

# CITY OF VICKSBURG, MISSISSIPPI

Annual Financial Report  
Year Ended September 30, 2014  
with Independent Auditor's Report

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**I. REQUIRED SUPPLEMENTAL INFORMATION (PART A)**

**City of Vicksburg, Mississippi  
Management's Discussion and Analysis (MDA)  
For the Year Ended September 30, 2014**

The following discussion and analysis of the City of Vicksburg's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2014. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements, which immediately follow this discussion and analysis.

**FINANCIAL HIGHLIGHTS**

**Government-wide** - The assets of the City exceeded its liabilities at the close of the fiscal year by \$154,926,669 (reported as "net position"). This compares to the previous year when assets exceeded liabilities by \$150,473,020. Of this amount, \$31,377,306 was reported as "unrestricted", which may be used to meet the City's ongoing obligations to citizens and creditors. Governmental activities' net position increased during the fiscal year by \$3,156,225 and business-type activities' net position increased by \$1,297,424, resulting in an overall net position increase of \$4,453,649.

**Fund Level** - As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$22,089,170, with \$16,640,110 reported as unreserved fund balance. The portion of the balance that is reserved for a specific purpose totaled \$5,449,059. This compares to the prior year ending fund balance of \$19,998,726. The proprietary funds reported total Net Position of \$42,205,974. This compares to the prior year Net Position of \$40,908,551.

**USING THIS ANNUAL FINANCIAL REPORT**

The City of Vicksburg's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information.

**City of Vicksburg, Mississippi**  
**Management's Discussion and Analysis (MDA)**  
**For the Year Ended September 30, 2014**

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements consist of the Statement of Net Position and the Statement of Activities. Both of these statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. See Tables 1 & 2 on pages 7 and 9.

The Statement of Net Position and the Statement of Activities report two types of activities:

***Governmental Activities*** – The governmental activities reflect the City's basic services including general government services (executive, judicial), public safety (fire, law enforcement, emergency medical services), public works (street maintenance), and culture and recreation (parks and recreation and convention center). These services are financed primarily with taxes and intergovernmental revenues.

***Business-type Activities*** – The cost of providing goods or services to the general public, which is financed or recovered primarily through user charges, is reported here. The City Water, Gas, Sewer, and Sanitation Funds are in this category of activities.

**The Statement of Net Position** – The Statement of Net Position presents information on all of the City's nonfiduciary assets and liabilities, with the differences between the two reported as "net position". Over time, increases or decreases in the City's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

**The Statement of Activities** – The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. *Revenues* - uncollected fines and *Expenses* - earned but unused vacation leave).

**City of Vicksburg, Mississippi  
Management's Discussion and Analysis (MDA)  
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**Government-Wide Financial Statements – Continued**

This statement combines the expenses for all departments of the City into a few basic categories, which tells the reader how much a particular service provided by the City costs, and shows how that service is paid for. The change in net position of the City may indicate whether the City will be able to continue to provide the same level of services in the future.

This Statement of Activities condenses expense and funding information by combining the expenses of all City departments into a few general categories of service for both the primary governmental activities and the business-type activities. The following explanation is given for those not familiar with reading the Statement of Activities. The Statement of Activities (see page 30) is divided into two sections, Top and Bottom as described below:

**Top Section**

- Column one lists the name of the combined generalized function or program of the City.
- Column two lists the expenses.
- Column three lists revenue from receipt of dollars charged for the service (if any).
- Column four lists (if any) State or Federal grant revenue specific to that program to be used towards its operational expenses.
- Column five lists (if any) State or Federal grant revenue specific to that program to be used towards its capital expenses.
- Column six and seven, respectively for type either governmental or business, lists the dollar amount, either net expense or net revenue, that is derived from the difference between program revenues and its related expenses. The amount listed, shown in parenthesis “( )”, indicates the dollar amount of the expenses that are not covered by fees, charges, grants or contributions and that must be paid from basic taxes.
- Column eight totals the respective row, which totals out the activities of the primary government.

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**Government-Wide Financial Statements – Continued**

**Bottom Section**

This section contains the following:

- General revenues dollars, under the same two categories of governmental or business-type activities, that are received from taxes, non restricted grants and contributions and unrestricted investment earnings or other miscellaneous revenues, such as gain on sale of asset.
- The change in net position, derived from the difference of the total of activities (top section) less revenues (bottom section).
- Net Position, beginning year balance.
- Net position, ending.

**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. Information about the City's governmental funds begins on page 27. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds are divided into three categories: governmental funds, proprietary funds and fiduciary funds. These categories use different accounting approaches and should be interpreted differently.

**Governmental Funds** – Most of the City's general activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. This approach focuses on near-term inflows and outflows of spendable resources, along with the balance of spendable resources available at year-end.

The governmental fund statements provide a detailed view of the City's near-term financing requirements. Governmental funds include the General Fund, City Bond and Interest Debt Service Fund, and Capital Projects Fund, which are presented separately as major funds. All other funds of the City are considered nonmajor funds and are combined into a single column on the governmental fund financial statements.



**City of Vicksburg, Mississippi**  
**Management's Discussion and Analysis (MDA)**  
**For the Year Ended September 30, 2014**

**Fund Financial Statements – Continued**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the City's near-term financing decisions.

**Proprietary Funds** – The City maintains two types of proprietary funds: enterprise and internal service.

- *Enterprise funds* charge fees for services to outside customers such as the water, gas, sewer and refuse collection. They are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting and are used to report the same functions presented as business-type activities in the government-wide financial statements.
- *Internal service* funds provide vehicle maintenance services to other City departments on a cost reimbursement basis. Because these services primarily benefit governmental rather than business-type functions, they have been included in governmental activities on the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the city's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund statement can be found on page 35 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in the basic financial statements section of this report.

**City of Vicksburg, Mississippi  
Management's Discussion and Analysis (MDA)  
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**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as a budgetary comparison schedule for the general fund. Required supplementary information can be found on pages 64-67 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position Analysis (Table 1):**

For the year ended September 30, 2014, the City's combined assets (governmental and business-type activities) totaled \$190.0 million dollars compared to \$188.5 million for fiscal year ending September 30, 2013. Cash and cash equivalents decreased by \$.4 million. Total liabilities decreased by \$2.9 million from \$38.0 million to \$35.1 million dollars and capital assets decreased by \$1.3 million to \$146.0 million dollars. This comparison is very helpful in reflecting the City's ability to provide uninterrupted services to the public in the future.

The total net position of the City equaled \$154.9 million dollars after deducting total liabilities of \$35.1 million dollars from total assets.

The largest portion of the City's net position, 87.4% or \$121.4 million dollars, consist of its investment in capital assets such as land, buildings, furniture and equipment, improvements-other and infrastructure, less any debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. The City's investment in capital assets are reported net of related debt, thus it should be noted that the resources needed to repay this debt, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted net position, \$31.4 million dollars, or 20.3 percent, may be used to meet the City's ongoing obligations to citizens and creditors; however, internally imposed designations of certain resources further limit the purposes for which those net assets may be used.

**City of Vicksburg, Mississippi**  
**Table 1**  
**Net Assets**  
**September 30, 2014 and 2013**  
**(In Millions of Dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Cash and Other Assets	31.2	31.2	8.8	9.2	40.1	40.4
Capital Assets	103.3	101.0	46.7	47.1	149.9	148.1
<b>Total Assets</b>	<b>134.5</b>	<b>132.2</b>	<b>55.5</b>	<b>56.3</b>	<b>190.0</b>	<b>188.5</b>
<b>Liabilities</b>						
Current and Other Liabilities	14.8	13.9	3.6	4.4	18.4	18.3
Long Term Liabilities	7.0	8.8	9.7	11.0	16.7	19.7
<b>Total Liabilities</b>	<b>21.8</b>	<b>22.7</b>	<b>13.3</b>	<b>15.4</b>	<b>35.1</b>	<b>38.0</b>
<b>Net Position</b>						
Invested in Capital Assets, Net of Related Debt	90.8	100.8	30.6	30.6	121.4	131.5
Restricted-Debt Service and Capital Projects	2.1	2.4	.0	.0	2.1	2.4
Unrestricted	19.8	6.3	11.6	10.3	31.4	16.6
<b>Total Net Position</b>	<b>112.7</b>	<b>109.6</b>	<b>42.2</b>	<b>40.9</b>	<b>154.9</b>	<b>150.5</b>

\*Note: This table consists of information from the Statement of Net Position expressed in millions to assist in reading the preceding Analysis of the Net Position.

**City of Vicksburg, Mississippi  
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**Statement of Activities Analysis (Table 2):**

Revenues for fiscal year 2014 totaled \$56.57 million and exceeded expenses, which totaled \$52.11 million by \$4.46 million dollars. The governmental activities revenues, which totaled \$37.11 million, exceeded expenses of \$33.95 million by \$3.16 million. The business-type activity's revenues, which totaled \$19.46 million, exceeded expenses of \$18.16 million by \$1.30 million. Utility rates have continued to be raised as necessary and a purchase gas adjustment mechanism was in place to adjust the price of natural gas on a monthly basis. The decline in the price of natural gas allowed the City to remove the purchase gas adjustment in March 2009. The sanitation, water and sewer rates were also increased in March 2010 to cover prior year deficiencies.

The *major* governmental programs of service provided by the City, its cost and percentage of general cost activities are as follows:

	<u>2014</u>	<u>2013</u>
• General government.....	\$8.41 million, 24.8%	\$2.44 million, 8%
• Public safety.....	\$15.53 million, 45.8%	\$16.54 million, 52%
• Public works.....	\$5.07 million, 14.9%	\$7.11 million, 22%
• Culture and recreation .....	\$4.63 million, 13.6%	\$5.33 million, 17%

The costs of some of the services provided by the City of Vicksburg are paid directly by the recipient of those services. Revenues from charges for services totaled \$21.8 million, which are \$0.75 million above charges for services for fiscal year 2013. Charges for services are primarily in the business-type activities. This group includes the water, gas, sewer utilities, and the sanitation services. Police fines and charges for emergency medical services (ambulance) make up a large portion of the program revenues for the governmental activities. The balances of the costs are paid with taxes collected directly from the taxpayers of the City along with taxes and revenues from other governments. The general revenues of the City consist of the following:

	<u>2014</u>	<u>2013</u>
• Property taxes.....	\$11.24 million, 30%	\$10.25 million, 31%
• Franchise taxes .....	\$9.47 million, 26%	\$7.83 million, 23%
• Public service taxes total .....	\$8.48 million, 23%	\$10.34 million, 31%

The final 21% of revenues came from grants and contributions not restricted for a specific purpose, the sale of assets, charges for services, interest earnings and other miscellaneous sources, which totaled \$7.92 million for 2014. For 2013, the same items respected 15% of revenues at \$5.07 million.

