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CITY OF SENATOBIA, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

CITY OF SENATOBIA, MISSISSIPPI

ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2015

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INDEPENDENT AUDITORS' REPORT

Mayor and Board of Aldermen
City of Senatobia
Senatobia, 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 City of Senatobia, Mississippi as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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. 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 City of Senatobia, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-10), budgetary comparison schedule (page 38), Schedule of the City's Proportionate Share of the Net Pension

Liability and of the City's Contributions (pages 39-40) with accompanying notes (page 41) 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Senatobia, Mississippi's basic financial statements. The Schedule of Surety Bonds for Municipal Officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Surety Bonds for Municipal Officials 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 it.

F.O. Givens & Co.
Certified Public Accountants
November 4, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF SENATOBIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

The discussion and analysis of the City of Senatobia's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2015. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the City's financial performance. Information contained in this selection is qualified by the more detailed information contained elsewhere in this city's financial statements, notes to financial statements and any accompanying materials.

The purpose of this discussion and analysis is twofold: 1) Comply with the Required Supplementary Information specified by the Governmental Accounting Standards Board's Statement 34 and 2) Give the reader a clear understanding of the financial activities that occurred during the fiscal year.

FINANCIAL HIGHLIGHTS

- As a result of this year's operations, the change in net position was a decrease of \$1,055,375 or approximately 9%.
- Total revenues on the government wide statements were \$11,118,846 compared to \$9,658,844 in the previous year. Property tax made up approximately 13% of total revenues.
- Total expenses on the government-wide financial statements were \$12,174,221, compared to \$12,521,198 in the previous year. This represents a 3% decrease in expense.
- Governmental fund balances decreased \$151,058, or approximately 11%, compared to a \$124,853 increase in the prior year.
- Proprietary funds net position in the fund statements increased \$328,978, or approximately 3%, compared to a \$126,519 increase in the prior year.
- Governmental activities capital assets, net of accumulated depreciation, decreased by \$775,087 compared to the prior year. This decrease could be attributed to current year depreciation expense.
- Business-type activities capital assets, net of accumulated depreciation, decreased by \$37,537 compared to the prior year.
- Total capital debt decreased by \$560,774. The decrease was a result of debt principal payments being more than new long-term debt obligations.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City finances, in a manner similar to private-sector businesses. The government-wide financial statements consist of the statement of net position and the statement of activities. These statements are prepared on the accrual basis of accounting, which includes all assets and liabilities of the City, and can be found on pages 9 and 10 of this report.

**CITY OF SENATOBIA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

The statement of net position presents information on all City assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, library, and interest on long term debt. The business-type activities of the City include utility, hospital, and interest on long-term debt.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into two categories: governmental funds or proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City’s near-term financing requirements. Governmental funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash, which provides a detailed short-term view of the City’s operations. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented with governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the “Governmental Funds Balance Sheet” and the “Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances” provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 14 and 19, respectively.

Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 14 through 17 of this report.

Proprietary funds are maintained to account for enterprise activities. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for utilities and hospital funds.

Fund financial statements for the proprietary funds provide the same type and basis of information as the business-type activities in the government-wide financial statements, only in more detail. The Utility Fund is a major fund of the City. Data from the other enterprise fund is combined into a single, aggregated presentation.

The proprietary funds financial statements can be found on pages 18 through 20 of this report.

**CITY OF SENATOBIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

GOVERNMENT WIDE FINANCIAL ANALYSIS

Net position may serve over time as an indicator of the City's financial position. For the City of Senatobia, the combined net position was \$4,625,780 as of September 30, 2015, compared to \$11,165,602 as of September 30, 2014.

The largest portion of the City's net assets can be found in its investments in capital assets (land, buildings, building improvements, equipment) less any related debt. The City uses these capital assets to provide services; therefore, these assets may not be available for future spending.

The City's financial position is a product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the City's net position for the fiscal years ended September 30, 2015 and 2014. GASB statement no. 68 was implemented in fiscal year 2015. We did not restate prior year amounts to reflect any requirements of GASB statement no. 68.

	2015		2014	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Other Assets	\$ 2,901,949	\$ 3,294,602	\$ 3,021,245	\$ 3,664,177
Capital Assets, Net	<u>\$28,050,187</u>	<u>\$10,873,376</u>	<u>\$28,825,274</u>	<u>\$10,910,913</u>
Total Assets	<u>\$30,952,136</u>	<u>\$14,167,978</u>	<u>\$31,846,519</u>	<u>\$14,575,090</u>
Deferred Outflows-Pensions	<u>\$ 1,040,411</u>	<u>\$184,178</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Deferred Outflows	<u>\$ 1,040,411</u>	<u>\$184,178</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Liabilities	\$ 469,902	\$ 556,411	\$ 467,441	\$ 589,124
Long-term Debt Outstanding	<u>\$34,788,480</u>	<u>\$4,389,321</u>	<u>\$28,800,377</u>	<u>\$3,975,618</u>
Total Liabilities	<u>\$35,258,382</u>	<u>\$4,945,732</u>	<u>\$29,267,818</u>	<u>\$4,564,742</u>
Property Tax for Future Periods	<u>\$ 1,514,809</u>	<u>\$ 0</u>	<u>\$ 1,423,447</u>	<u>\$ 0</u>
Total Deferred Inflows	<u>\$ 1,514,809</u>	<u>\$ 0</u>	<u>\$ 1,423,447</u>	<u>\$ 0</u>
Invested in capital assets, net of related debt	\$ (705,664)	\$ 7,553,211	\$ 143,228	\$ 6,956,169
Restricted	\$ 664,707	\$ 406,364	\$ 297,166	\$ 411,357
Unrestricted	<u>\$ (4,739,687)</u>	<u>\$ 1,446,849</u>	<u>\$ 714,860</u>	<u>\$ 2,642,822</u>
Total Net Position	<u>\$ (4,780,644)</u>	<u>\$ 9,406,424</u>	<u>\$1,155,254</u>	<u>\$10,010,348</u>

**CITY OF SENATOBIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

As a result of implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information. The 2015 statements reflect the new guidelines.

For better comparison of total net position from 2014 to 2015, if we excluded the effect of the net pension liability on the current financial statement, our total net position would be as follows:

Total net position	\$ 4,625,780
Reduction of net position resulting from implementation of new pension standards	<u>5,731,523</u>
Total net position, exclusive of net pension liability effect	<u>\$10,357,303</u>

Changes in Net Position - The following table presents a summary of the changes in net position, excluding prior period adjustments, for the fiscal year ended September 30, 2015 and 2014.

