-TERM DEBT (continued)**

Note Payable – Rural Development. - \$360,000 debt issued fiscal year 2001, interest payments only for the first two years, principal and interest payment of \$19,800 through 2040; interest at 4.50%.	\$ 328,892
Note Payable – Rural Development. - \$96,000 issued during fiscal year 1996; due in annual payments of \$5,908 through 2031; interest at 4.875%.	77,992
Note Payable – CAP Loan. - \$500,000 authorized, due in monthly payments of \$2,529 through April 1, 2026; interest at 2%	423,262
Note Payable – Department of Environmental Quality – Authorized \$2,819,321, due in monthly payments of \$14,459 through September 2027; interest at 2%	<u>2,620,994</u>
Total Debt Repayment	<u>\$ 5,049,186</u>

There are a number of limitations and restrictions contained in the bond indentures. The City was in compliance with all significant limitations and restrictions contained in the bond indentures.

The Annual requirements to amortize all debt outstanding as of September 30, 2009 including interest payments of \$1,425,757 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 126,090	\$ 32,110	\$ 189,171	\$ 101,996	\$ 315,261	\$ 134,106
2011	120,675	27,719	193,999	97,651	314,674	125,370
2012	121,825	23,411	194,452	93,075	316,277	116,486
2013	69,369	19,961	200,428	88,578	269,797	108,539
2014	54,901	18,436	203,932	83,926	258,833	102,362
2015 - 2019	286,524	65,393	1,101,133	341,802	1,387,657	407,195
2020 - 2024	161,700	21,901	1,152,497	199,189	1,314,197	221,090
2025 - 2029	23,775	948	650,756	151,370	674,531	152,318
2030 - 2034	0	0	87,397	37,764	87,397	37,764
2035 - 2039	0	0	80,550	18,450	80,550	18,450
2040 - 2044	0	0	30,012	2,077	30,012	2,077
2045 - 2049	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 964,859</u>	<u>\$ 209,879</u>	<u>\$ 4,084,327</u>	<u>\$ 1,215,878</u>	<u>\$ 5,049,186</u>	<u>\$ 1,425,757</u>

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE 6 - LITIGATION**

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

**NOTE 7 - DEFINED BENEFIT PENSION PLAN**

Plan Description - The City of Saltillo contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444 PERS.

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the City of Saltillo is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Saltillo's contributions to PERS for the years ending September 30, 2009, 2008 and 2007 were \$117,670, \$99,218 and \$97,744 equal to the required contributions for the year.

**NOTE 8 - FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS**

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year accrued revenues were \$4,844 less than cash revenues.

**NOTE 9 - PENDING INVESTIGATION**

The City has an ongoing investigation for an open case with the Office of the State Auditor of Mississippi. The ultimate outcome of this investigation could not be estimated or determined at this time. No provision or accrual related to the investigation has been reflected in the financial statements as of September 30, 2009.

**CITY OF SALTILLO, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE 10 – PRIOR PERIOD ADJUSTMENT**

The beginning balances of certain accounts have been restated to correct a previous understatement. Subsequent to issuing the financial statements for the year ending September 30, 2008, management discovered an understatement in the governmental funds. The understatement related to an accrued liability being overstated and an accrued receivable being overstated in the Governmental Funds. The net effect on the Governmental Funds was an understatement by \$8,052.

## COMBINING FINANCIAL STATEMENTS AND SCHEDULES

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2009**

<u>REVENUES</u>	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE <u>(UNFAVORABLE)</u>
Ad Valorem Taxes	\$ 625,424	\$ 625,425	\$ 1
Privilege Licenses and Fees	38,007	35,787	(2,220)
Sales & Use Taxes	612,204	612,204	0
Intergovernmental Revenues	105,585	36,011	(69,574)
Homestead Reimbursement	11,396	11,397	1
Court Fines and Forfeitures	126,034	128,454	2,420
TVA In-Lieu Tax	44,235	44,235	0
In-Lieu Tax	110,367	110,369	2
Charges for Services	0	0	0
Recreation Use Fees	106,329	101,091	(5,238)
Miscellaneous	110,834	108,468	(2,366)
Interest Revenues	12,868	13,782	914
Grant Income	180,000	70,913	(109,087)
Rental Income	16,940	24,870	7,930
Total revenues	<u>2,100,223</u>	<u>1,923,006</u>	<u>(177,217)</u>
<u>EXPENDITURES</u>			
General Government			
Personnel Services	259,723	258,831	892
Supplies	15,425	14,027	1,398
Other Services and Charges	252,996	236,921	16,075
Capital Outlay	16,000	15,643	357
Total	<u>544,144</u>	<u>525,422</u>	<u>18,722</u>
Public Safety			
Personnel Services	534,156	527,823	6,333
Supplies	57,150	50,263	6,887
Other Services and Charges	51,000	45,848	5,152
Capital Outlay	52,001	48,427	3,574
Total	<u>694,307</u>	<u>672,361</u>	<u>21,946</u>
Public Works			
Personnel Services	81,900	81,339	561
Supplies	29,900	26,792	3,108
Other Services and Charges	260,900	118,903	141,997
Capital Outlay	3,000	13,518	(10,518)
Total	<u>375,700</u>	<u>240,552</u>	<u>135,148</u>