**City of Vicksburg, Mississippi**  
**Table 2**  
**Changes in Net Position**  
**September 30, 2014 and 2013**  
**(In Millions of Dollars)**

	Governmental Activities		Business Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services						
Governmental Activities	2.43	2.79			2.43	2.79
Water Utility			5.31	5.16	5.31	5.16
Gas Utility			7.91	7.06	7.91	7.06
Sewer Utility			4.49	4.37	4.49	4.37
Refuse, Sanitation Fund			1.63	1.63	1.63	1.63
Transportation Fund						
Operating Grants and Contributions	1.36	.82			1.36	.82
Capital Grants and Contributions						
<b>Total Program Revenues</b>	<b>3.79</b>	<b>3.61</b>	<b>19.34</b>	<b>18.23</b>	<b>23.13</b>	<b>21.84</b>
<b>General Revenues:</b>						
Property Taxes, levied for General Purposes	9.40	7.49			9.40	7.49
Property Taxes, levied for Debt Service	1.85	2.76			1.85	2.76
Franchise & Miscellaneous Taxes	9.46	7.83			9.46	7.83
Public Service Taxes	8.48	10.34			8.48	10.34
Grants and Entitlements not Restricted	.01			.01		
<b>Unrestricted Investment Earnings</b>	<b>.01</b>	<b>.04</b>	<b>.00</b>	<b>(.02)</b>	<b>.01</b>	<b>.02</b>
<b>Miscellaneous</b>	<b>4.10</b>	<b>1.43</b>	<b>.14</b>	<b>.05</b>	<b>4.24</b>	<b>1.48</b>
<b>Gain or (Loss) on Sale of Assets</b>	<b>.00</b>	<b>.00</b>	<b>(.02)</b>	<b>.00</b>	<b>(.01)</b>	<b>.00</b>
<b>Total General Revenues</b>	<b>33.31</b>	<b>29.89</b>	<b>.12</b>	<b>.03</b>	<b>33.43</b>	<b>29.92</b>
<b>Total Revenues</b>	<b>37.11</b>	<b>33.50</b>	<b>19.46</b>	<b>18.26</b>	<b>56.57</b>	<b>51.76</b>
<b>Functions/Programs Expenses:</b>						
General Government	8.41	2.44			8.41	2.44
Public Safety	15.53	16.54			15.53	16.54
Health, Welfare and Sanitation						
Public Works	5.07	7.11			5.07	7.11
Culture and Recreation	4.63	5.33			4.63	5.33
Interest and Fiscal Charges	.31	.47			.31	.47
Total Business Related Expenses			18.16	16.98	18.16	16.98
<b>Total Expenses</b>	<b>33.95</b>	<b>31.89</b>	<b>18.16</b>	<b>16.98</b>	<b>52.11</b>	<b>48.87</b>
Increase (Decrease) in Net Position before Transfers	3.16	1.61	1.30	1.28	4.46	2.89
Transfers	.00	(.02)	.00	.02	.00	.00
<b>Change in Net Position</b>	<b>3.16</b>	<b>1.59</b>	<b>1.30</b>	<b>1.30</b>	<b>4.46</b>	<b>2.89</b>

\*Note: This table consists of information from the Statement of Activities expressed in millions to assist in

**City of Vicksburg, Mississippi  
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**THE CITY'S FUND ANALYSIS**

**Budgeting Highlights (See page 64)**

General Fund revenue for the fiscal year totaled \$32.80 million, and exceeded the budgeted amount of \$32.12 million by \$680 thousand. The Miscellaneous category had the largest positive budget variance. The Miscellaneous revenues exceeded the estimated budget by \$358 thousand. The only negative variance was in the Fees and Fines category, totaling \$63.2 thousand or .19% of total revenues.

The final amended General Fund expense budget totaled \$30.8 million dollars. The total amount expended was \$30.5 million dollars, leaving an unexpended balance of \$277 thousand dollars for uncompleted projects.

The City's Bond and Interest Fund budget variances were minor. Property taxes collected were \$71.7 thousand above estimates.

The City's Capital Projects Fund budgets the total amount of ongoing projects each year therefore should be below budgeted amounts. The only activity was \$3 in interest earnings.

**Capital Assets and General Long-Term Obligations**

**Capital Assets**

General capital assets include land, improvements to land, buildings, vehicles, machinery and equipment, infrastructure, and all other tangible assets that are used in operations and that have initial useful lives greater than one year and exceed the capitalization threshold. The City has capitalized all purchased general capital assets.

The most significant changes in reporting standards for capital assets under Governmental Accounting Standards Board, Statement No. 34 (GASB34) is in the recording of infrastructure such as roads, bridges, sidewalks and other non-building improvements such as ball-fields, playgrounds, etc.

The City completed the process of complying with GASB34 in the 2003 fiscal year. Separate fixed asset inventory records are maintained for each item of capital asset.

**City of Vicksburg, Mississippi  
Management's Discussion and Analysis (MDA)  
For the Year Ended September 30, 2014**

**Capital Assets – Continued**

Fiscal year 2014 is the twelfth year that the City has complied with the GASB34 requirements concerning the statement and depreciation of its capital assets. The City continues to improve the accuracy of its data concerning its capital assets. The Mississippi, Office of State Auditor promulgates the rules for accounting for municipal fixed assets.

Easements and donated or dedicated right of way (those placed into the government's maintenance through contributions from private development) are not capitalized in this financial presentation. The City has an ongoing project to research and record all easements.

For the year ended September 30, 2014, governmental activities capital assets totaled **\$197,639,719** with accumulated depreciation of **\$97,696,482** leaving a net capital assets balance of **\$99,943,237**. Business-type activities capital assets for year ended September 30, 2014 totaled **\$84,205,801** with total accumulated depreciation of **\$38,130,797** leaving a net business-type capital assets balance of **\$46,075,004**.

See Note 6 of the "Notes to Financial Statements", for a breakdown of the individual categories with its beginning balance, additions, retirements, and ending balance.

**City of Vicksburg  
Capital Assets, Net of Depreciation  
September 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land(Includes Construction in Progress)	\$14,990,526	\$14,704,091	\$1,636,318	\$2,293,491	\$16,626,844	\$16,997,582
Buildings	19,843,158	18,853,829	38,850,836	38,142,839	58,693,994	56,996,668
Furniture and Equipment	4,633,941	4,919,803	1,766,728	1,982,817	6,400,669	6,902,620
Other Capital Assets	11,795,534	11,973,705	3,821,123	4,063,153	15,616,657	16,036,858
Infrastructure	<u>48,680,079</u>	<u>50,380,230</u>	=	=	<u>48,680,079</u>	<u>50,380,230</u>
<b>Total Capital Assets</b>	<b><u>\$99,943,238</u></b>	<b><u>\$100,831,658</u></b>	<b><u>\$46,075,005</u></b>	<b><u>\$46,482,300</u></b>	<b><u>\$146,018,243</u></b>	<b><u>\$147,313,958</u></b>

**City of Vicksburg, Mississippi  
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**General Long Term Obligations**

A General Obligation (GO) bond is a bond that is backed by the full faith and credit of the City; and although not required, usually means that a tax levy will be assessed to repay the debt.

Most GO bonds issued by the City are repaid within ten years. This timely repayment helps to hold down interest cost on debt and enhances the City's credit rating. The quick repayment also gives the City great flexibility in financing the future needs of the City. In February 2012, Moody's Investors Service withdrew the City's bond rating due to a lack of audited financial information. In the process of issuing a bond in August 2014 to refund the City's 2003 and 2007 General Obligation bonds, the City received an A2 rating from Moody's Investors Service.

**Limits on Debt**

The City of Vicksburg is subject to a general statutory debt limitation under which the City may not incur general obligation bonded indebtedness in an amount, which shall exceed fifteen percent (15%) of the assessed value of the City's taxable property. *(Bonds issued for utility system improvements if revenues of the system are exclusively dedicated for repayment, are not subject to the fifteen percent (15%) limit.)*

The City's current fifteen percent (15%) limit is \$48,306,032. At fiscal year ended, September 30, 2014, outstanding balances for bonds issued by the City, subject to the fifteen percent (15%) debt limit, totaled \$5,855,384. The City of Vicksburg would have the ability to issue additional bonds for \$42,450,648.

State law imposes an overall debt limit on municipalities of twenty percent (20%) of the assessed value of the taxable property within the City. At September 30, 2014, the twenty percent (20%) limit for the City of Vicksburg was \$64,408,043. The City's total outstanding debt, subject to this overall debt limit, totaled \$7,779,407. The City of Vicksburg has the ability to issue an additional amount of \$56,628,636. This figure represents fifty-six percent (88%) of the City's total debt capacity.

See Note 7 of the "Notes to Financial Statements", for more detailed information about our long-term liabilities.



**City of Vicksburg, Mississippi  
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**General Long Term Obligations—Continued**

**Statutory Debt Limits  
September 30, 2014**

	<b>Twenty Percent (20%)</b>	<b>Percent</b>	<b>Fifteen Percent (15%)</b>	<b>Percent</b>
	<b>Debt Limit</b>		<b>Debt Limit</b>	
Total Statutory Debt Capacity	\$64,408,043		\$48,306,032	
Current Outstanding Debt, subject to limit	7,779,407	12.08%	5,855,384	12.12%
Balance of Bonding Capacity	<b>\$56,628,636</b>	<b>87.92%</b>	<b>\$42,450,648</b>	<b>87.88%</b>

**Statutory Debt Limits  
September 30, 2013**

	<b>Twenty Percent (20%)</b>	<b>Percent</b>	<b>Fifteen Percent (15%)</b>	<b>Percent</b>
	<b>Debt Limit</b>		<b>Debt Limit</b>	
Total Statutory Debt Capacity	\$62,319,024		\$46,739,268	
Current Outstanding Debt, subject to limit	7,610,300	12.21%	7,610,300	16.28%
Balance of Bonding Capacity	<b>\$54,708,724</b>	<b>87.79%</b>	<b>\$39,128,968</b>	<b>83.72%</b>

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**General Long Term Obligations—Continued**

**Bonds**

Listed below are the outstanding GO bonds of the City with the original amount, purpose and the amount of outstanding debt.

- The 2014 Refunding Bond dated August 28, 2014, to refund the 2003 issue for \$1.93 million. The 2003 issue was used for water, gas and sewer improvements. The outstanding amount is \$1.930 million.
  
- The 2014 Refunding Bond dated August 28, 2014, to refund the 2007 Public Improvement Bonds for \$5.86 million. The 2007 issue was used for street and recreation improvements. The outstanding balance is \$5.855 million.

**City of Vicksburg, Mississippi  
Management's Discussion and Analysis (MDA)  
For the Year Ended September 30, 2014**

**General Long Term Obligations—Continued**

**TIF**

Tax Increment Financing Bonds are used by the City to encourage development by providing the necessary infrastructure for a development project. The increased taxes are pledged by the City to repay the debt. The City does not pledge the full faith and credit of the City to repay the TIF bonds. The City is not obligated to repay the debt if the tax increment is insufficient to make the annual payments.

The City has issued \$3,268,000 in Tax Increment Financing (TIF) bonds for new developments since 1991. The total balance outstanding for TIF bonds is \$332,000.

**State Loans**

The City has three state loans (SRF) in 1995, 1996 and 2008 for sewer improvements with a total outstanding balance of \$3,615,720.

**Future Long Term Obligation**

The City has intentions to issue \$9,300,000 in General Obligation Bonds in fiscal year 2015 for capital and infrastructure improvements

**City of Vicksburg  
Long Term Obligations  
September 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General Obligations Bonds	\$5,855,384	\$7,610,300	\$1,929,916	\$2,350,000	\$7,785,300	\$9,960,300
Revenue Bonds	-	-	-	-	-	-
State Loans	-	-	3,615,720	4,206,786	3,615,720	4,206,786
Tax Increment Financing (TIF) Bonds	332,000	625,000	-	-	332,000	625,000
Other	<u>1,592,023</u>	<u>1,868,607</u>	<u>5,704,816</u>	<u>6,314,088</u>	<u>7,296,839</u>	<u>8,182,695</u>
<b>Total Long Term Obligations</b>	<b><u>\$7,779,407</u></b>	<b><u>\$10,103,907</u></b>	<b><u>\$11,250,452</u></b>	<b><u>\$12,870,874</u></b>	<b><u>\$19,029,859</u></b>	<b><u>\$22,974,781</u></b>

**City of Vicksburg, Mississippi  
Management's Discussion and Analysis (MDA)  
For the Year Ended September 30, 2014**

**Revenue Section Highlights**

Governmental Funds revenues totaled \$34.56 million for the fiscal year 2014 as compared to \$33.52 million for 2013. The General Fund revenues totaled \$32.80 million dollars and the Bond and Interest Fund income for the year was \$1.70 million. The only revenue in the Capital Projects Fund was interest earnings of \$3. The other funds of the Governmental Funds revenues totaled a combined \$1.76 million.