	2015	2014
	<u>Amount</u>	<u>Amount</u>
Governmental Activities		
Revenues:		
Program revenues		
Charges for services	\$850,013	\$841,233
Operating Grants & Contributions	\$118,429	\$216,118
Capital Grants & Contributions	\$295,309	\$12,768
General revenues		
Property taxes	\$1,425,603	\$1,442,844
Transfers	\$292,827	\$296,397
Other	<u>\$3,544,160</u>	<u>\$1,844,961</u>
Total Revenues	\$6,526,341	\$4,654,321
Expenses:		
General Government	\$2,762,077	\$2,848,064
Public Safety	\$2,616,628	\$2,738,008
Public Works	\$1,169,315	\$1,330,927
Culture and Recreation	\$373,419	\$467,554
Library	\$140,592	\$117,859
Interest and other expense on long-term debt	\$150,748	\$140,782
Pension Expense	<u>\$697,915</u>	<u>\$ 0</u>
Total Expenses	<u>\$7,910,694</u>	<u>\$7,643,194</u>
Increase (Decrease) in Net Position	<u>\$ (1,384,353)</u>	<u>\$(2,988,873)</u>

**CITY OF SENATOBIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	2015	2014
Business-Type Activities	<u>Amount</u>	<u>Amount</u>
Revenues:		
Program revenues		
Charges for services	\$4,585,426	\$5,156,967
General revenues		
Transfers	\$(292,827)	\$(296,397)
Other	<u>\$299,906</u>	<u>\$ 143,953</u>
Total Revenues	\$4,592,505	\$5,004,523
Expenses:		
Utility	\$4,079,605	\$4,805,318
Pension expense	\$ 123,556	\$ 0
Interest on long-term debt	<u>\$60,366</u>	<u>\$72,686</u>
Total Expenses	<u>\$4,263,527</u>	<u>\$4,878,004</u>
Increase (Decrease) in Net Assets	<u>\$ 328,978</u>	<u>\$126,519</u>

Governmental Activities - The following table presents the cost of seven major functional activities of the City: General Government, Public Safety, Public Works, Culture and Recreation, Library, Interest on long-term liabilities, and Pension Expense. In 2014, pension expense was allocated among various departments, but due to the complexities of calculating pension expense pursuant to GASB 68, effective for 2015, it is shown separately in 2015. The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

	2015		2014	
	Total	Net	Total	Net
	<u>Costs</u>	<u>Costs</u>	<u>Costs</u>	<u>Costs</u>
General government	\$2,762,077	\$2,520,873	\$2,848,064	\$2,644,423
Public safety	\$2,616,628	\$2,447,325	\$2,738,008	\$2,487,511
Public works	\$1,169,315	\$424,393	\$1,330,927	\$828,004
Culture and recreation	\$373,419	\$265,097	\$467,554	\$354,496
Library	\$140,592	\$140,592	\$117,859	\$117,859
Interest on long-term Liabilities	\$150,748	\$150,748	\$140,782	\$140,782
Pension Expense	\$697,915	\$697,915	-	-

**CITY OF SENATOBIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds - At the close of the fiscal year, the City's governmental funds reported a combined fund balance of \$1,181,317, a decrease of \$151,058.

The General Fund is the principal operating fund of the City. The decrease in the fund balance of the General Fund for the fiscal year was \$413,756.

Business-type funds - The Enterprise Funds, including the Utility Fund, showed an increase in net position for the year of \$328,978, compared to a \$126,519 increase in the prior year.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Senatobia revised its annual operating budget to more closely reflect revenues and expenses. A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The City of Senatobia was proud to announce our community as the location for the third largest Economic Development project for the State of Mississippi for 2010. Twin Creeks Technologies, Inc., a San Jose, CA company, chose Senatobia as the site for their new \$185 million solar cell production facility. In exchange for the creation of 500+ new jobs in our community, the State of Mississippi provided \$50 million bond financing, a \$3 million Development Infrastructure Loan, and a \$1 million Development Infrastructure Grant for the use and benefit of this economic development project. The City of Senatobia entered 20-year lease and agreements with Twin Creeks Technologies, Inc. with the understanding that full repayment of the \$53 million provided by the State of Mississippi would be met. As of September 30, 2015, the plant had closed and there were no ongoing operations. The State of Mississippi has agreed to suspend any debt obligations until there is a new tenant. Unfortunately, the City's financial statements now reflect the assets and corresponding liabilities for this project, and the depreciation expense is having a significant impact on our overall financial position. As of September 30, 2015, the City of Senatobia was in negotiations with a major electrical manufacturer to purchase the Twin Creeks facility. This would necessitate the removal and sale of the building contents.

The City of Senatobia Utility Fund delivered another solid performance for 2015; however, our natural gas sales were not as strong as we'd anticipated due to milder winter temperatures. We continue to manage our water, sewer and natural gas systems in a manner that promotes operational efficiency and keeps us current with new regulations. As of September 30, 2015, the City of Senatobia was beginning to contemplate an upgrade of the city's wastewater treatment plant to solve the day-to-day issues of an aging facility and to prepare for anticipated new permit requirements from the Mississippi Department of Environmental Quality.

In 2014, the City of Senatobia implemented a 2% tourism tax to fund new opportunities for tourism and recreation. Plans are being made for a multi-use sports facility near our existing Scott St sports complex. The city will fund any new recreation / tourism projects with a bond issue; the principal and interest payments to be from the 2% sale tax collections.

The City's millage rate was 27 mills for 2015, one of the lowest in the State of Mississippi for communities our size.

**CITY OF SENATOBIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

BUDGETARY HIGHLIGHTS

The City's fiscal operating budget for both the General funds and the Utility fund are prepared, presented, and adopted by the Board of Aldermen prior to September 15 of each year for the upcoming fiscal year of October 1 to September 30. The City strives to determine accurate projections for revenues and expenses based on historical data and a reasonable forecast for the upcoming 12-month period. Due to unforeseen events throughout the year, it is necessary for the City to amend its budget from time to time during the fiscal year. For the fiscal year ending September 30, 2015, the City of Senatobia did have a few revisions that were required. Other revisions were attributed to variations in tax revenues, fluctuations in the cost of natural gas, and the timing of payments for construction and improvement projects that span multiple fiscal years.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - As of September 30, 2015, Senatobia's total capital assets were \$62,383,931. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, and leased property under capital lease.

Total accumulated depreciation as of September 30, 2015, was \$23,460,068, including \$2,718,150 of depreciation expense for the year. The balance in total net capital assets was \$38,923,563 at year-end.

Additional information on the City's capital assets can be found in Note 4 on page 28 and 29 of this report.

Debt Administration - At September 30, 2015, Senatobia had \$32,221,689 in long-term debt outstanding. This includes general obligation bonds, revenue bonds, loans from Mississippi Development Authority, capital leases, and accrued vacation pay.

For the year ending September 30, 2015, Senatobia had entered into lease purchase agreements for \$735,446 for vehicles and equipment.

The State of Mississippi limits the amount of debt a city can issue to generally 15% of taxable assessed value. The City's outstanding debt is currently at 2.44% of the latest property assessments, well below the debt limit.

Additional information on Tate City's long-term debt can be found in Note 6 on page 29 of this report.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

None that would have any financial impact on this audit report.