**CITY OF SALTILLO, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued**  
**For the Fiscal Year Ended September 30, 2009**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Cultural and Recreational			
Personnel Services	\$ 147,725	\$ 147,681	\$ 44
Supplies	68,850	66,712	2,138
Other Services and Charges	96,667	95,637	1,030
Capital Outlay	184,201	183,753	448
Total	<u>497,443</u>	<u>493,783</u>	<u>3,660</u>
Other Functions			
Other Services and Charges	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>	<u>0</u>
Debt service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>2,111,594</u>	<u>1,932,118</u>	<u>179,476</u>
Excess (Deficit) revenues over (under) expenditures	<u>(11,371)</u>	<u>(9,112)</u>	<u>2,259</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Sale of Capital Assets	1,263	1,263	0
Operating transfers in (out)	<u>(150,452)</u>	<u>(140,718)</u>	<u>9,734</u>
Total other financing sources (uses)	<u>(149,189)</u>	<u>(139,455)</u>	<u>9,734</u>
Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	<u>(160,560)</u>	<u>(148,567)</u>	<u>11,993</u>
Fund balances at October 1, 2008	<u>501,836</u>	<u>501,836</u>	<u>0</u>
Fund balances at September 30, 2009	\$ <u>341,276</u>	\$ <u>353,269</u>	\$ <u>11,993</u>
Adjustments To GAAP Basis:			
Less: Accrued revenue		<u>(4,844)</u>	
Fund Balance GAAP September 30, 2009		\$ <u><u>348,425</u></u>	

OTHER SUPPLEMENTAL INFORMATION

**CITY OF SALTILLO, MISSISSIPPI**  
**SCHEDULE OF LONG TERM DEBT**  
For the Fiscal Year Ended September 30, 2009

	BALANCE	TRANSACTIONS		BALANCE
	OUTSTANDING October 1, 2008	ISSUED	REDEEMED	OUTSTANDING September 30, 2009
<b>Governmental Funds:</b>				
<u>General Obligation Bonds</u>				
General Obligation Refunding Bonds Series 2008 Interest Rate 2.00 - 4.30% Maturity 2025	601,974		34,300	567,674
<u>Other Long Term Debt</u>				
Note Payable - CAP Loan Interest Rate 4.25% Maturity 2012	280,350		63,879	216,471
Note Payable - CAP Loan Interest Rate 4.25% Maturity 2011	27,792		12,586	15,206
Note Payable - CAP Loan Interest Rate 2.00% Maturity 2018	180,000		14,492	165,508
Total Governmental Funds	<u>1,090,116</u>	<u>-</u>	<u>125,257</u>	<u>964,859</u>
<b>Proprietary Fund:</b>				
<u>General Obligation Bonds</u>				
General Obligation Water & Sewer Refunding Series 2008 Interest Rate 2.00 - 4.30% Maturity 2025	623,026		35,700	587,326
<u>Other Long Term Debt</u>				
Note Payable - GMAC Interest Rate 5.0%	11,000		11,000	-
Note Payable - GMAC Interest Rate 5.0%	10,497		3,714	6,783
Note Payable - State of Mississippi Interest Free Maturity 2009	4,153		4,153	-
Note Payable - Rual Development Interest Rate 4.5% Maturity 2033	39,935		857	39,078
Note Payable - Rual Development Interest Rate 4.5% Maturity 2040	333,478		4,586	328,892
Note Payable - Rual Development Interest Rate 4.875% Maturity 2031	80,287		2,295	77,992
Note Payable - CAP Loan Interest Rate 2.0% Maturity 2026	444,813		21,551	423,262
Note Payable - DEQ Loan Interest Rate 2.0% Maturity 2027	2,740,782		119,788	2,620,994
Total Proprietary Fund	<u>4,287,971</u>	<u>-</u>	<u>203,644</u>	<u>4,084,327</u>
Total Government-wide	<u>\$ 5,378,087</u>	<u>\$ 0</u>	<u>\$ 328,901</u>	<u>\$ 5,049,186</u>

## OTHER REPORTS



**FRANKS,  
FRANKS &  
JARRELL, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

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**BRYON WILEMON**

---

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MICHAEL LITTLE

---

OFFICES LOCATED IN

TUPELO, FULTON & AMORY

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MEMBERS OF THE

AICPA & MSCPA

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

Honorable Mayor and Board of Aldermen  
City of Saltillo, Mississippi

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saltillo, Mississippi as of and for the year ended September 30, 2009, which collectively comprise the City of Saltillo, Mississippi's basic financial statements and have issued our report thereon dated January 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Saltillo, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Saltillo, Mississippi's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Saltillo, Mississippi's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the City of Saltillo, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by the City of Saltillo, Mississippi's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (see Findings 1, 2, 3 and 4).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Saltillo, Mississippi's internal controls.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings 1 and 2 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Saltillo, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as Finding 1.