The largest components of the General Fund revenue are as follows for 2014:

<b>Three Major Revenue Groups</b>	<b>Millions</b>	<b>Percent</b>
Gaming taxes	\$5.6	17%
Sales taxes: 18.5% of the state, 7% sales taxes on sales in City	\$7.7	24%
Property taxes: real estate, business, public utilities, auto	\$9.4	29%

The largest components of the General Fund revenue are as follows for 2013:

<b>Three Major Revenue Groups</b>	<b>Millions</b>	<b>Percent</b>
Gaming taxes	\$6.0	20%
Sales taxes: 18.5% of the state, 7% sales taxes on sales in City	\$7.7	26%
Property taxes: real estate, business, public utilities, auto	\$7.5	25%

**Utility System Revenues**

The City is continuing to evaluate its utility system revenues and making adjustments when necessary. The effects of the adjustments are reflected in this fiscal year. In fiscal year 2013 the total operating income for the proprietary funds was a profit of \$1.61 million, for fiscal year 2014 total operating income was a profit of \$1.60 million. In addition, the City's steps to stabilize the effect of the volatile cost of natural gas, by formulating an automatic purchased gas adjustment rate on a monthly basis gave the gas proprietary fund an operating profit of \$.47 million in 2014 compared to a profit of \$.81 million for 2013.

**City of Vicksburg, Mississippi  
Management's Discussion and Analysis (MDA)  
For the Year Ended September 30, 2014**

**CONTACT INFORMATION**

Financial reports of the City of Vicksburg are for use by residents as well as groups and entities, such as investors and creditors, to assess the financial condition of the City.

The citizens of Vicksburg should be able to use the reports to tell them how their taxes and fees for services have been used and to determine if their taxes or fees for services will increase. The citizens should also be able to assess the City's ability to continue the services which the citizens desire and if the City is making proper financial decisions to ensure that the infrastructure of the City is being maintained.

Investors and creditors have a need for proper financial reports to evaluate the financial condition of the City. Investors need assurances of a sound financial condition when making decisions to provide the financing needs of the City or to invest directly in the City. Citizens benefit by the City having the most favorable credit rating.

For more information regarding this report and the City of Vicksburg's financial condition, contact the City Clerk's office located at 1401 Walnut Street, Vicksburg, MS. Phone: 601-634-4553 or

E-mail: [Waltero@vicksburg.org](mailto:Waltero@vicksburg.org). You may also visit the City's website at [www.vicksburg.org](http://www.vicksburg.org).

## **II. BASIC FINANCIAL STATEMENTS**



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## Booker T. Camper Jr., CPA & CGMA

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### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen  
City of Vicksburg, Mississippi

#### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Vicksburg, Mississippi, as of and for the year ended September 30, 2014, 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Opinions**

In my opinion, the financial statements referred to present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vicksburg, Mississippi, as of September 30, 2014 and the respective changes in financial position, and where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles general accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 17 and 64 through 67, 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 the placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basis financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and the other information, such as the introductory and statistical section and are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, the schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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



The introductory and statistical sections and the schedule of surety bonds of the City's officials have not been subjected to the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2015 on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink, reading "Booker T. Camper, Jr.", with a long horizontal flourish extending to the right.

**Booker T. Camper, Jr., CPA & CGMA**

Memphis, Tennessee

June 30, 2015

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF VICKSBURG, MISSISSIPPI**  
**STATEMENT OF POSITION**  
**September 30, 2014**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 14,208,924.26	\$ 10,104,488	\$ 24,313,413
Investments	2,434,069	-	2,434,069
Receivables	12,370,851	357,844	12,728,694
Internal balances(Due From)	1,854,209	(1,662,750)	191,460
Due from other governmental agencies	184,500	-	184,500
Inventories	<u>216,498</u>	<u>-</u>	<u>216,498</u>
Total current assets	<u>\$ 31,269,051</u>	<u>\$ 8,799,582</u>	<u>\$ 40,068,634</u>
Noncurrent assets			
Restricted cash	3,000,021	600,877	3,600,898
Other noncurrent assets	328,354	-	328,354
Capital Assets:			
Land, improvements and construction in progress not depreciated	11,954,083	1,196,690	13,150,774
Infrastructure and infrastructure in progress net of depreciation	51,767,954	439,627	52,207,581
Buildings, net of depreciation	19,843,157	42,671,959	62,515,116
Equipment and furniture, net of depreciation	4,633,941	1,766,728	6,400,669
Other capital assets, net of depreciation	<u>11,744,101</u>	<u>-</u>	<u>11,744,101</u>
Capital assets, net	<u>99,943,238</u>	<u>46,075,004</u>	<u>146,018,242</u>
Total noncurrent assets	<u>103,271,612</u>	<u>46,675,882</u>	<u>149,947,493</u>
Total Assets	<u>\$ 134,540,663</u>	<u>\$ 55,475,464</u>	<u>\$ 190,016,126</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>\$ -</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 3,324,970	\$ 1,695,679	\$ 5,020,649
Due to other governmental agencies	162,981	69,458	232,439
Unearned Income	9,122,382	-	9,122,382
Other current due within one year:			
Bonds, capital leases and contracts	2,196,384	1,810,160	4,006,544
Accrued Interest	1,036	13,794	14,830
Compensated absences	-	-	-
Claims and judgements	<u>3,426</u>	<u>-</u>	<u>3,426</u>
Total current liabilities	<u>\$ 14,811,179</u>	<u>\$ 3,589,090</u>	<u>\$ 18,400,269</u>
Noncurrent liabilities			
Bonds, capital leases and contracts	5,583,022	9,441,493	15,024,515
Accrued Interest	-	-	-
Compensated absences	1,333,736	238,906	1,572,642
Claims and judgements	<u>92,031</u>	<u>-</u>	<u>92,031</u>
Total noncurrent liabilities	<u>7,008,789</u>	<u>9,680,399</u>	<u>16,689,188</u>
Total Liabilities	<u>\$ 21,819,969</u>	<u>\$ 13,269,489</u>	<u>\$ 35,089,458</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	<u>\$ -</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	\$ 90,788,027	\$ 30,650,088	\$ 121,438,115
Restricted for:			
Capital Projects	(42,888)	-	(42,888)
Debt Service	2,154,135	-	2,154,135
Other Projects	-	-	-
Unrestricted	<u>19,821,420</u>	<u>11,555,886</u>	<u>31,377,306</u>
Total Net Position	<u>\$ 112,720,694</u>	<u>\$ 42,205,975</u>	<u>\$ 154,926,669</u>

See accompanying notes to financial statements

**CITY OF VICKSBURG, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2014**

Function/Programs	Expenses	Program Revenues			Net(Expenses)Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary Government							
Governmental activities							
General government	\$ 8,411,341	\$ -	\$ -	\$ -	\$ (8,411,341)	\$ -	\$ (8,411,341)
Public safety	15,533,925	2,434,706	-	-	(13,099,219)	-	(13,099,219)
Public works	5,067,267	-	1,356,979	-	(3,710,289)	-	(3,710,289)
Culture and recreation	4,630,482	-	-	-	(4,630,482)	-	(4,630,482)
Interest and redemption long term debt	306,659	-	-	-	(306,659)	-	(306,659)
Total governmental activities	<u>33,949,674</u>	<u>2,434,706</u>	<u>1,356,979</u>	<u>-</u>	<u>(30,157,990)</u>	<u>-</u>	<u>(30,157,990)</u>
Business-type activities							
Water	5,006,424	5,310,694	-	-	-	304,270	304,270
Gas	7,514,918	7,909,121	-	-	-	394,204	394,204
Sewer	4,185,904	4,490,922	-	-	-	305,018	305,018
Refuse	1,452,958	1,624,850	-	-	-	171,892	171,892
Transportation	1,755	-	-	-	-	(1,755)	(1,755)
Total business-type activities	<u>18,161,959</u>	<u>19,335,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,173,628</u>	<u>1,173,628</u>
Total primary governmental	<u>\$ 52,111,633</u>	<u>\$ 21,770,293</u>	<u>\$ 1,356,979</u>	<u>\$ -</u>	<u>\$ (30,157,990)</u>	<u>\$ 1,173,628</u>	<u>\$ (28,984,361)</u>
General revenues							
Taxes:							
Property taxes, levied for general purposes					\$ 9,398,824	\$ -	\$ 9,398,824
Property taxes, levied for specific purpose					1,845,885	-	1,845,885
Franchise and miscellaneous taxes					9,465,054	-	9,465,054
Public service taxes					8,476,081	-	8,476,081
Grants and contributions unrestricted					4,392	-	4,392
Unrestricted investment earnings					12,710	673	13,383
Miscellaneous					4,100,215	138,368	4,238,583
Gain(loss) on sale of assets					-	(15,246)	(15,246)
Transfers(In)out and Other					11,054	-	11,054
Total general revenue and transfers					<u>33,314,215</u>	<u>123,795</u>	<u>33,438,010</u>
Change in net assets					3,156,225	1,297,424	4,453,649
Net position, October 1, 2013					<u>109,564,468</u>	<u>40,908,551</u>	<u>150,473,021</u>
Prior Period Adjustment					-	-	-
Net position, September 30, 2014					<u>\$ 112,720,694</u>	<u>\$ 42,205,975</u>	<u>\$ 154,926,670</u>

See accompanying notes to financial statements

## **FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**CITY OF VICKSBURG, MISSISSIPPI**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2014**

	<u>General Fund</u>	<u>City Bond and Interest</u>	<u>Capital Projects Fund</u>	<u>Other Non-major Government Funds</u>	<u>Total Government Funds</u>
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 11,278,040	\$ 1,257,399	\$ 2,354,800	\$ 2,246,649	\$ 17,136,888
Investments	-	-	-	2,434,069	2,434,069
Taxes receivable, net	6,090,051	2,130,351	-	-	8,220,402
Due from other funds	4,415,862	1,013	133,295	-	4,550,169
Receivables from other governments	184,500	-	-	-	184,500
Other Receivables	3,840,584	-	6,174	212,793	4,059,551
Inventories	49,301	-	-	26,981	76,282
Prepaid expenses	328,641	-	-	(287)	328,353
Total Assets	<u>\$ 26,186,979</u>	<u>\$ 3,388,762</u>	<u>\$ 2,494,269</u>	<u>\$ 4,920,203</u>	<u>\$ 36,990,214</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts Payable	\$ 2,235,154	\$ 2,263	\$ 340,134	\$ 634,679	\$ 3,212,229
Due to other funds	327,862	1,298,000	-	936,109	2,561,971
Payable to other governments	-	-	-	-	-
Unearned income	6,983,853	2,130,351	-	11,604	9,125,808
Other accrued expenses	-	-	-	-	-
Other payables	-	1,036	-	-	1,036
Total liabilities	<u>\$ 9,546,869</u>	<u>\$ 3,431,650</u>	<u>\$ 340,134</u>	<u>\$ 1,582,391</u>	<u>\$ 14,901,044</u>
<b>DEFERRED INFLOWS/OUTFLOWS OF RESOURCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>					
Unassigned	\$ 16,640,110	\$ -	\$ -	\$ -	\$ 16,640,110
Assigned:	-	-	-	-	-
Debt Service	-	(42,888)	-	-	(42,888)
Capital Projects	-	-	2,154,135	-	2,154,135
Encumbrances and other	-	-	-	3,337,812	3,337,812
Total Fund Balances	<u>\$ 16,640,110</u>	<u>\$ (42,888)</u>	<u>\$ 2,154,135</u>	<u>\$ 3,337,812</u>	<u>\$ 22,089,170</u>

See accompanying notes to financial statements

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENT FUNDS  
TO THE STATEMENT OF NET POSITION  
CITY OF VICKSBURG, MISSISSIPPI  
September 30, 2014**

Fund Balances - total governmental funds	\$ 22,089,170
Amounts reported for governmental activities in Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statement.	
Governmental capital assets	
Less accumulated depreciation	99,950,271
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statement.	
	(82,746)
The assets and liabilities of certain internal service funds are not included in the fund financial statement.	
	(30,830)
Some liabilities (such as Notes Payable, Capital Lease Payable, Long term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement.	
	(9,205,173)
Net Position of Governmental Activities	\$ <u>112,720,694</u>