CONTACT:

If you have any questions concerning this report, please contact:

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BASIC FINANCIAL STATEMENTS

CITY OF SENATOBIA, MISSISSIPPI
Statement of Net Position
September 30, 2015

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 757,472	\$ 1,554,085	\$ 2,311,557
Accounts receivable, net of allowance for doubtful accounts of \$68,360	-	342,280	342,280
Intergovernmental receivable	387,285	-	387,285
Franchise tax receivable	68,506	-	68,506
Property taxes receivable	1,514,809	-	1,514,809
Interest receivable	2,641	1,439	4,080
Prepaid expense	42,913	18,106	61,019
Internal balances	(460,518)	460,518	-
Inventory	-	529,916	529,916
Restricted assets:			
Cash in bank	588,841	2,283	591,124
Customer deposits	-	385,975	385,975
Capital assets, net of accumulated depreciation	28,050,187	10,873,376	38,923,563
Total Assets	30,952,136	14,167,978	45,120,114
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	1,040,411	184,178	1,224,589
Total Deferred Inflows of Resources	1,040,411	184,178	1,224,589
<u>LIABILITIES</u>			
Accounts payable	199,675	146,380	346,055
Accrued expenses	270,227	24,056	294,283
Customer deposits	-	385,975	385,975
Long-term liabilities			
Net pension liability	5,909,913	1,046,199	6,956,112
Due within one year:			
Capital debt	1,840,833	635,000	2,475,833
Due in more than one year:			
Capital debt	26,915,018	2,685,165	29,600,183
Non-capital debt	122,716	22,957	145,673
Total Liabilities	35,258,382	4,945,732	40,204,114
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property tax for future reporting periods	1,514,809	-	1,514,809
Total Deferred Inflows of Resources	1,514,809	-	1,514,809
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	(705,664)	7,553,211	6,847,547
Restricted for:			
Expendable:			
General Government	439,401	-	439,401
Public safety	24,456	-	24,456
Debt service	157,937	2,283	160,220
Customer deposits	-	385,975	385,975
Nonexpendable:			
Prepaid	42,913	18,106	61,019
Unrestricted	(4,739,687)	1,446,849	(3,292,838)
Total Net Position	\$ (4,780,644)	\$ 9,406,424	\$ 4,625,780

The accompanying notes are an integral part of the financial statements.

CITY OF SENATOBIA, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2015

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities</u>							
General government	\$ 2,762,077	\$ 195,204	\$ -	\$ 46,000	\$ (2,520,873)	\$ -	\$ (2,520,873)
Public safety	2,616,628	52,874	116,429	-	(2,447,325)	-	(2,447,325)
Public works	1,169,315	495,613	-	249,309	(424,393)	-	(424,393)
Culture and recreation	373,419	106,322	2,000	-	(265,097)	-	(265,097)
Library	140,592	-	-	-	(140,592)	-	(140,592)
Interest on long-term debt	150,748	-	-	-	(150,748)	-	(150,748)
Pension expense	697,915	-	-	-	(697,915)	-	(697,915)
Total governmental activities	<u>7,910,694</u>	<u>850,013</u>	<u>118,429</u>	<u>295,309</u>	<u>(6,646,943)</u>	<u>-</u>	<u>(6,646,943)</u>
<u>Business-Type Activities</u>							
Utility	4,079,605	4,585,426	-	-	-	505,821	505,821
Hospital	-	-	-	-	-	-	-
Interest on long-term debt	60,366	-	-	-	-	(60,366)	(60,366)
Pension expense	123,556	-	-	-	-	(123,556)	(123,556)
Total business-type activities	<u>4,263,527</u>	<u>4,585,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>321,899</u>	<u>321,899</u>
Total government	<u>\$ 12,174,221</u>	<u>\$ 5,435,439</u>	<u>\$ 118,429</u>	<u>\$ 295,309</u>	<u>(6,646,943)</u>	<u>321,899</u>	<u>(6,325,044)</u>
General Revenue:							
Property taxes					1,425,603	-	1,425,603
Intergovernmental					313,768	-	313,768
Sales tax					2,641,803	-	2,641,803
Franchise taxes					239,999	-	239,999
Rents					151,879	-	151,879
Interest					2,765	4,579	7,344
Miscellaneous					149,692	295,327	445,019
Gain (Loss) on disposal of assets					44,254	-	44,254
Transfers					292,827	(292,827)	-
Total General Revenues & Transfers					<u>5,262,590</u>	<u>7,079</u>	<u>5,269,669</u>
Change in Net Position					<u>(1,384,353)</u>	<u>328,978</u>	<u>(1,055,375)</u>
Net Position - Beginning of Year					1,155,254	10,010,348	11,165,602
Prior period adjustment					(4,551,545)	(932,902)	(5,484,447)
Net Position - End of Year					<u>\$ (4,780,644)</u>	<u>\$ 9,406,424</u>	<u>\$ 4,625,780</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SENATOBIA, MISSISSIPPI

Balance Sheet

Governmental Funds

September 30, 2015

	<u>General Fund</u>	<u>Twin Creeks Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 696,673	\$ 15,162	\$ 45,637	\$ 757,472
Due from other funds	-	4,101	-	4,101
Intergovernmental receivable	341,732	-	45,553	387,285
Franchise tax receivable	68,506	-	-	68,506
Property tax receivable	1,265,707	-	249,102	1,514,809
Interest receivable	2,641	-	-	2,641
Prepaid expenses	23,776	19,137	-	42,913
Restricted cash	24,456	-	564,385	588,841
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 2,423,491</u>	<u>\$ 38,400</u>	<u>\$ 904,677</u>	<u>\$ 3,366,568</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 181,542	\$ 4,101	14,032	\$ 199,675
Accrued expenses	6,148	-	-	6,148
Due to other funds	448,476	-	16,143	464,619
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>636,166</u>	<u>4,101</u>	<u>30,175</u>	<u>670,442</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	1,265,707	-	249,102	1,514,809
	<hr/>	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	<u>1,265,707</u>	<u>-</u>	<u>249,102</u>	<u>1,514,809</u>
<u>FUND BALANCES</u>				
Nonspendable:				
Prepaid expenses	23,776	19,137	-	42,913
Restricted:				
General government	-	-	439,401	439,401
Public safety	24,456	-	-	24,456
Debt service	-	-	157,937	157,937
Assigned:				
General government	-	15,162	-	15,162
Public Safety	187,036	-	-	187,036
Public Works	-	-	28,062	28,062
Unassigned	286,350	-	-	286,350
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>521,618</u>	<u>34,299</u>	<u>625,400</u>	<u>1,181,317</u>
Total Liabilities and Fund Balances	<u>\$ 2,423,491</u>	<u>\$ 38,400</u>	<u>\$ 904,677</u>	<u>\$ 3,366,568</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SENATOBIA , MISSISSIPPI
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2015

Total Fund Balance - Governmental Funds \$ 1,181,317

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

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. These assets consist of:

Land	1,225,102	
Buildings and improvements	19,034,001	
Equipment and vehicles	16,472,453	
Infrastructure	6,194,513	
Construction in progress	484,306	
Accumulated depreciation	<u>(15,360,188)</u>	
		28,050,187

Some liabilities are not due and payable in the current period and
therefore are not reported in the funds. Those liabilities consist of:

Pension liability	(5,909,913)	
Notes payable	(26,600,960)	
Leases payable	(786,570)	
General obligation and revenue bonds	(1,368,321)	
Compensated absences	(122,716)	
Accrued interest	<u>(264,079)</u>	
		(35,052,559)

Deferred outflows of resources related to pensions are applicable to
future periods and, therefore, are not reported in the funds. 1,040,411

Net Position of Governmental Activities \$ (4,780,644)

CITY OF SENATOBIA, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Year Ended September 30, 2015