City of Saltillo, Mississippi's response to the finding identified in our audit is described in the accompanying schedule findings and responses. We did not audit the City of Saltillo, Mississippi's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Mayor, Board of Alderman, Office of the State Auditor of the State of Mississippi, 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, it is a matter of public record and its distribution is not limited.

*Franks, Franks & Jarrell, P.A.*

FRANKS, FRANKS & JARRELL, P.A.  
January 12, 2010

**CITY OF SALTILLO, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**September 30, 2009**

**SECTION 2 - FINANCIAL STATEMENT FINDINGS**

**FINDING NO. 1**

**Criteria:** The City is required, by state statutes, to maintain adequate subsidiary records substantiating the existence, completeness and valuation of its fixed assets.

**Cause of Condition:** The City did not conduct inventory observations of fixed assets needed to maintain accountability of assets. The City has prepared a listing of assets owned by the City. However, the City's listing did not include all assets owned by the City. Additional assets were identified and added to the listing subsequent to year-end.

**Recommendation:** The City should conduct year-end inventory observations of its fixed assets needed to maintain accountability of assets. The City should also prepare a complete fixed asset listing substantiating the valuation, location, description and inventory tag numbers of its fixed assets. The City should ensure all new assets purchased are tagged and properly accounted for on the fixed asset listing at the time the asset are placed in service. The City should ensure that all assets purchased are charged to capital outlay and properly tagged and added to the listing.

**Response:** The City will establish an inventory policy that will require a complete inventory of all fixed assets. This inventory shall be completed within 45 days of fiscal year end. The policy shall include procedures for adding new inventory and disposing of lost, obsolete or worthless inventory. All inventory shall be tagged and numbered. All city infrastructure streets, water, sewer etc. shall be included in the inventory.

**FINDING NO. 2**

**Criteria:** The City is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records.

**Cause of Condition:** The City's internal control did not provide for adequate segregation of duties in relation to the utility systems. Specifically, most employees have the capability of adding and deleting accounts, downloading meter readings, billings, adjustments, collections, deposits, and posting of payments. There is no clear defined segregation of duties between any utility personnel. The City's size and number of personnel limit the segregation of duties.

**Recommendation:** The City should consider segregation of duties in all areas of the accounting system. The City should consider job descriptions for various employees. Due to the size and number of employees, optimal segregation of duties will be difficult, however, the City should strengthen segregation of duties in all areas possible.

**Response:** The City will analyze the accounting system and establish procedures that provide clear segregation of duties.

**CITY OF SALTILLO, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
September 30, 2009**

**FINDING NO. 3**

**Criteria:** The City is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records.

**Cause of Condition:** The City did not maintain adequate internal controls over certain areas of the payroll function. The deficiencies noted were as follows: employee handbook forms were not signed for several employees; time sheets were not approved by supervisors; and time sheets were not signed by employees.

**Recommendation:** The City should implement adequate internal controls over all its accounting functions including payroll. Specifically, the City should address the accounting for and approval of time sheets.

**Response:** The City has established a department head approval procedure on all time sheets to ensure correctness.

**FINDING NO. 4**

**Criteria:** The City is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records.

**Cause of Condition:** The City paid premiums for life insurance and cancer insurance on behalf of a select group of employees. Other employees inquired about the availability of these policies and were told that they were no longer available. The City could not provide documentation of approval to pay the premiums on behalf of the employees in the official minutes of the City.

**Recommendation:** The City should terminate payment of such premiums from City funds. If coverage is to be continued it should be from withholdings from employee checks and should be offered as a payroll deduction to all employees that desire the coverage. The City should not discriminate between employees concerning benefits that are to be paid.

**Response:** The exact type of cancer policy being provided to a specified group of city employees is no longer available, and therefore, cannot reasonably be offered to other employees. The City may provide cancer policies to a "specified group" of employees pursuant to Miss. Code Ann. 25-15-101 (1972), as amended, and pursuant to the direction and opinion of the Office of the Attorney General, State of Mississippi at 2001 WL523945 (Miss. A.G.). This benefit as stated herein was approved at the January, 2007 regular board meeting, and same was spread upon the minutes.

- \* Findings 1, 2, 3 and 4 are considered Significant Deficiencies.
- \* Findings 1 and 2 are considered Material Weaknesses.
- \* Findings 1 is a considered noncompliance finding.  
Finding 1, 2, 3 and 4 were findings in the prior year.



**FRANKS,  
FRANKS &  
JARRELL, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

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OFFICES LOCATED IN

TUPELO, FULTON & AMORY

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MEMBERS OF THE

AICPA & MSCPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH STATE LAWS AND REGULATIONS**

To the Mayor and Board of Aldermen  
City of Saitillo, Mississippi

We have audited the general purpose financial statements of City of Saitillo, Mississippi as of and for the year ended September 30, 2009, and have issued our report thereon dated January 12, 2010. 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.

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

The results of those procedures and my audit of the general purpose financial statements disclosed the following material instance of noncompliance with state laws and regulations. See finding number 1 in our attached Schedule of Findings and Responses.

This report is intended for the information of the City of Saitillo's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Franks, Franks & Jarrell, P.A.*

FRANKS, FRANKS & JARRELL, P.A.  
January 12, 2010