See accompanying notes to financial statements



**CITY OF VICKSBURG, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2014**

	General Fund	City Bond and Interest	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 9,398,824	\$ 1,694,752	\$ -	\$ 151,133	\$ 11,244,709
Sales and miscellaneous taxes	15,874,730	-	-	-	15,874,730
Fees and fines	756,776	-	-	-	756,776
Licenses and permits	193,832	-	-	-	193,832
Intergovernmental	2,022,929	-	-	-	2,022,929
Charges for services	1,634,003	-	-	-	1,634,003
Investment earnings(loss)	1,486	297	3	10,924	12,710
Miscellaneous	2,917,035	-	-	1,599,731	4,516,766
Program Income	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 32,799,616</b>	<b>\$ 1,695,049</b>	<b>\$ 3</b>	<b>\$ 1,761,788</b>	<b>\$ 34,561,404</b>
<b>Expenditures</b>					
<b>Current(Operating)</b>					
General government	\$ 5,091,281	\$ -	\$ -	\$ -	\$ 5,091,281
Public safety	15,533,925	-	-	323,551	15,857,475
Public works	3,571,186	-	-	-	3,571,186
Culture and recreation	2,623,715	-	-	785,568	3,409,283
<b>Debt service:</b>					
Principal	276,583	7,610,000	-	293,000	8,179,583
Interest and other charges	43,870	226,605	-	36,185	306,659
Capital Outlay	3,351,991	-	-	207,690	3,559,681
<b>Total Expenditures</b>	<b>30,492,551</b>	<b>7,836,605</b>	<b>-</b>	<b>1,645,994</b>	<b>39,975,149</b>
Excess of revenues over (under) expenditures	<u>2,307,065</u>	<u>(6,141,556)</u>	<u>3</u>	<u>115,794</u>	<u>(5,413,745)</u>
<b>Other financing sources ad uses, including transfers</b>					
Other Sources(Uses)	-	5,855,084	-	-	5,855,084
Transfers In(Out)	<u>(326,906)</u>	<u>-</u>	<u>-</u>	<u>280,959</u>	<u>(45,946)</u>
<b>Total other financing sources(uses)</b>	<b><u>(326,906)</u></b>	<b><u>5,855,084</u></b>	<b><u>-</u></b>	<b><u>280,959</u></b>	<b><u>5,809,138</u></b>
<b>Net change in fund balances</b>	<b>1,980,160</b>	<b>(286,472)</b>	<b>3</b>	<b>396,753</b>	<b>2,090,444</b>
Fund Balances, October 1, 2013	<u>14,659,951</u>	<u>243,584</u>	<u>2,154,133</u>	<u>2,941,059</u>	<u>19,998,726</u>
Prior Period Adjustment	-	-	-	-	-
<b>Fund Balances, October 1, 2014</b>	<b>\$ 16,640,111</b>	<b>\$ (42,888)</b>	<b>\$ 2,154,136</b>	<b>\$ 3,337,812</b>	<b>\$ 22,089,171</b>

**See accompanying notes to financial statements**

**CITY OF VICKSBURG, MISSISSIPPI**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, GOVERNMENTAL FUNDS**  
**AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2014**

Net Change in Fund Balances - total governmental funds	\$ 2,060,444
Amounts reported for governmental activities in Statement of of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation.	631,032
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	441,782
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	-
Change in Net Position of the Governmental Funds	\$ <u>3,133,258</u>

**See accompanying notes to financial statements**

**PROPRIETARY FUNDS**

**CITY OF VICKSBURG, MISSISSIPPI**  
**STATEMENT OF POSITION**  
**Proprietary Funds**  
**September 30, 2014**

	Business-Type Activities - Enterprise Funds					Internal Service Funds
	Water Fund	Gas Fund	Sewer Fund	Other	Total	
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 1,428,748	\$ 7,413,601	\$ 642,270	\$ 619,869	\$ 10,104,488	\$ 63
Accounts receivable, net	167,090	3,977	150,134	60,266	381,467	90,898
Due from other funds	4,102	2,521,791	157	-	2,526,050	-
Receivables from other governments	-	-	-	-	-	-
Inventories	-	-	-	-	-	140,217
Prepaid expenses	-	-	-	-	-	-
Total current assets	<u>1,599,940</u>	<u>9,939,370</u>	<u>792,562</u>	<u>680,134</u>	<u>13,012,005</u>	<u>231,177</u>
Noncurrent assets:						
Restricted cash and cash equivalents	381,407	-	219,470	-	600,877	-
Capital Assets:		-			-	
Land and improvements	445,421	408,948	342,322	-	1,196,690	30,536
Utility system	31,704,451	8,913,994	31,147,617	399,864	72,165,926	51,433
Construction in progress	376,207	-	63,420	-	439,627	-
Buildings	146,703	493,552	566,510	-	1,206,766	122,118
Equipment and furniture	3,855,816	2,597,998	2,290,754	452,222	9,196,791	175,037
Less accumulated depreciation	(17,601,965)	(6,542,907)	(13,425,432)	(560,492)	(38,130,797)	(272,262)
Capital assets, net	<u>18,926,634</u>	<u>5,871,585</u>	<u>20,985,191</u>	<u>291,594</u>	<u>46,075,004</u>	<u>106,862</u>
Total noncurrent assets	<u>19,308,041</u>	<u>5,871,585</u>	<u>21,204,661</u>	<u>291,594</u>	<u>46,675,882</u>	<u>106,862</u>
Total Assets	<u>\$ 20,907,981</u>	<u>\$ 15,810,955</u>	<u>\$ 21,997,222</u>	<u>\$ 971,728</u>	<u>\$ 59,687,886</u>	<u>\$ 338,039</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 681,261	\$ 738,326	\$ 158,284	\$ 117,807	\$ 1,695,679	\$ 39,602
Overdrafts	-	-	-	-	-	-
Accrued interest payable	5,822	4,985	2,987	-	13,794	-
Due to other funds	1,275,418	-	2,808,734	104,648	4,188,800	296,970
Payable to other governments	16,215	7,408	-	69,458	93,081	-
Other accrued expenses	-	-	-	-	-	-
Capital lease obligation	-	-	-	-	-	-
Claims and judgements	-	-	-	-	-	-
Bonds, notes and loans payable	503,410	381,487	925,262	-	1,810,159	-
Total current liabilities	<u>2,482,126</u>	<u>1,132,206</u>	<u>3,895,268</u>	<u>291,913</u>	<u>7,801,512</u>	<u>336,573</u>
Noncurrent liabilities:						
Compensated absences	56,519	110,355	72,032	-	238,906	32,295
Capital lease obligation	-	-	-	-	-	-
Bonds, notes and loans payable	2,409,320	2,332,825	4,699,348	-	9,441,494	-
Total noncurrent liabilities	<u>2,465,839</u>	<u>2,443,180</u>	<u>4,771,381</u>	<u>-</u>	<u>9,680,400</u>	<u>32,295</u>
Total Liabilities	<u>\$ 4,947,965</u>	<u>\$ 3,575,385</u>	<u>\$ 8,666,648</u>	<u>\$ 291,913</u>	<u>\$ 17,481,912</u>	<u>\$ 368,868</u>
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	13,744,417	3,040,323	13,410,394	454,954	30,650,088	124,530
Unrestricted	2,215,599	9,195,247	(79,821)	224,861	11,555,886	(155,359)
Total Net Position	<u>\$ 15,960,016</u>	<u>\$ 12,235,570</u>	<u>\$ 13,330,573</u>	<u>\$ 679,815</u>	<u>\$ 42,205,974</u>	<u>\$ (30,830)</u>

See accompanying notes to financial statements

**CITY OF VICKSBURG, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**Proprietary Fund**  
**September 30, 2014**

	<b>Business -Type Activities</b>				<b>Total</b>	<b>Internal Service Funds</b>
	<b>Water Fund</b>	<b>Gas Fund</b>	<b>Sewer Fund</b>	<b>Other</b>		
<b>OPERATING REVENUES:</b>						
Charge for services	\$ 5,310,694	\$ 7,909,121	\$ 4,490,922	\$ 1,624,850	\$ 19,335,587	\$ 843,530
Other Revenue	134,789	3,534	(15,201)	-	123,122	(5,139)
Total Operating Revenue	<u>5,445,483</u>	<u>7,912,655</u>	<u>4,475,721</u>	<u>1,624,850</u>	<u>19,458,709</u>	<u>838,391</u>
<b>OPERATING EXPENSES:</b>						
Personnel services	1,121,326	1,649,476	1,291,202	-	4,062,003	396,258
Contractual services	1,393,738	5,228,304	1,254,576	1,424,127	9,300,745	9,093
Utilities	489,105	37,752	220,686	-	747,542	12,253
Repairs and maintenance	231,465	92,139	194,339	-	517,944	1,437
Other supplies and expenses	920,942	182,705	284,229	2,355	1,390,231	467,222
Insurance claims and expenses	66,243	66,254	37,746	10,639	180,882	6,898
Depreciation	705,749	186,974	753,310	17,592	1,663,625	4,487
Total Operating Expenses	<u>4,928,567</u>	<u>7,443,603</u>	<u>4,036,088</u>	<u>1,454,713</u>	<u>17,862,971</u>	<u>897,648</u>
Operating Income(Loss)	<u>516,916</u>	<u>469,053</u>	<u>439,633</u>	<u>170,137</u>	<u>1,595,738</u>	<u>(59,257)</u>
<b>NON-OPERATING REVENUE(EXPENSES)</b>						
Interest and investment income	162	514	(6)	4	674	-
Operating grants and contributions	-	-	-	-	-	-
Interest expense	(74,369)	(65,001)	(142,006)	-	(281,376)	-
Total Non-operating revenue(expenses)	<u>(74,207)</u>	<u>(64,487)</u>	<u>(142,012)</u>	<u>4</u>	<u>(280,702)</u>	<u>-</u>
Income(loss) before transfers	<u>442,708</u>	<u>404,566</u>	<u>297,621</u>	<u>170,141</u>	<u>1,315,036</u>	<u>(59,257)</u>
<b>TRANSFERS &amp; Other Sources(Uses)</b>						
Other	-	(3,878)	(2,680)	-	(6,557)	-
Transfers in(out)	(3,488)	(2,436)	(5,130)	-	(11,054)	57,000
Total Transfers & Other sources(uses)	<u>(3,488)</u>	<u>(6,313)</u>	<u>(7,810)</u>	<u>-</u>	<u>(17,611)</u>	<u>57,000</u>
Change in net assets	<u>439,221</u>	<u>398,253</u>	<u>289,811</u>	<u>170,141</u>	<u>1,297,425</u>	<u>(2,257)</u>
NET POSITION - BEGINNING OF YEAR	15,520,796	11,837,318	13,048,595	509,674	40,908,551	(28,571)
Prior Period Adjustment	-	-	-	-	-	-
NET POSITION - BEGINNING OF YEAR(Restated)	<u>15,520,796</u>	<u>11,837,318</u>	<u>13,040,763</u>	<u>509,674</u>	<u>40,908,551</u>	<u>(28,571)</u>
NET POSITION - END OF YEAR	<u>\$ 15,960,016</u>	<u>\$ 12,235,570</u>	<u>\$ 13,330,573</u>	<u>\$ 679,815</u>	<u>\$ 42,205,974</u>	<u>\$ (30,830)</u>

See accompanying notes to financial statements

**CITY OF VICKSBURG, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS**  
**Proprietary Fund**  
**September 30, 2014**