	<u>General Fund</u>	<u>Twin Creeks Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
General property taxes	\$ 1,202,461	\$ -	\$ 223,142	\$ 1,425,603
Licenses and permits	75,782	-	-	75,782
Intergovernmental	2,583,721	-	416,277	2,999,998
Charges for services	841,233	-	-	841,233
Franchise taxes	239,999	-	-	239,999
Interest	2,268	-	497	2,765
Miscellaneous	149,692	-	-	149,692
Total Revenues	<u>5,095,156</u>	<u>-</u>	<u>639,916</u>	<u>5,735,072</u>
<u>EXPENDITURES</u>				
General government	1,283,710	106,031	44,896	1,434,637
Public safety	2,997,767	-	-	2,997,767
Public works	1,554,278	-	264,690	1,818,968
Culture and recreation	475,159	-	-	475,159
Library	128,810	-	-	128,810
Debt service:				
Principal	451,106	-	210,535	661,641
Interest	16,353	-	72,334	88,687
Total Expenditures	<u>6,907,183</u>	<u>106,031</u>	<u>592,455</u>	<u>7,605,669</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,812,027)</u>	<u>(106,031)</u>	<u>47,461</u>	<u>(1,870,597)</u>
<u>OTHER FINANCIAL SOURCES</u>				
Rents	151,879	-	-	151,879
Grant revenue	115,500	-	186,809	302,309
Sale of assets	237,078	-	-	237,078
Interfund transfers	158,368	48,602	85,857	292,827
Lease proceeds	735,446	-	-	735,446
Total Other Financing Sources	<u>1,398,271</u>	<u>48,602</u>	<u>272,666</u>	<u>1,719,539</u>
Net Change in Fund Balances	(413,756)	(57,429)	320,127	(151,058)
Fund Balance - Beginning of Year	935,374	91,728	305,273	1,332,375
Fund Balance - End of Year	<u>\$ 521,618</u>	<u>\$ 34,299</u>	<u>\$ 625,400</u>	<u>\$ 1,181,317</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SENATOBIA, MISSISSIPPI
Reconciliation of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
For the Year Ended September 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (151,058)

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

Governmental funds report capital outlays as expenditures. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$2,264,553) exceeded capital outlays (\$1,682,290). (582,263)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds (\$735,446) in the current period exceeded repayments (\$661,641). (73,805)

Payments of contributions to the City's pension plan are recorded as expenditures in the government funds. Pension expense is recorded on an actuarially determined basis in the statement of activities. This amount represents the difference between actual contributions and the actuarially determined pension expense. (317,957)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in netposition differs from the change in fund balances by a combination of the following items:

Compensated Absences	(4,385)
Accrued Interest Expense	(62,061)
Sale of capital assets	(192,824)
	<u>(199,270)</u>

Change in Net Position of Governmental Activities \$ (1,384,353)

The accompanying notes are an integral part of the financial statements.

CITY OF SENATOBIA, MISSISSIPPI
Statement of Net Position
Proprietary Funds
September 30, 2015

	<u>Utility Fund</u>	<u>Hospital Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 1,554,085	\$ -	\$ 1,554,085
Accounts receivable, net of allowance for doubtful accounts of \$68,360	342,280	-	342,280
Inventory	529,916	-	529,916
Interest receivable	1,439	-	1,439
Due from other funds	460,518	-	460,518
Prepaid Expenses	18,106	-	18,106
Total Current Assets	<u>2,906,344</u>	<u>-</u>	<u>2,906,344</u>
Noncurrent Assets			
Restricted assets:			
Cash - debt service	-	2,283	2,283
Cash - customer deposits	385,975	-	385,975
Capital assets, net of accumulated depreciation	10,873,376	-	10,873,376
Total Noncurrent Assets	<u>11,259,351</u>	<u>2,283</u>	<u>11,261,634</u>
Total Assets	<u>14,165,695</u>	<u>2,283</u>	<u>14,167,978</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	<u>184,178</u>	<u>-</u>	<u>184,178</u>
Total deferred outflows of resources	<u>184,178</u>	<u>-</u>	<u>184,178</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities			
Accounts payable	146,380	-	146,380
Accrued expenses	24,056	-	24,056
Customer deposits	385,975	-	385,975
Bonds payable - Capital Debt	635,000	-	635,000
Total Current Liabilities	<u>1,191,411</u>	<u>-</u>	<u>1,191,411</u>
Long-term liabilities due in more than one year:			
Pension Liability	1,046,199	-	1,046,199
Bonds Payable - Capital Debt	2,685,165	-	2,685,165
Compensated Absences	22,957	-	22,957
Total Long-term Liabilities	<u>3,754,321</u>	<u>-</u>	<u>3,754,321</u>
Total Liabilities	<u>4,945,732</u>	<u>-</u>	<u>4,945,732</u>
Net Position			
Invested in capital assets, net of related debt	7,553,211	-	7,553,211
Restricted for:			
Debt service	385,975	2,283	388,258
Prepaid expenses	18,106	-	18,106
Unrestricted	1,446,849	-	1,446,849
Total Net Position	<u>9,404,141</u>	<u>2,283</u>	<u>9,406,424</u>
Total Liabilities and Net Position	<u>\$ 14,349,873</u>	<u>\$ 2,283</u>	<u>\$ 14,352,156</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SENATOBIA, MISSISSIPPI
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2015

	<u>Utility Fund</u>	<u>Hospital Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Charges for services	\$ 4,585,426	\$ -	\$ 4,585,426
Total Operating Revenues	<u>4,585,426</u>	<u>-</u>	<u>4,585,426</u>
<u>OPERATING EXPENSES</u>			
Cost of Sales	1,805,068	-	1,805,068
Personnel	610,344	-	610,344
Pension	123,556	-	123,556
Depreciation and amortization	453,597	-	453,597
Material and supplies	159,254	-	159,254
Professional services	599,283	-	599,283
Other	452,059	-	452,059
Total Operating Expenses	<u>4,203,161</u>	<u>-</u>	<u>4,203,161</u>
Operating Income	<u>382,265</u>	<u>-</u>	<u>382,265</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	4,578	1	4,579
Interest expense	(60,366)	-	(60,366)
Miscellaneous revenue	295,327	-	295,327
Net Nonoperating Revenue(Expenses)	<u>239,539</u>	<u>1</u>	<u>239,540</u>
Net Income (Loss) Before Transfers	621,804	1	621,805
Interfund transfers	<u>(292,827)</u>	<u>-</u>	<u>(292,827)</u>
Change in Net Position	<u>328,977</u>	<u>1</u>	<u>328,978</u>
Net Position - Beginning of Year	10,008,066	2,282	10,010,348
Prior period adjustment	<u>(932,902)</u>	<u>-</u>	<u>(932,902)</u>
Net Position - End of Year	<u>\$ 9,404,141</u>	<u>\$ 2,283</u>	<u>\$ 9,406,424</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SENATOBIA, MISSISSIPPI
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

	<u>Utility Fund</u>	<u>Hospital Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 4,617,640	\$ -	\$ 4,617,640
Cash payments for goods and services	(2,932,898)	-	(2,932,898)
Cash payments to employees	(675,531)	-	(675,531)
Net Cash Provided By (Used In) Operating Activities	<u>1,009,211</u>	<u>-</u>	<u>1,009,211</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Interfund Activity	(453,177)	-	(453,177)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(453,177)</u>	<u>-</u>	<u>(453,177)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Payments for capital acquisitions	(416,060)	-	(416,060)
Principal payments on debt	(634,579)	-	(634,579)
Interest payments on debt	(63,466)	-	(63,466)
Capital acquisitions reimbursements	295,327	-	295,327
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(818,778)</u>	<u>-</u>	<u>(818,778)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest on investments	4,578	1	4,579
Net Cash Provided By (Used In) Investing Activities	<u>4,578</u>	<u>1</u>	<u>4,579</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(258,166)	1	(258,165)
Cash and Cash Equivalents-Beginning of Year	1,812,251	2,282	1,814,533
Cash and Cash Equivalents-End of Year	<u>\$ 1,554,085</u>	<u>\$ 2,283</u>	<u>\$ 1,556,368</u>
Reconciliation of Operating Income to Net Cash Provided By (Used In)			
Operating Activities			
Operating Income	\$ 382,265	\$ -	\$ 382,265
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	453,597	-	453,597
(Increase) decrease in customer receivables	32,214	-	32,214
Increase (decrease) in accounts payable	(45,525)	-	(45,525)
Increase (decrease) in compensated absences	2,083	-	2,083
(Increase) decrease in deferred outflows	(168,402)	-	(168,402)
Increase (decrease) in net pension liability	224,688	-	224,688
Increase (decrease) in accrued expenses	759	-	759
(Increase) decrease in prepaid expenses	20,147	-	20,147
(Increase) decrease in inventory	107,385	-	107,385
Total adjustments	<u>626,946</u>	<u>-</u>	<u>626,946</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,009,211</u>	<u>\$ -</u>	<u>\$ 1,009,211</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2015

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Senatobia (“the City”) was incorporated in 1849. The City operates under the Board of Aldermen-Mayor form of government and provides the following services: public safety (police and fire), public works (streets and sanitation), culture, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Senatobia have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant polices.

B. Financial Reporting Entity

These financial statements present all the accounts of the City. There are no component units based upon the criteria set forth in generally accepted accounting principals.

C. Basis of Presentation

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Indirect expenses are allocated to general government.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund. The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2015

Twin Creeks Fund. This fund is used to account for the accumulation of financial resources to be used for maintenance, debt obligations, and the future sale or lease of the former Twin Creeks Building.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental funds column of the fund financial statements.

Proprietary Funds

All proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Utility Fund. The Utility Fund is used to account for the provision of gas, water, and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the gas, water, and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for gas, water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they both become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Government Fund revenues. Expenditures are recognized when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. Also, taxes held by the county tax collector at year end are recognized as revenue. All

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2015

other governmental fund revenues are recognized when received, as they are deemed immaterial.

E. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year after which the City Clerk submits a budget of estimated expenditures and revenues to the Mayor and Board of Aldermen by August 1.

Upon receipt of the budget estimates, the Board of Aldermen holds a public hearing on the proposed budget. Information about the Budget Ordinance is then published in the official newspaper of the City.

At the September board meeting, the budget is legally enacted through passage of ordinance. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.

The actual receipts and disbursements are accumulated each month and compared to the budgeted amounts and reviewed by the Mayor and Board of Aldermen. Any revisions on the budget during the year are approved by the Board of Aldermen.

F. Cash and Cash Equivalents

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

G. Prepaid Expenses

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the nonspendable portion of prepaid expenses in the governmental funds has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

H. Inventories

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in/first-out method.

I. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as “due to/from other funds.” Noncurrent portions of interfund receivables and payables are reported as “advances to/from other funds.” Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business type activities are reported in the government-wide financial statements as “internal balances.”

J. Restricted Assets

Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements,

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2015

board resolutions and donor specifications have been reported as restricted assets. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

K. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

- Buildings - 20 to 50 years
- Improvements/infrastructure - 5 to 50 years
- Equipment - 2 to 15 years

L. Compensated Absences

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and proprietary funds financial statements. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured, for example, an employee resigns.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows related to pensions – This amount represents the City’s proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 8 for additional details.

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 will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

N. Equity Classifications

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Following are descriptions of fund classifications used by the City:

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
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Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form such as inventories and prepaid amounts.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Mayor and Board of aldermen, but no official policy has been adopted.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the City's general policy to use restricted resources first, then committed, assigned, and unassigned.

Net Position in government-wide and proprietary fund financial statements are classified in three components: net investment in capital assets, restricted net position, and unrestricted net position.

Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of the governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position is all other net position not meeting the definition of "net investment in capital assets" or "restricted."

O. Property Tax Revenues

Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of the original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date the original purchase occurs.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2015

P. Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts.

Q. Recent Accounting Pronouncements

In June, 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions, which is intended to improve the usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhance value for assessing accountability by requiring recognition of the entire net pension liability and more comprehensive measure of pension expense. The provisions of Statement No. 68 are effective for fiscal years beginning after June 15, 2014. The City has implemented GASB No. 68 in this annual report.

On January, 2013, the GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). This Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. This Statement has no significant impact on the City's financial statements.

In November, 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68." This Statement amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions in the Statement are required to be applied simultaneously with the provisions of Statement 68. The City has implemented this in this annual report.

In February, 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Applications." This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In June, 2015, the GASB issued Statement No. 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." This statement will improve the usefulness of information for decisions made by the various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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

In June, 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement will improve accounting and financial reporting by state and local

CITY OF SENATOBIA, MISSISSIPPI
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Year Ended September 30, 2015

governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June, 2015, the GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." This statement will establish the hierarchy of GAAP for state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

NOTE 2 – CASH AND CASH EQUIVALENTS

The collateral for public entities' deposits in financial institutions are 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 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. 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 (FDIC).

Custodial credit risk is the risk that, in the event of a financial institution's failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. As of September 30, 2015, the City's bank balance was not exposed to custodial credit risk.

As of September 30, 2015, the carrying amount of the City's deposits was \$3,288,656 and the bank balances totaled \$3,459,018. Of the bank balances, \$252,282 was insured by the FDIC and \$3,242,736 was covered by pooled and/or pledged collateral.

State law authorizes the city to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of the following:

Description	Amount
Sales Tax	\$ 227,929
Interlocal Agreement	87,820
Ad Valorem Tax	71,536
Total	\$ <u>387,285</u>