	Business -Type Activities				Total	Internal Service Fund
	Water Fund	Gas Fund	Sewer Fund	Other Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 5,427,930	\$ 8,166,955	\$ 4,500,291	\$ 1,682,899	\$ 19,778,075	\$ -
Receipts from interfund services provided	-	-	-	-	-	851,808
Payments to suppliers	(4,047,604)	(6,612,470)	(1,965,658)	(1,437,121)	(14,062,853)	(404,865)
Payments to employees	(1,121,326)	(1,649,476)	(1,235,586)	-	(4,006,388)	(396,258)
Payments from interfund services used	-	-	-	-	-	-
Net cash provided by operating activities	<u>259,000</u>	<u>(94,991)</u>	<u>1,299,047</u>	<u>245,778</u>	<u>1,708,833</u>	<u>50,685</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from capital debt	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	-
Acquisition and construction of capital assets	(1,201,481)	773,944	(973,582)	119,211	(1,281,908)	76,499
Principal paid on capital debt and leases	-	-	-	-	-	-
Interest paid on capital debt	(74,369)	(65,001)	(142,006)	-	(281,376)	-
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>(1,275,850)</u>	<u>708,943</u>	<u>(1,115,588)</u>	<u>119,211</u>	<u>(1,563,284)</u>	<u>76,499</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Operating contributions	-	-	-	-	-	-
Interest and dividends received	162	514	(6)	66	736	-
Net cash provided by (used for) investing activities	<u>162</u>	<u>514</u>	<u>(6)</u>	<u>66</u>	<u>736</u>	<u>-</u>
Net increase(decrease) in cash and cash equivalents	(1,016,688)	614,466	183,453	365,055	146,286	127,184
<b>CASH BEGINNING OF YEAR</b>	<u>2,826,843</u>	<u>6,799,135</u>	<u>678,287</u>	<u>254,814</u>	<u>10,559,079</u>	<u>-</u>
<b>CASH END OF YEAR</b>	<u>\$ 1,810,155</u>	<u>\$ 7,413,601</u>	<u>\$ 861,740</u>	<u>\$ 619,869</u>	<u>\$ 10,705,365</u>	<u>\$ 127,184</u>
Reconciliation of Operating Income to Net Cash Provided(Used) by Operating Activities:						
Operating income	\$ 516,916	\$ 469,053	\$ 439,633	\$ 170,137	\$ 1,595,738	(59,257)
Adjustments to reconcile operating loss to net cash provided by operating activities:						
Depreciation	705,749	186,974	753,310	17,592	1,663,625	4,487
Increase(Decrease) in:						
Receivables	(38,010)	(447,816)	(9,369)	(59,636)	(554,831)	18,167
Due from other funds	4,241	-	-	-	4,241	-
Prepaid expenses and inventories	-	-	-	-	-	22,509
Increase(Decrease) in:						
Accounts payable	(946,111)	(312,242)	117,103	117,685	(1,023,565)	47,921
Other accrued expenses	16,215	9,040	(1,630)	-	23,625	16,858
Due to other funds	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-
Capital lease payable	-	-	-	-	-	-
Net cash provided by operating activities	<u>\$ 259,000</u>	<u>\$ (94,991)</u>	<u>\$ 1,299,047</u>	<u>\$ 245,778</u>	<u>\$ 1,708,833</u>	<u>\$ 50,685</u>

See accompanying notes to financial statements

## **FIDUCIARY FUNDS**

**CITY OF VICKSBURG, MISSISSIPPI**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**September 30, 2014**

**ASSETS**

Cash and cash Equivalents	\$ 71,994
Other receivables	<u>0</u>
Total Assets	<u><u>71,994</u></u>

**LIABILITIES**

Other payables	<u>73,138</u>
Total Liabilities	<u>\$ 73,138</u>

**NET ASSETS**

Held in trust for benefit and other purposes	<u><u>\$ (1,144)</u></u>
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See accompanying notes to financial statements



**CITY OF VICKSBURG, MISSISSIPPI  
FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

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

The City of Vicksburg was incorporated in 1825. The City operates under a Mayor-Aldermen form of government. As authorized by its charter, the City provides various services: public safety (police and fire), highway and streets, sanitation, health and social services, culture, recreation, public improvements, planning and zoning, and general administrative services. In addition, the City owns and operates a water and sewer system.

The City complies with accounting principles accepted in the United States of America ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARB") of the Committee on Accounting Procedures. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflicts with or contradict GASB pronouncements, in which case, GASB prevails. For proprietary funds, GASB Statement 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The more significant accounting policies of the City are described below.

**A. Financial Reporting Entity**

The City's combined financial statements include the accounts of all City operations. In determining the financial reporting entity the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units*. The criteria for including organizations as component units within the City's reporting entity included whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Continued

**CITY OF VICKSBURG, MISSISSIPPI  
FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Based on the aforementioned criteria, the City of Vicksburg has no component units.

**B. Financial Statement Presentation**

**Government-wide Financial Statements**

The statement of Net Position and the statement of activities report financial information for the City as a whole excluding fiduciary activities. Adjustments have been made to minimize the double-counting of interfund activity. These statements distinguish between governmental activities and business-type activities. Governmental activities are primarily financed through taxes and intergovernmental revenues, whereas business-type activities are primarily financed through charges for services to external parties.

The statements of activities present a comparison between direct expenses and program revenues for each function of the City's governmental activities, and for each of the business-type activities. Direct expenses are those that are clearly identified with a specific program or segment. Indirect expenses allocations are displayed separately from the direct expenses. Program revenue include (a) fees, fines, and charges for service, and (b) operating grants and contributions, which finance annual operating activities including restricted investment income; and (c) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs users. All taxes and other revenues not meeting the criteria for classification as program revenues are reported as general revenues.

**Fund Financial Statements**

The fund financial statements report information about the City's funds, including the fiduciary funds. Separate columns are presented for each major governmental and propriety funds.

**CITY OF VICKSBURG, MISSISSIPPI  
FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Statement Presentation – Continued

*Governmental Funds*

The City reports the following major governmental funds:

**General Fund** – reports as the primary operating fund of the City and is always classified as a major fund. This fund is used to account for all financial transactions not required to be accounted for in another fund.

**City Bond and Interest Fund** – accounts for the accumulation of financial resources for the payment of principal and interest on the City’s general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds and interest.

**Capital Projects Fund** – accounts for financial resources to be used for the acquisition or construction of major capital facilities.

**Special Revenue Fund** – accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

*Proprietary Funds*

The City reports the following major proprietary funds:

**Water Fund** – accounts for the operations of the water distribution system of the City.

**Gas Fund** – accounts for the operating activities of the City’s gas utilities services.

**Sewer Fund** – accounts for the operating activities of the City’s sewer utilities services.

**CITY OF VICKSBURG, MISSISSIPPI  
FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Statement Presentation – Continued

*Other Fund Types*

The City also reports the following fund types:

**Internal Service Funds** – accounts for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. These include garage services. The City’s internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City’s governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (police, fire, public works, etc.).

**Agency Fund** – accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary funds use a flow of economic resource measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to business in the private sector and, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements use a current financial resources measurement focus, and are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both “measurable” and “available to finance expenditures of the current period.” The City considers amounts collected on grants within 120 days after the year-end, and amounts collected within 60 days after year-end on all other on all other governmental funds, to be available and thus recognizes them as revenues of the current year.

**CITY OF VICKSBURG, MISSISSIPPI  
FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenue of the City which are susceptible to accrual under the modified accrual basis include property taxes, other taxes, public service taxes, grant revenues, interest revenue, and charges for services. In applying the “susceptible to accrual” concept to intergovernmental revenues (grants, entitlements and shared revenues), the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be earned by the City; therefore, revenues are recognized based upon when the expenditures are made if they meet the criterion of availability. In other, moneys are essentially unrestricted as to purpose of expenditures and revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the measured on the accrual basis of accounting.

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

The City’s proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the City’s utility type funds consist of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

*Allocation of Indirect Expenses*

The City allocates indirect expenses primarily comprised of central government services to operating functions and programs benefiting from those services. Central services include overall City management, accounting, financial reporting, payroll, procurement contracting and oversight, personnel services, and other central administrative services.

**CITY OF VICKSBURG, MISSISSIPPI  
FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

Allocations are charged to programs based on use of central services determined by various allocation methodologies. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include police, fire, and certain divisions within public services and parks.

**D. Fund Balance Presentation**

- **Nonspendable.** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted.** This classification includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.
- **Committed.** This classification includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the City. Such formal action may be in the form of an ordinance or resolutions and may only be modified or rescinded by a subsequent formal action.
- **Assigned.** This classification includes amounts that are intended by the City to be used for specific purposes, but are neither restricted nor committed. Assignments may be made only by the governing body or official.
- **Unassigned.** This classification represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances. The City uses restricted amounts first when both restricted and unrestricted fund balances are available.

**E. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

State statutes permit the City to invest funds in excess of sums required for immediate expenditure or current obligation in certificates of deposit and other time deposits with financial institutions approved for the deposit of State funds, debt instruments of the U. S. government and its agencies of the State of

**CITY OF VICKSBURG, MISSISSIPPI  
FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**E. Cash and Cash Equivalents – Continued**

Mississippi, or of any county or municipality when such county or municipal bonds have been properly approved.

The City pools its cash resources of its various funds in order to maximize investment opportunities. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements and is considered to be cash equivalents. Investment income is allocated based on each fund's average daily balance in the pooled cash account.

**F. Interfund Balances and Activity**

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

**CITY OF VICKSBURG, MISSISSIPPI  
FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**H. Inventories**

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost, which is recorded as expenditure at the time individual inventory items are used. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis.

**I. Capital Assets**

The accounting treatment over fixed assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the governmental-wide or fund financial statements.

*Government-wide Statements*

Fixed assets are accounted for as capital assets. Capital assets with useful lives of more than one year are stated at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market at the date of donations. Estimated historical cost was used to value the majority of the assets acquired prior to September 30, 2003. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets, unless State guidelines require a Lower threshold. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective account, and the resulting gain or loss is recorded in operations.

Infrastructure assets include roads, bridges, traffic signals, etc. The infrastructure assets are likely to be the largest asset class of the City. Prior to September 30, 2003, neither their historical cost nor related depreciation has been reported in the financial statements.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:



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**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Capital Assets – Continued

<u>Description</u>	<u>Estimated Lives</u>
Building	40 years
Improvements other than buildings	20 years
Roads	20 years
Bridges – concrete	50 years
Bridges – timber	30 years
Computer equipment	3 years
Furniture and fixtures	7 years
Vehicles	5 years
Equipment	10 years

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

The cost of normal maintenance and repair that does not add to the value of capital assets or materially extend their respective lives is not capitalized. Interest expenditures are not capitalized on capital assets.

**J. Compensated Absences**

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The City does not provide for the payment of accumulated sick leave. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds reports only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

**K. Long-term Obligations**

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position.

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**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**K. Long-term Obligations – Continued**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Principal and interest payments are treated as period costs when paid.

**L. Post Employment Health Care and Life Insurance Benefits**

The City does not incur costs associated with post employment benefits for retired employees. The City allows all vested employees to continue in the group plan after retirement; however, the retired employees pay 100% of the premiums.

**M. Net Position**

The government-wide statement of Net Position reports a total of \$ 2,111,247 of restricted assets for governmental activities, of which the same amount is restricted by enabling legislation.

**N. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the City, which are either unusual in nature or infrequent in occurrence.

**O. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statements date

**CITY OF VICKSBURG, MISSISSIPPI  
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**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. Estimates – Continued

and the reported amounts of revenues, expenses or expenditures during the reporting period. Actual results could differ from those estimates.

**P. Budgets and Budgetary Accounting**

The City's Accountant submits to the Mayor and Aldermen a proposed operating budget for the fiscal year commencing October 1. The operating budget includes expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted by adoption of a resolution that is recorded in the minutes of the city Board. Revisions that alter the expenditures of any fund must be approved by the City Board. The budgets presented in this report are amended. Formal budgetary integration is employed as a management control device during the year for all funds. Budgets for all funds are adopted as a basis consistent with generally accepted accounting principles (GAAP). All budgetary appropriations lapse at the end of each fiscal year.

**Q. New Accounting Pronouncement**

Effective October 1, 2011, the City adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The effect of this adoption is to establish new categories for fund balance reporting and revise the definitions of governmental fund types. Also effective for fiscal year ended September 30, 2014, the City adopted the provisions of GASB Statement No. 63, Reporting Deferred Outflows, Deferred Inflows and Net Position. The Standards establishes new financial statement elements that include the effects of the deferred outflows and inflows in the statement of net position.

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

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 City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. At September 30, 2014, all of the City's bank deposits were covered under the collateral pool administered by the State Treasurer, with the exception of the amounts held in the Perpetual Care trust accounts at an in-state bank.

At September 30, 2014, the carrying amount (recorded on the City's books) of the City's demand deposits was \$24,313,413 and the bank balance was \$24,746,394.

The City also has \$2,434,069 (carrying value) of investments held in trust at two local trust departments for the perpetual care non-expendable trust. Fair market value is based on quoted market prices. This amount consists of the following:

<u>Government Obligations</u>	<u>Cost</u>	<u>FMV</u>
Treasury and Federal Agencies	\$1,199,630	\$1,046,088
Equity Mutual Funds	-	-
Fixed Income Mutual Funds	732,148	1,256,053
Preferred Stock	-	-
Cash and Equivalents	<u>132,046</u>	<u>131,928</u>
	<u>\$2,063,824</u>	<u>\$2,434,069</u>

Interest Risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Current rating of the mutual funds as of September 30, 2014 ranges from A to AAA to BBB. As of SEPTEMBER 30, 2014, the maturities of investments subject to interest risk are as follows:

Investment maturities at fair value (in years):				
Investment Type	Less than 1	1-5	6-10	More than 10
Mutual Funds	\$ 972,714	-	-	-
U. S. Government Agencies	\$ 745,545	\$ 715,810	-	-

**CITY OF VICKSBURG, MISSISSIPPI  
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**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS – CONTINUED

Custodial Credit Risk: All investments are not exposed to custodial credit risk as they are entirely uninsured and unregistered but in custodial accounts at two local banks in the name of the City.

Credit Risk: The City has no investment policy that would further restrict its investment choices other than those set by State of Mississippi statute. Following is a list of investments which are stated in state statute and are limited to the investment of funds in excess of sums required by immediate expenditure or current obligations:

Certificates of deposit with municipal depositories approved annually by the State Treasured Bonds of direct obligations of the:

United States of America  
State of Mississippi  
County or Municipality of Mississippi  
School Districts

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

On June 25, 2015, Moody's Investors Service has assigned an A2 rating to the 2015 Special Obligation Bonds.

NOTE 3. **RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND DEFERRED REVENUE**

*Property Taxes Receivable, Deferred Revenue and Property Tax Calendar*

Property taxes are levied in September on the assessed (appraised) value of all real and business personal property located in the city and are payable by the following February 1. An enforceable lien on property is attached as of January 1. However, taxpayers are permitted pay ad valorem taxes in installments by paying one-half by February 1, one-quarter by May 1, and one-quarter by July 1. Installments bear interest at the rate of 12% per annum. City property tax revenues are recognized when levied. Major tax payments are received in February through May. An allowance is established for delinquent taxes to the extent that their collectibility is doubtful. The City has an interlocal agreement with the county to collect all City and school taxes.

**CITY OF VICKSBURG, MISSISSIPPI  
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**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND DEFERRED REVENUE—CONT'D

For the current year, the City levied taxes in the amount of 35.88 mills for the following purposes:

General	22.79
City Debt Service	7.95
Police and Fire Disability Relief Fund	<u>5.14</u>
Total Mills	<u><u>35.88</u></u>

An additional millage rate of 5.05 was levied for the business promotion area.

*General Accounts Receivables and Uncollectible Accounts*

Significant receivables include amounts for fines and forfeitures from the court system and charges for ambulance transportation. The court system receivables are due when the City has an enforceable legal claim against the organization or individual. Revenues and receivables for court fines and forfeitures are reported net of any amounts the City, based on historical trends, estimated will be uncollectible based on noncompliance with partial payment agreements. The other significant receivable is for charges incurred due to utilization of ambulance services. These receivables are due at the time of service. Revenues and receivables are reported net of contractual allowances due to agreements between the City and various insurance companies and an allowance for uncollectible amounts based on historical trends for non-payments related primarily to self-pay accounts.

*Enterprise Receivables and Uncollectible Accounts*

Significant receivables include amounts due from customers primarily for utility services. These receivables are due prior to the next billing cycle, which is every month. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days, depending upon the fund.

*Receivables from Other Governments and Deferred Revenue*

Other government receivables are primarily comprised of amounts due from federal and state governments for miscellaneous taxes and grants. Revenue is recorded as earned when eligibility requirements are met for grants. Grant revenues deferred in the governmental fund financial statements include unearned revenue and revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Deferred revenue received after 60 days is fully recognized as revenue in the government-wide statements if grantor eligibility requirements are met.

**CITY OF VICKSBURG, MISSISSIPPI  
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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4. RECEIVABLES AND PAYABLES**

Receivables at September 30, 2014 were as follows:

	Accounts	Taxes	Allowance	Total
Governmental Activities				
Total Governmental Activities	\$ <u>8,783,304</u>	\$ <u>5,694,684</u>	\$ <u>(2,107,137)</u>	\$ <u>12,370,851</u>
Business-type Activities				
Total Business-type Activities	\$ <u>647,717</u>	\$ -----	\$ <u>(289,873)</u>	\$ <u>357,844</u>

Payables at September 30, 2014 were as follows:

	Vendors	Salaries & Benefits	Other	Total
Governmental Activities				
Total Governmental Activities	\$ <u>2,357,011</u>	\$ <u>570,849</u>	\$ <u>397,110</u>	\$ <u>3,324,970</u>
Business-type Activities				
Total Business-type Activities	\$ <u>1,323,045</u>	\$ <u>197,263</u>	\$ <u>175,371</u>	\$ <u>1,695,679</u>

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund balances at September 30, 2014 for Governmental funds and Business-Type Activities, resulting from interfund goods and services, transactions recorded in the accounting system and payments between funds, are recorded and total amount of the interfund balances are in agreement with each interfund balance.

In accordance with matching requirements, general fund transfers funds to the special revenue.

**CITY OF VICKSBURG, MISSISSIPPI  
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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended September 30, 2014, for the primary government is as follows:

	Beginning Balance	Additions	Retirement/ Transfers	Ending Balance
<b>Governmental activities:</b>				
Land	\$11,580,313	\$375,130	\$1,360	\$11,954,083
Buildings	29,318,175	1,528,776	-	30,846,951
Furniture and equipment	20,225,394	1,059,305	1,308,827	19,975,872
Other capital assets	21,786,977	686,148	-	22,473,125
Infrastructure	109,353,244	-	-	109,353,244
Construction inprogress	<u>3,123,777</u>	<u>169,567</u>	<u>256,902</u>	<u>3,036,442</u>
Total capital assets	<u>\$195,387,880</u>	<u>\$3,818,926</u>	<u>\$1,567,089</u>	<u>\$197,639,717</u>
Less accumulated depreciation for:				
Buildings	10,464,346	539,447	-	11,003,793
Furniture and equipment	15,309,519	1,215,613	1,183,199	15,341,932
Other capital assets	9,937,602	739,990	-	10,677,592
Infrastructure	<u>58,973,014</u>	<u>1,700,151</u>	<u>-</u>	<u>60,673,165</u>
Total accumulated depreciation	<u>\$ 94,684,481</u>	<u>\$ 4,195,200</u>	<u>\$ 1,183,199</u>	<u>\$ 97,696,482</u>
Net governmental activities capital assets	<u>\$ 100,703,399</u>	<u>\$ (376,274)</u>	<u>\$ 383,890</u>	<u>\$ 99,943,236</u>
<b>Business-type activities:</b>				
Land	1,196,690	-	-	1,196,690
Buildings, plant and system	65,224,801	1,803,627	-	67,028,428
Furniture and equipment	9,392,378	148,170	383,696	9,156,852
Other capital assets	6,384,203	-	-	6,384,203
Construction inprogress	<u>1,096,801</u>	<u>316,010</u>	<u>973,184</u>	<u>439,627</u>
Total capital assets	<u>\$ 83,294,873</u>	<u>\$ 2,267,807</u>	<u>\$ 1,356,880</u>	<u>\$ 84,205,801</u>
Less accumulated depreciation for:				
Buildings, plant and system	27,083,638	1,093,954	-	28,177,592
Furniture and equipment	7,408,467	327,641	345,983	7,390,125
Other capital assets	<u>2,321,050</u>	<u>242,030</u>	<u>-</u>	<u>2,563,080</u>
Total accumulated depreciation	<u>\$ 36,813,155</u>	<u>\$ 1,663,625</u>	<u>\$ 345,983</u>	<u>\$ 38,130,797</u>
Net business-type activities capital assets	<u>\$ 46,481,718</u>	<u>\$ 604,183</u>	<u>\$ 1,010,898</u>	<u>\$ 46,075,004</u>

Capital assets and depreciation activity as of and for the year ended September 30, 2014, for primary government are as follows:

Depreciation expenses of \$ 5,858,825 for the year ended September 30, 2014, was charged to the following governmental functions:

Governmental activities:	<u>\$4,195,200</u>
Business-type activities:	<u>\$1,663,625</u>



**CITY OF VICKSBURG, MISSISSIPPI  
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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7. LONG-TERM OBLIGATION**

**Bonds and Note Payable**

General Obligation Bonds

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

**Other**

State Revolving fund Loan (SRFL)

SRFLs are also special obligations of the City solely secured by a special pledge of the City's sales tax revenues.

Tax Increment Financial (TIF) Bonds

TIF Bonds are commonly issued to encourage economic development in a defined area. Resources for payment of interest and principal on the bonds result from the tax increases in the defined area. These bonds usually carry a higher interest rate due to the risk of economic downturn or limited tax revenue growth in the defined TIF area.

Restricted Assets

Certain proceeds of the city's Proprietary Fund bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet because their use is limited by applicable covenants.

**CITY OF VICKSBURG, MISSISSIPPI  
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**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. LONG-TERM OBLIGATION- CONTINUED

The following is a summary of the city's long-term debt transactions for the year ended September 30, 2014:

Unredeemed Bond (Old Compromise)	N/A			0%
2007 General Obligation Bond	September 2017	\$	16,900,000	4.0-4.5%
2014 General Obligation Bond Refunding Bond	September 1, 2018	\$	5,855,084	2.0-3.0%
Other:				
1995 Tax Increment Limited Obligation Bond	March 2015	\$	600,000	6.2-8%
1999 Tax Increment Limited Obligation Bond	December 2014	\$	1,150,000	4.5-6.25%
2003 Tax Increment Limited Obligation Bond	December 2013	\$	900,000	3.25-3.6%
2009 Tax Increment Limited Obligation Bond	April 2018	\$	343,000	4.60%
<u>Business-Type Activities:</u>				
General Obligation Bonds:				
2003 Public Improvements	September 2018	\$	5,800,000	3.0-4.25%
2014 General Obligation Refunding Bond	September 2018	\$	1,929,916	2.0-3.0%
Other:				
1995 State Revolving Fund Loan	August 2015	\$	1,994,959	4.5%
1996 State Revolving Fund Loan	September 2016	\$	3,667,095	4.5%
2008 State Revolving Fund Loan	November 2027	\$	4,163,589	1.75%
2003 State Water Pollution Control	May 2013	\$	350,000	4.0%

**CITY OF VICKSBURG, MISSISSIPPI  
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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7. LONG-TERM OBLIGATION- CONTINUED**

2007 General Obligation Bond	7,610,000	-	7,610,000	0	0
2014 General Obligation Bond Refunding Bond	0	\$5,855,084	0	\$5,855,084	1,778,712
Other:					
1995 Tax Increment Limited Obligation Bond	90,000	-	40,000	50,000	50,000
1999 Tax Increment Limited Obligation Bond	215,000	-	105,000	110,000	110,000
2003 Tax Increment Limited Obligation Bond	110,000	-	110,000	0	0
2010 Tax Increment Limited Obligation Bond	210,000	-	38,000	172,000	40,000
<u>Business-Type Activities:</u>					
General Obligation Bonds:					
2003 Public Improvement	2,350,000	-	2,350,000	0	0
2014 General Obligation Refunding Bond	0	1,929,916	0	1,929,916	586,288
Other:					
1995 State Revolving Fund Loan	281,270	-	143,728	137,542	137,542
1996 State Revolving Fund Loan	786,006	-	250,326	535,680	261,826
2008 State Revolving Fund Loan	3,139,510	-	197,012	2,942,498	200,487
TOTAL	\$ 14,792,086	\$ 7,785,000	\$ 10,844,066	\$ 11,733,020	\$ 3,164,855

The debt service requirement on long-term obligations at September 30, 2014, is as follows:

	Governmental Activities			
	General Obligation Bonds		Other	
	Principal	Interest	Principal	Interest
Year ending September 30,				
2015	\$ 1,778,712	\$ 157,865	\$ 200,000	\$ 16,787
2016	1,820,077	122,291	42,000	6,072
2017	1,880,245	67,689	44,000	4,140
2018	376,049	11,281	46,000	2,116
2019	-	-	0	0
2020-2024	-	-	-	-
2025-2029	-	-	-	-
Total	\$ 5,855,083	\$ 359,126	\$ 332,000	\$ 29,115

**CITY OF VICKSBURG, MISSISSIPPI  
FINANCIAL REPORT  
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**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. LONG-TERM OBLIGATION- CONTINUED

Year ending September 30,	_____	_____	_____	_____
2015	\$ 586,288	\$ 52,035	\$ 599,855	\$ 71,756
2016	599,923	40,309	477,878	53,075
2017	619,755	22,311	207,623	42,755
2018	123,951	3,719	211,286	39,092
2019	0	0	215,013	35,365
2020-2024	-	-	1,113,671	118,572
2025-2029	-	-	770,749	22,114
2030-2034	-	-	-----	-
Total	<u>\$ 1,929,917</u>	<u>\$ 118,374</u>	<u>\$ 3,596,075</u>	<u>\$ 382,729</u>

The payments on the General Obligation Bonds for Governmental Activities are made by the City's Bond and Interest Fund with ad valorem taxes. Payments on the General Obligation Bonds for the Business-Type Activities are made from charges to customers. The Tax Increment Limited Obligation Bonds payments are made with incremental taxes received from outside sources in the other governmental funds.