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2015

NOTE 4 –CAPITAL ASSETS

	Balance at 9/30/14	Additions	Deletions	Transfers / Adjustments	Balance at 9/30/15
<u>GOVERNMENTAL ACTIVITIES</u>					
Capital assets, not being depreciated:					
Land	\$ 1,236,302	\$ -	\$ 11,200	\$ -	\$ 1,225,102
Construction in progress	13,219	898,570	-	(427,483)	484,306
Total capital assets, not being depreciated:	<u>1,249,521</u>	<u>898,570</u>	<u>11,200</u>	<u>(427,483)</u>	<u>1,709,408</u>
Capital assets, being depreciated:					
Buildings and improvements	19,024,118	9,883	-	-	19,034,001
Infrastructure	5,767,030	-	-	427,483	6,194,513
Equipment and vehicles	16,123,949	773,837	425,333	-	16,472,453
Total capital assets, being depreciated:	<u>40,915,097</u>	<u>783,720</u>	<u>425,333</u>	<u>427,483</u>	<u>41,700,967</u>
Less accumulated depreciation for:					
Buildings and improvements	5,826,393	392,949	-	-	6,219,342
Infrastructure	1,176,542	273,760	-	-	1,450,302
Equipment and vehicles	6,336,409	1,597,844	243,709	-	7,690,544
Total accumulated depreciation	<u>13,339,344</u>	<u>2,264,553</u>	<u>243,709</u>	<u>-</u>	<u>15,360,188</u>
Total capital assets, being depreciated, net	<u>27,575,753</u>	<u>(1,480,833)</u>	<u>181,624</u>	<u>427,483</u>	<u>26,340,779</u>
Governmental activities capital assets, net	<u>\$ 28,825,274</u>	<u>\$ (582,263)</u>	<u>\$ 192,824</u>	<u>\$ -</u>	<u>\$ 28,050,187</u>
<u>BUSINESS-TYPE ACTIVITIES</u>					
Capital assets, not being depreciated:					
Land	\$ 46,000	\$ -	\$ -	\$ -	\$ 46,000
Easements	18,291	-	-	-	18,291
Construction in progress	12,229	384,379	-	(396,608)	-
Total capital assets, not being depreciated:	<u>76,520</u>	<u>384,379</u>	<u>-</u>	<u>(396,608)</u>	<u>64,291</u>
Capital assets, being depreciated:					
Buildings	477,259	-	-	-	477,259
Infrastructure	17,283,477	-	-	396,608	17,680,085
Equipment and vehicles	719,940	31,681	-	-	751,621
Total capital assets, being depreciated:	<u>18,480,676</u>	<u>31,681</u>	<u>-</u>	<u>396,608</u>	<u>18,908,965</u>
Less accumulated depreciation for:					
Buildings	264,191	10,964	-	-	275,155
Infrastructure	6,735,729	420,206	-	-	7,155,935
Equipment and vehicles	646,363	22,427	-	-	668,790
Total accumulated depreciation	<u>7,646,283</u>	<u>453,597</u>	<u>-</u>	<u>-</u>	<u>8,099,880</u>
Total capital assets, being depreciated, net	<u>10,834,393</u>	<u>(421,916)</u>	<u>-</u>	<u>396,608</u>	<u>10,809,085</u>
Business-type activities capital assets, net	<u>\$ 10,910,913</u>	<u>\$ (37,537)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,873,376</u>

No interest was capitalized during the year due to immateriality. See long-term debt note for assets under capital leases.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2015

NOTE 4 – CAPITAL ASSETS (CONTINUED)

A summary of depreciation expense is as follows:

Governmental Activities Function	Depreciation Expense	Business Type Activities Function	Depreciation Expense
General Government	\$ 1,799,462	Utility	\$ 453,597
Public Safety	155,525	Hospital	-
Public Works	259,747		-
Culture and Recreation	38,037		-
Library	11,782		-
Total depreciation expense	<u>\$ 2,264,553</u>	Total depreciation Expense	<u>\$ 453,597</u>

Commitment under construction contracts at September 30, 2015 are summarized as follows:

Project	Contract Amount	Remaining Balance	Fund
Two Mile Branch Project	\$ 344,396	\$ 280,707	Other Governmental Funds
Sidewalk Project	272,904	272,904	Other Governmental Funds
Gas Relocation Project	516,297	516,297	Utility
Total	<u>\$ 1,133,597</u>	<u>\$ 1,069,908</u>	

NOTE 5 – INTERFUND TRANSFERS AND BALANCES

The following is a summary of interfund transactions and balances:

A. Due to/from other funds	Due to	Due from
Major funds:		
General fund	\$ -	\$ 448,476
Utility fund	460,518	-
Twin Creeks Fund	4,101	-
Other governmental funds	-	16,143
Total funds	<u>\$ 464,619</u>	<u>\$ 464,619</u>

These are for payment of monthly claims. All interfund balances are expected to be repaid within a year.

B. Transfers In/Out	Transfers In	Transfers Out
Major funds:		
General fund	\$ 336,595	\$ 178,227
Twin Creeks	48,602	-
Other governmental funds	122,452	36,595
Utility fund	-	292,827
Total funds	<u>\$ 507,649</u>	<u>\$ 507,649</u>

The principal purpose of interfund transfers was to provide funds to pay for debt service. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2015

NOTE 6 – LONG-TERM DEBT

Long-term activity for the year ended September 30, 2015 was as follows:

	Balance at 9/30/14	Additions	Deletions	Balance at 9/30/15	Amounts Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 840,000	\$ -	\$ 195,000	\$ 645,000	\$ 205,000
Revenue bonds payable	738,856	-	15,535	723,321	13,290
Loans payable	26,600,960	-	-	26,600,960	1,432,078
Leases payable	502,230	735,446	451,106	786,570	190,465
Compensated absences payable	118,331	4,385	-	122,716	-
Governmental activities long-term liabilities	<u>\$ 28,800,377</u>	<u>\$ 739,831</u>	<u>\$ 661,641</u>	<u>\$ 28,878,567</u>	<u>\$ 1,840,833</u>
Business-type activities:					
Revenue bonds payable	\$ 3,860,000	\$ -	\$ 620,000	3,240,000	\$ 635,000
Bond Premium	94,744	-	14,579	80,165	-
Compensated absences payable	20,876	2,081	-	22,957	-
Business-type activities long-term liabilities	<u>\$ 3,975,620</u>	<u>\$ 2,081</u>	<u>\$ 634,579</u>	<u>\$ 3,343,122</u>	<u>\$ 635,000</u>

General obligation bonds are direct obligations and pledge full faith and credit of the City. General obligation bonds outstanding at year end are as follows:

	Interest Rate	Maturity	Issued	Outstanding
2003 Road and Bridge	Various	2018	2,500,000	645,000
Total			<u>\$ 2,500,000</u>	<u>\$ 645,000</u>

The City also issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

	Interest Rate	Maturity	Issued	Outstanding
2000 Urban Renewal	5.50%	2035	900,000	723,321
2012 Water, Sewer and Gas Refunding Bonds	2.00%	2021	5,105,000	3,240,000
Total			<u>\$ 6,005,000</u>	<u>\$ 3,963,321</u>

The City also uses loans to finance its projects. Loans outstanding at year end are as follows:

	Rate	Maturity	Outstanding
Development Infrastructure Program - Twin Creeks	2.00%	2026	2,820,682
Twin Creeks Technologies - MMEIA Loan	0.00%	2032	23,780,278
Total			<u>\$ 26,600,960</u>

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2015

NOTE 6 – LONG-TERM DEBT (CONTINUED)

The aggregate maturities of general obligation bonds, revenue bonds, and loans for the years subsequent to September 30, 2015 are as follows:

Year(s) Ending September 30	Governmental Fund		Enterprise Fund	
	Principal	Interest	Principal	Interest
2016	1,650,368	112,132	635,000	64,800
2017	1,670,703	95,296	645,000	52,100
2018	1,685,486	83,377	660,000	39,200
2019	1,465,403	70,996	670,000	26,000
2020	1,470,459	65,785	310,000	12,600
2021-2025	7,433,362	236,362	320,000	6,400
2026-2030	7,286,256	128,115	-	-
Thereafter	5,307,244	62,664	-	-
Total	\$ 27,969,281	\$ 854,727	\$ 3,240,000	\$ 201,100