Compensated Absences

The annual changes to compensated absences included in general long-term debt as of September 30, 2014, are as follows:

	Government Activities	Business-Type Activities
	_____	_____
Beginning Balance	\$ 947,050	\$ 161,797
Additions	1,249,640	246,013
Reduction	<u>(862,954)</u>	<u>(168,904)</u>
Ending Balance	<u>\$ 1,333,736</u>	<u>\$ 238,906</u>

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund. In the past, 100% has been paid by the General Fund.

**CITY OF VICKSBURG, MISSISSIPPI  
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**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. LONG-TERM OBLIGATION- CONTINUED

**Capital Leases**

Lease arrangements for heavy equipment are considered capital leases for financial accounting purposes.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows:

	<u>Government Activities</u>	<u>Business-Type Activities</u>
Year ending September 30,		
2015	\$ 255,758	\$ 744,659
2016	255,564	744,659
2017	152,011	691,848
2018	117,494	674,244
2019	117,494	674,244
2020-2024	587,471	2,605,329
2025-2029	352,483	184,593
2030-2034	-----	-----
Total minimum lease payments	<u>\$ 1,838,275</u>	<u>\$ 6,319,576</u>
Less: amount representing interest	<u>246,252</u>	<u>614,761</u>
Present value of minimum lease payments	<u>1,592,023</u>	<u>5,704,816</u>
Current principal portion due in one year	<u>\$ 217,372</u>	<u>\$ 624,017</u>

The General Fund makes payments on these capital leases by utilizing general revenue sources.

Range of interest rates is from 2.01% to 3.27%.

**Claims and Judgments**

The City established a limited risk management program for health insurance in prior years. Premiums are paid into the general fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums are used to reduce the amount of claim expenditures reported in the general fund. As of September 30, 2014, such interfund premiums did not exceed reimbursable expenditures.

**CITY OF VICKSBURG, MISSISSIPPI  
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**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7. LONG-TERM OBLIGATION – CONTINUED

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The City has excess stop loss agreements that cover losses in excess of specific and aggregate retention levels. Liabilities include an amount for claims that have been incurred but not reported (IBNRs) which were determined based on subsequent year settlement of claims incurred during year under audit by the insurance carrier. Changes in the balances of claims liabilities during the past year are as follows:

	Government Activities	Business-Type Activities
2014		
Balance beginning of the year	\$ 99,320	\$ 17,947
Claims incurred	3,185,948	700,909
Claims payments	3,193,237	702,512
Balance, end of year	\$ <u>92,031</u>	\$ <u>16,344</u>

	Government Activities	Business-Type Activities
2013		
Balance beginning of the year	\$ 13,433	\$ (948)
Claims incurred	3,268,872	719,152
Claims payments	3,182,985	700,257
Balance, end of year	\$ <u>99,320</u>	\$ <u>17,947</u>

The claims and judgment liability related to IBNR will generally be liquidated by charging the individual funds based on management’s assessment of the relative risk that should be consumed by individual funds. Currently, the General Fund bears approximately 100% of the claims costs and the percentage approximates the percentage in prior years.

Advanced Refunding of Debt

On August 28, 2014 the City issued \$ 7,785,000 in General Obligation Refunding Bonds with interest rates ranging between 2.00% and 3.00%. The 2014 Bonds were used to refund the 2003 General Obligation Bonds and the 2007 General Obligation Bonds.

**CITY OF VICKSBURG, MISSISSIPPI  
FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

A portion of the proceeds of the Series 2014 Bonds were remitted directly to the trustee for the 2003 and 2007 General Obligation Bonds to hold as un-invested cash until such time as the monies were used by the refunded bank bond trustee to pay interest on the principal of each series of the refunded bank Bonds on September 1, 2014. The City refunded the Bonds in advance to reduce its total debt service payments over the next four (4) years by \$ 149,755.

**NOTE 8. DEFINED BENEFIT PENSION PLAN AND OTHER EMPLOYEE BENEFITS**

Plan Description: The City of Vicksburg 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, Mississippi 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy: PERS members are required to contribute 9.00% of their annual covered salary and the City of Vicksburg is required to contribute at an actuarially determined rate. The rate was increased twice during the fiscal year. On July 1, 2013 the employer rate was increased from 14.26% to 15.75%, which is the rate at September 30, 2014. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Vicksburg's contributions to PERS for the years ending September 30, 2014, September 30, 2013 and September 30, 2012 were \$ 2,389,735, \$ 2,276,361 and \$2,237,676 respectively, equal to the required contributions for each year.

**NOTE 9. FUND EQUITY**

Total governmental fund balances have positive balances of \$ 22,089,170 at the end of the fiscal year; however the general fund reflects an excess revenue over expenditures and transfers equal to \$ 1,980,160, which when carried forward results in an positive fund balance of \$ 16,640,111. All other funds of the total governmental funds have positive fund balances at the end of the fiscal year, except for the bond and interest fund which has a deficit of \$ 42,888, due to the time differences.

**NOTE 10. CONTINGENCIES AND COMMITMENTS**

Litigation

**CITY OF VICKSBURG, MISSISSIPPI  
FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

The City is a defendant in a number of lawsuits, most of which involve small claims and for which the City feels they are adequately covered by insurance. The City, after consultation with legal counsel, does not believe that the ultimate disposition of the above legal proceedings will have a material adverse effect on the financial position of the City.

Grants

In the normal course of operations, the City received federal and state grants for specific purposes that are subject to review and additional audits by federal and state agencies. Such audits could result in a request for reimbursement by federal or state agencies for expenditures disallowed under the terms and conditions of the grants. In the opinion of City management, such disallowances, if any, will be immaterial.

Commitments

The City has entered into a long term contract with a management company for the convention center. The contract is through September, 2014, for a monthly management fee of \$10,940 per month.

**NOTE 11. UNEARNED INCOME**

Income represents property taxes assessed as of September 30, 2014 but due in fiscal year 2014.

**NOTE 12. DONATED PROPERTY**

The City received donated properties of \$1,677,370 on April 7, 2014 from Vicksburg Hotel, LLC, comprising of parking garages and land.

**NOTE 13. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions, injuries to employees (workers' compensation), employees health; and natural disasters for which the City carries commercial insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded coverage for the current year or the three prior years.



**CITY OF VICKSBURG, MISSISSIPPI  
FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 14. SUBSEQUENT EVENTS**

Management has evaluated the activity of the City through June 30, 2015, (the date of the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

In regard to Environmental Protection Agency and the City of Vicksburg's Water and Sanitary system, the City of Vicksburg entered into an Administrative Order on

Consent (AOC) (injunction relief) on April 10, 2013 and a Consent Agreement (civil penalty) on May 28, 2013. The City has paid the \$ 17,000.00 fine as required by the Consent Agreement and is performing the required evaluations and obtaining the necessary approvals. Compliance with the Consent Order will be an ongoing expense to the City, which estimated to be approximately \$ 3.6 Million per year for the next ten (10) years. On December 3, 2013, the City has approved capital improvement plan for the next five (5) years for sewer treatment plant and sewer system for \$ 3.6 Million per year for the next ten (10) years. The Consent Agreement is still in effect as of June 30, 2015.

- There are no Equal Employment Opportunity Commission claims as of June 30, 2015.

### **III. REQUIRED SUPPLEMENTAL INFORMATION (PART B)**

**BUDGET COMPARISON SCHEDULES**

**CITY OF VICKSBURG, MISSISSIPPI  
BUDGET AND ACTUAL (WITH VARIANCES)  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 8,759,500	\$ 9,273,600	\$ 9,398,824	\$ 125,224
Sales and miscellaneous taxes	15,962,300	15,686,500	15,874,730	188,230
Fees and fines	750,000	820,000	756,776	(63,224)
Licenses and permits	200,400	189,500	193,832	4,332
Intergovernmental	1,950,000	1,965,390	2,022,929	57,539
Charges for services	1,535,000	1,625,300	1,634,003	8,703
Investment earnings (loss)	-	-	1,486	1,486
Miscellaneous	1,653,000	2,559,189	2,917,035	357,846
Total revenues	<u>\$ 30,810,200</u>	<u>\$ 32,119,479</u>	<u>\$ 32,799,616</u>	<u>\$ 680,137</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 4,723,499	\$ 4,985,677	\$ 5,091,281	\$ 105,604
Public safety	16,161,639	16,005,869	15,533,925	(471,944)
Public works	3,740,065	3,627,600	3,571,186	(56,414)
Health, welfare and sanitation	-	-	-	-
Culture and recreation	2,828,631	2,703,531	2,623,715	(79,816)
Debt service:				
Principal	435,714	254,770	276,583	21,813
Interest and other charges	65,705	65,705	43,870	(21,835)
Capital outlay	1,335,668	3,126,683	3,351,991	225,308
Total expenditures	<u>\$ 29,290,921</u>	<u>\$ 30,769,835</u>	<u>\$ 30,492,550</u>	<u>\$ (277,285)</u>
Excess (deficiency) of revenues over expenditures	<u>1,519,279</u>	<u>1,349,644</u>	<u>2,307,066</u>	<u>957,422</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other Sources(Uses)	-	-	-	-
Transfers in(out)	(632,990)	(458,151)	(326,906)	131,245
Total other financing sources and uses	<u>\$ (632,990)</u>	<u>\$ (458,151)</u>	<u>\$ (326,906)</u>	<u>\$ 131,245</u>
Net change in fund balances	886,289	891,493	1,980,161	1,088,668
Fund balances - beginning	<u>14,659,951</u>	<u>14,659,951</u>	<u>14,659,951</u>	<u>-</u>
Fund balances - ending	<u>\$ 15,546,240</u>	<u>\$ 15,551,444</u>	<u>\$ 16,640,113</u>	<u>\$ 1,088,669</u>

See accompanying notes to required supplemental information.

**CITY OF VICKSBURG, MISSISSIPPI  
BUDGET AND ACTUAL (WITH VARIANCES)  
CITY BOND AND INTEREST FUND  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,623,000	\$ 1,623,000	\$ 1,694,752	\$ 71,752
Sales and miscellaneous taxes	-	-	-	-
Fees and fines	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings (loss)	-	-	297	297
Miscellaneous	-	-	-	-
Total revenues	<u>\$ 1,623,000</u>	<u>\$ 1,623,000</u>	<u>\$ 1,695,049</u>	<u>\$ 72,049</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health, welfare and sanitation	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	1,785,000	1,785,000	7,610,000	5,825,000
Interest and other charges	311,858	311,858	226,605	(85,253)
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 2,096,858</u>	<u>\$ 2,096,858</u>	<u>\$ 7,836,605</u>	<u>\$ 5,739,747</u>
Excess (deficiency) of revenues over expenditures	<u>(473,858)</u>	<u>(473,858)</u>	<u>(6,141,556)</u>	<u>(5,667,698)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other Sources(Uses)	-	-	5,855,084	5,855,084
Transfers in(out)	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>\$ 5,855,084</u>	<u>\$ 5,855,084</u>
Net change in fund balances	<u>(473,858)</u>	<u>(473,858)</u>	<u>(286,472)</u>	<u>187,386</u>
Fund balances - beginning	<u>243,584</u>	<u>243,584</u>	<u>243,584</u>	<u>-</u>
Fund balances - ending	<u>\$ (230,274)</u>	<u>\$ (230,274)</u>	<u>\$ (42,888)</u>	<u>\$ 187,386</u>

See accompanying notes to required supplemental information.