Capital Leases. The City has entered into equipment leases with BancorpSouth, Hancock Bank, John Deere Financial, Ford Motor Credit, and Government Capital Corporation. The leases with BancorpSouth are for two garbage trucks and a street sweeper for the City’s sanitation department. The leases with John Deere Financial for a backhoe and Hancock Bank for a knuckleboom truck are for the street department. The leases with Ford Motor Credit for police vehicles and Government Capital Corporation for hand-held radios are for the police department. Asset values for these assets recorded on the Statement of Net Position Governmental Activities column is \$892,154 less accumulated depreciation of \$192,537, which nets to \$699,617. Depreciation expenses for these assets are recorded in the Statement of Activities’ Public Works and Public Safety categories. Future minimum capital lease payments for the year ended September 30, 2015 is as follows:

LEASES		
Year(s) Ending September 30	Governmental Fund	
	Principal	Interest
2016	\$ 190,465	\$ 19,659
2017	\$ 401,912	\$ 14,170
2018	\$ 177,299	\$ 3,241
2019	\$ 16,894	\$ 144
Total	\$ 786,570	\$ 37,214

Legal Debt Margin – The City is subject to the limitations of indebtedness prescribed by Section 21-33-303, Mississippi Code 1972. No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bond indebtedness of such municipality, would exceed the 15% and 20% tests prescribed in Section 21-33-303. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of bond issues being excluded from the authorized debt limit tests. Presented in the schedule below are the calculations of the applicable statutory debt limitations and the resulting margin for further debt in the amount of \$7,042,945 as of September 30, 2015.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2015

NOTE 6 – LONG-TERM DEBT (CONTINUED)

	15% Test	20% Test
Net Assessed Value as of September 30, 2015 (\$56,075,104 times applicable percentage)	\$ 8,411,266	\$ 11,215,021
Present debt subject to debt limit as of September 30, 2015: Total bonds outstanding (exclude proprietary)	1,368,321	1,368,321
Margin for additional debt	\$ 7,042,945	\$ 9,846,700

During the year ended September 30, 2013 the City became aware Twin Creeks Technologies South East, LLC would not be able to fulfill the lease agreement entered into by both parties. The Twin Creeks Project was funded through MMEIA and DIP loans through the State of Mississippi, and the City of Senatobia’s liability for the debt was expected to be retired with the Twin Creeks lease agreement revenues. The balance of the MMEIA debt totaled \$23,780,279 and the DIP debt totaled \$2,820,682 at September 30, 2013. The settlement and release agreement filed in Tate County Chancery Court during 2013 modified the debt repayment schedule to match any revenues generated from the Twin Creek Project’s assets. At the report date the inflows of revenue are uncertain; therefore, an exact schedule of debt repayment is not available. The above schedules in this note include these debt obligations at the original repayment schedules due to the uncertainty of changes. The State of Mississippi and the City were also assigned certain rights to royalties and other legal claims that, if and when collected, will also be considered payments to reduce the outstanding liability. Also see the subsequent event Note 12.

NOTE 7 – SHORT-TERM DEBT

The City did not engage in any short-term debt activity in the current or prior fiscal year.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

The City of Senatobia 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, by calling (601) 359-3589 or 1-800-444 PERS, or by visiting online at www.pers.ms.gov.

Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. For those employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity’s participation in PERS by the PERS Board of Trustees. If approved, membership for the entity’s employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of their accumulated member contributions

CITY OF SENATOBIA, MISSISSIPPI
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plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5% for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3% compounded for each fiscal year thereafter.

Contributions

PERS members are required to contribute 9% of their annual covered salary and the City of Senatobia is required to contribute at an actuarially determined rate. At September 30, 2015, the current rate was 15.75% 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 Senatobia's contributions to PERS for the year ending September 30, 2015, 2014 and 2013 were \$447,228, \$421,681, and \$397,589, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability of \$6,956,112 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's employer contributions to the pension plan relative to total contributions of all participating employers. At June 30, 2015, the City's proportionate share was .045%, which was no change from its portion measured as of June 30, 2014.

For the year ended September 30, 2015, the City recognized pension expense of \$821,471. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2015

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 107,051	\$ -
Changes of assumptions	599,155	-
Net difference between projected and actual earnings on pensio plan investments	407,007	-
Changes in the City's proportion and differences between the City's contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	111,376	-
Total	\$ 1,224,589	\$ -

The \$111,376 reported as deferred outflows of resources related to pensions resulting from City's Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	
2016	361,386
2017	361,386
2018	288,689
2019	101,752
	\$ 1,113,213

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods in the measurement:

Inflation	3.0%
Salary Increases	3.75% – 19%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.5% to 3% and 8% to 7.75%, respectively.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2015

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34.0%	5.2%
International Equity	19.0%	5.0%
Emerging Markets Equity	8.0%	5.5%
Fixed Income Real Assets	20.0%	0.3%
Real Assets	10.0%	4.0%
Private Equity	8.0%	6.2%
Cash	1.0%	-0.5%
Total	<u>100.0%</u>	

Discount rate - The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate.

	1% Decrease <u>6.75%</u>	Discount Rate <u>7.75%</u>	1% Increase <u>8.75%</u>
City's proportionate share of the net pension liability	\$ 9,168,794	\$ 6,956,112	\$ 5,120,001

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at www.pers.ms.gov.

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. This exposure is covered by purchase of commercial insurance.

NOTE 10 – LITIGATION

The City is subject to various legal proceedings in various stages of litigation, the outcome of which is not determinable at this time. Management of the City and its legal counsel do not anticipate that there will be a material effect on the financial statements as a result of the cases presently in progress.

CITY OF SENATOBIA, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2015

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The City has restated prior year government-wide net position and Proprietary Fund net position for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71. Also, an adjustment was made to the beginning net position of business-type activities for the write-off of bond issuance costs pursuant to GASB 65.

The following summarizes the prior period adjustments referred to above:

	Governmental Activities	Business-Type Activities	Total
Beginning net position as previously reported	\$ 1,155,254	\$ 10,010,348	\$ 11,165,602
Prior period adjustment-implementation of GASB 68- net pension liability	(4,640,665)	(821,511)	(5,462,176)
Deferred outflows-contributions subsequent to the measurement date	89,120	15,776	104,896
Prior period adjustment-implementation of GASB 65- bond issue costs	<u> </u>	<u>(127,167)</u>	<u>(127,167)</u>
Total prior period adjustment	<u>(4,551,545)</u>	<u>(932,902)</u>	<u>(5,484,447)</u>
Net position as restated	<u>\$ (3,396,291)</u>	<u>\$ 9,077,446</u>	<u>\$ 5,681,155</u>

NOTE 12 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition of disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Senatobia evaluated the activity of the city through November 4, 2016, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

The City entered into a lease agreement with ABB, Inc. dated December 11, 2015. ABB, Inc. will be the tenant of the former Twin Creeks building. The lease agreement is for a 10 year initial period with an option to extend the term or purchase the property for \$5,000,000 less any and all rental payments as of the date the option is exercised.

Also, the following debt was issued:

Issue Date	Interest Rate	Issue Amount	Type of Financing
12/29/2015	2.94%	\$415,437	Capital Lease
03/15/2016	5.45%	\$52,421	Capital Lease
05/20/2016	2.29%	\$127,475	Capital Lease
09/06/2016	3.746%	\$75,445	Capital Lease

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SENATOBIA, MISSISSIPPI
Budgetary Comparison Schedule – General Fund
September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u>
<u>REVENUES</u>				
General property taxes	\$ 1,129,567	\$ 1,129,567	\$ 1,202,461	\$ 72,894
Licenses and permits	75,724	75,724	75,782	58
Intergovernmental	2,584,394	2,584,394	2,601,524	17,130
Charges for services	716,350	716,350	841,233	124,883
Franchise Tax	237,207	237,207	237,207	-
Interest	-	-	2,268	2,268
Miscellaneous	278,820	278,820	149,692	(129,128)
Total revenues	5,022,062	5,022,062	5,110,167	88,105
<u>EXPENDITURES</u>				
General government	885,958	1,268,885	1,268,885	-
Public safety	2,673,175	2,783,276	3,050,606	(267,330)
Public works	1,950,111	1,224,048	1,960,389	(736,341)
Culture and recreation	504,399	461,407	461,407	-
Library	100,000	128,810	128,810	-
Total expenditures	6,113,643	5,866,426	6,870,097	(1,003,671)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,091,581)	(844,364)	(1,759,930)	(915,566)
Other Financing Sources (Uses)				
Grant revenue	481,685	481,685	115,500	(366,185)
Rents	184,500	184,500	151,879	(32,621)
Sale of assets	-	-	237,078	237,078
Lease proceeds	-	-	735,446	735,446
Interfund transfers in	300,000	300,000	336,596	36,596
Interfund transfers out	(104,067)	(128,397)	(178,228)	(49,831)
Total Other Financing Sources (Uses)	862,118	837,788	1,398,271	560,483
Net change in fund balances	\$ (229,463)	\$ (6,576)	(361,659)	\$ (355,083)
Fund Balance - Beginning of Year			935,374	
Fund Balance - End of Year			573,715	
Adjustments to conform with GAAP:				
Revenues			(15,011)	
Expenditures			(37,086)	
Fund Balance - End of Year (GAAP basis)			<u>\$ 521,618</u>	

The accompanying notes to the required supplementary information are an integral part of the Statement.

CITY OF SENATOBIA, MISSISSIPPI
Schedule of Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	\$ 6,956,112	\$ 5,462,176
City's proportionate share of the net pension liability	0.045%	0.045%
City's covered employee payroll	2,859,027	2,757,853
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	243.30%	198.06%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

*The amounts for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented.

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

The notes to the required supplementary information are an integral part of this schedule.

CITY OF SENATOBIA, MISSISSIPPI
Schedule of Contributions
PERS
Last 10 Fiscal Years

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 446,825	\$ 421,681
Contributions in relation to the contractually required contribution	<u>446,825</u>	<u>421,681</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>
City's covered - employee payroll	2,836,984	2,677,340
Contributions as a percentage of covered- employee payroll	15.75%	15.75%

*The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

The notes to the required supplementary information are an integral part of this schedule.

CITY OF SENATOBIA, MISSISSIPPI
Notes to the Required Supplementary Information
September 30, 2015

Budgetary Comparison Schedule

(1) Budgetary Information.

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Mayor and Board of Aldermen, using historical and anticipated fiscal data and proposed budgets submitted by the various department managers for his or her respective department, prepare an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Alderman that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting modified to include recognition of expenditures incurred before year end and paid within 30 days after year end as required by the State of Mississippi. This method is not consistent with U.S. generally accepted accounting principles.

(2) Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary non-GAAP basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund only. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

(3) Excess of Budget Basis Expenditures Over Final Adopted Budget.

The City is in violation of Section 21-35-15, Miss. Code Ann. (1972), which states expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlay, election expenses, and payment of emergency warrants. The City incurred expenses that exceeded the budget estimates at the lowest level adopted. However, the City has no liability associated with these violations.

Pension Schedules

(1) Change of Benefit Terms

None

(2) Change of Assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.5% to 3% and 8% to 7.75%, respectively.

SUPPLEMENTARY INFORMATION

CITY OF SENATOBIA, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2015

Fidelity bonds in force at September 30, 2015 were as follows:

<u>Position</u>	<u>Amount of Bond</u>
Mayor	\$ 50,000
City Clerk	50,000
Deputy Clerk	50,000
City Clerk, Urban Renewal	61,000
Aldermen	100,000 each
Police Chief	50,000
All Personnel - Blanket	50,000

SPECIAL REPORTS

F. O. GIVENS & COMPANY

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Certified Public Accountant

W. BUFORD GIVENS
Certified Public Accountant

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*

Mayor and Board of Aldermen
City of Senatobia
Senatobia, 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Senatobia, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Senatobia, Mississippi's basic financial statements and have issued our report thereon dated November 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Senatobia'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 City of Senatobia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Senatobia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (2015-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Senatobia'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*.

Senatobia's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not 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.

F. O. Givens & Company
Senatobia, Mississippi
November 4, 2016

F. O. GIVENS & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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FRANK O. GIVENS, III
Certified Public Accountant

W. BUFORD GIVENS
Certified Public Accountant

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

Honorable Mayor and Board of Aldermen
City of Senatobia, Mississippi

We have audited the financial statements of the City of Senatobia as of and for the year ended September 30, 2015, and have issued our report thereon dated November 4, 2016. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations, our findings and recommendations and your responses are as follows:

Finding 1:

Expenses Over Budget

Section 21-35-15, Miss. Code Ann. (1972), states expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlay, election expenses, and payment of emergency warrants. The City incurred expenses that exceeded the budget estimates at the lowest level adopted.

Recommendation

The City should develop controls over expenditures to ensure proper compliance with budget code section. The final budget amendment should take into consideration any expenses incurred prior to year end and disbursed within 30 days thereafter.

Response

The City will ensure that expenditures do not exceed any budget estimates and will make budget amendments as needed.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the City'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.

F.O. Givens & Co.
Certified Public Accountants
November 4, 2016

CITY OF SENATOBIA, MISSISSIPPI
Schedule of Findings and Responses
September 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|--------------------|
| 1. Type of auditor's report issued on the general purpose financial statements. | <u>Unqualified</u> |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | <u>Yes</u> |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>No</u> |
| 3. Material noncompliance relating to the general purpose financial statements? | <u>No</u> |

Section 2: Financial Statement Findings

Material Weaknesses:

2015-1 Criteria:

Part of effective internal controls over financial reporting is the ability to adequately produce financial statements in accordance with generally accepted accounting principles.

Condition:

The City is not currently able to internally produce financial statements in accordance with generally accepted accounting principles.

Effect:

The City must incur the expense of outsourcing the preparation of its financial statements, related notes and required supplemental information.

Recommendation:

The City has hired someone who has the ability to learn and develop the skills needed to internally produce the financial statements. The City should continue investing in the training and development of this employee.

Response:

The City will continue to invest in the training and development of the employee hired to prepare financial statements.