**CITY OF VICKSBURG, MISSISSIPPI  
BUDGET AND ACTUAL (WITH VARIANCES)  
CAPITAL PROJECTS FUND  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and miscellaneous taxes	-	-	-	-
Fees and fines	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings (loss)	-	-	3	3
Miscellaneous	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 3</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health, welfare and sanitation	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other Sources(Uses)	-	-	-	-
Transfers in(out)	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Fund balances - beginning	<u>2,154,133</u>	<u>2,154,133</u>	<u>2,154,133</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,154,133</u>	<u>\$ 2,154,133</u>	<u>\$ 2,154,136</u>	<u>\$ 3</u>

See accompanying notes to required supplemental information.

**CITY OF VICKSBURG, MISSISSIPPI  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
YEAR ENDED SEPTMEBER 30, 2014**

**BUDGETS**

General Budget Policies. Preliminary budgets for the ending year are prepared by the City Accountant prior to October 1 of each year. The availability of the proposed budgets for public inspection and the date of the public hearing on the proposed budgets are then advertised in the official journal. In August, the City holds a public hearing on the proposed budgets in order to receive comments from the residents of the City. Changes are made to the proposed budgets based on the public hearing and the desire of the City as a whole. The budgets are then adopted during the City's regular September meeting, and the adopted budget is then published in the official journal.

The City Accountant presents necessary budget amendments to the Mayor and Alderman during the year when, in his judgment, actual operations are differing materially from those anticipated in the original budget. During a regular meeting, the Mayor and Aldermen review the proposed amendments, make changes, as it deems necessary, and formally adopt the amendments. The adoption of the amendments is included in Mayor and Aldermen minutes published in the official journal.

The City exercised budgetary control at the functional level. Within functions, the City Accountant has the discretion to make changes, as he deems necessary for proper control. Unexpended appropriations lapse at the yearend and must be reappropriated in the next year's budget to be expended. The City does use encumbrance accounting in its accounting system. Formal budgetary integration is employed as a management control devise.

For the year ended SEPTEMBER 30, 2014, GAAP basis budgets were adopted for all the funds.

Encumbrances. Encumbrances accounting is recognized within the accounting record for budgetary control purposes. Authorization for the eventual expenditure will be included in the following year's budget appropriation.

Budget Basis of Accounting. All governmental funds' budgets are prepared on the GAAP basis of accounting, which is different from state law. Budgeted amounts are as originally adopted or as amended by the Board. Legally, the Board must adopt a balanced budget; that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. States statutes require the Board to amend its budgets when expenditures within a department are expected to exceed budgeted expenditures or estimates of revenues are less than anticipate. The City publishes these changes in its official journal.

#### **IV. OTHER ADDITIONAL INFORMATION**



**CITY OF VICKSBURG, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
YEAR ENDED SEPTEMBER 30, 2014**

OFFICIAL'S ADMINISTRATION OCTOBER 1, 2013 TO SEPTEMBER 30, 2014

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
George Flaggs, Jr.	Mayor and Treasurer	Lexon Insurance Company	\$ 150,000
Michael A. Mayfield, Sr.	Alderman	Western Surety Company	\$ 150,000
Willis T. Thompson	Alderman	Western Surety Company	\$ 150,000
Walter Lee Armstrong	Police Chief	Western Surety Company	\$ 50,000
Public Employees Bond (Blanket Bond)	Blanket Bond	St. Paul Insurance Company	\$ 250,000
Walter W. Osborne, Jr.	City Clerk	Western Surety Company	\$ 150,000
Janice Carter	Municipal Court Clerk	Western Surety Company	\$ 50,000
Tasha Wynn Jordon	Deputy City Clerk	Western Surety Company	\$ 150,000
John R. Edwards	Deputy Chief of Police	Western Surety Company	\$ 50,000
Robert L. Stewart, III	Deputy Chief of Police	Western Surety Company	\$ 50,000

**CITY OF VICKSBURG, MISSISSIPPI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2014**

Federal Grantor/Pass-through Grantor or Cluster	Federal CFDA #	Pass-through Entity Identifying #	Federal Expenditure
<b>U.S. Department of Justice:</b>			
Direct Programs:			
Justice Department Grant (JAG)	16.738	2013-DJ-BX-0492	\$ 13,071
ARRA - Community Oriented Policing Service (COPS)	16.710	2009-RK-WX-0514	351,209
Bulletproof Vests Partnership Program	16.607		
		FY2013–2013BUBX13069066	<u>2,857</u>
			<u><b>367,137</b></u>
Pass through programs from the MS Division of Public Safety Planning			
Occupant Protection (Seat Belt) Grant	20.600	14-OP-234-1	21,216
STOP Violence Against Women Act (VAWA)	16.588	12-SC-234-1	20,724
STOP Violence Against Women Act (VAWA)	16.588	14-ST-234-1	5,250
Impaired Driving Impaired Special DUI Mini WAVE Grant	AL-20.607	13-SC-234-1	<u>4,786</u>
			<u><b>51,976</b></u>
<b>Total U. S. Department of Justice</b>			<u><b>\$ 419,113</b></u>
<b>U. S. Department of Homeland Security</b>			
Pass through program from Mississippi Emergency Management Agency:			
Hurricane Isaac Public Assistance	97.036	FEMA-DR-MS-4081 HMGP 1972-17	\$ 3,274
Hazard Mitigation Grant Program (FY11 Flood Buyout Program – Phase II)	97.039		53,182
	97.036	FEMA 1983-DR-MS (EM3220)	<u>55,390</u>
			<u><b>111,846</b></u>
Pass through program from MS Dept of Public Safety			
MS Homeland Security	97.067	13HS374	<u>17,700</u>
			<u><b>17,700</b></u>
<b>Total U.S. Department of Homeland Security</b>			<u><b>\$ 129,546</b></u>
<b>U.S. Department of Health and Human Services</b>			
Pass through program from MS Department of Human Services			
Administration for Children and Families:			
CCDF Matching Children & Development Fund Grant, Office of Children And Youth for Good Shepherd Community Center – (FY13)	93.596	229Q631	\$ 22,575
CCDF Matching Children & Development Fund Grant, Office of Children And Youth for Good Shepherd Community Center – (FY14)	93.596	FY14MOU	<u>211,067</u>
			<u><b>233,642</b></u>
Pass through program from MS State Dept of Health,			
MS Delta Health Collaborative/Office of Preventive Health (Mayor’s Health Council)	93.283	5U50DP003088-04 / 13010106000000HD	<u>1,993</u>
			<u><b>1,993</b></u>
<b>Total U.S. Department of Human Services</b>			<u><b>\$ 235,635</b></u>

**CITY OF VICKSBURG, MISSISSIPPI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2014**

Federal Grantor/Pass-through Grantor or Cluster	Federal CFDA #	Pass-through Entity Identifying #	Federal Expenditure
<b>U.S. Department of Agriculture</b>			
Direct Programs:			
USDA Farmers Market Promotion Program	10.168	12-25-G-1372	\$ 14,276
<b>Total U.S. Department of Agriculture</b>			<b>\$ 14,276</b>
 <b>U.S. Department of the Interior</b>			
Pass through program from National Park Service thru MS Department of Archives & History – (FY13) Certified Local Government Program			
	15.904	FY13MOU	\$ 5,300
<b>Total U.S. Department of Interior</b>			<b>\$ 5,300</b>
 <b>U.S. Department of Transportation</b>			
Direct Programs:			
Federal Aviation Administration	20.106	3-28-0073-005-2012	\$ 94,695
Federal Aviation Administration	20.106	3-28-0073-006-2013	145,241
			<b>239,936</b>
Pass through program from Federal Highway Administration			
MS Dept of Transportation	20.205	STP-9999-09(037)/106845- 319000	\$ 18,732
			<b>18,732</b>
<b>Total U.S. Department of Transportation</b>			<b>\$ 258,668</b>
 <b>Total Expenditures of Federal Awards</b>			 <b>\$ 1,062,538</b>

**CITY OF VICKSBURG, MISSISSIPPI  
NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2014**

**NOTE A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the City of Vicksburg under programs of the federal government for the year ended SEPTEMBER 30, 2014. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Vicksburg, Mississippi, it is not intended to and does not present the financial position, changes in Net Position or cash flows of the City of Vicksburg, Mississippi.

**NOTE B – Summary of Significant Accounting**

Expenditures reported on the schedule are reported on the (identify basis of accounting) basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**CITY OF VICKSBURG, MISSISSIPPI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING  
YEAR ENDED SEPTEMBER 30, 2014**

The City has taken corrective actions on findings from the prior reports from October 1, 2007 through SEPTEMBER 30, 2012, except as follows:

**2009-9 2010-8; 2011-8; 2012-3. Cash Receipts System – Fines and Fees – Police Station**

**Condition:** Initial cash receipts tickets are accounted for individually in a separate reporting system and not in the City's management and accounting system.

**Recommendation:** The City should establish a new system that is compatible with the current accounting system to safeguard assets and account for all transactions.

**Current Status:** Not corrected

**CITY OF VICKSBURG, MISSISSIPPI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING  
YEAR ENDED SEPTEMBER 30, 2014**

**2011-9 City incurred costs for unallowed activities in the U. S. Department of Housing & Urban Development (HUD) pass through program from Mississippi Development Authority (MDA).**

Information on the federal program

U.S. Department of Housing & Urban Development (HUD)  
Pass through program from Mississippi Development Authority

CDBG	14.228	R-110-374-01-GZ	FY10	\$	59,608
			FY11	\$	20,770

Condition: The City spent funds for T-Hangers that were not approved in the grant agreement.

Criteria: Costs incurred did not meet one of the three national objectives of CDBG Entitlement Grants program which was to meet the community development needs having a particular urgency and the costs for Airport T-Hangers was an unallowable activity not approved in the grant agreement.

Questioned costs: The costs questioned as of August 22, 2014 is \$ 80,378.05.

Context: Total population of costs incurred is \$ 901,313 under grant agreement # R-110-374-01-GZ, representing \$ 729,723 for FY 10 and \$ 171,590 for FY11, respectively. Total questioned costs incurred for the T-Hangers as of August 22, 2014 is \$ 80,378.05.

Effect: Reported unallowable costs to the Grantor of \$ 80,378.05 were reimbursed for that amount.

Cause: Undeterminable at this time.

Recommendation: The City should establish a new system of monitoring with budgeting restraints to oversee operation of grant activities in accordance with the terms of the grant agreement and make the necessary adjustments before unallowable expenses are incurred.

Current Status: The City is in the process of working with the MDA to offset the unallowable costs of \$ 80,378.05 with eligible expenses so that the City will not have to refund any money to the agency.

Views of responsible officials and planned corrective actions: The City has set measures and safeguards in place with administrative guidelines to prevent unallowable costs from occurring and that the City has eligible expenses to substantiate the reported unallowable costs.

**CITY OF VICKSBURG, MISSISSIPPI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING  
YEAR ENDED SEPTEMBER 30, 2014**

**2012-2 Reconciliations of Cash and Investment Accounts**

*Condition:* Bank statements were not timely reconciled to the appropriate general ledger accounts and approved in the minutes and material errors were detected once the reconciliations were prepared. Additionally, investment accounts held by the trustee are only reconciled annually. Cash activity at the Convention Center is posted annually in conjunction with the audit to the City's general ledger.

*Criteria:* Monthly bank account reconciliations are the primary internal control procedure relating to the City's cash accounts.

*Effect:* A few accounts were not currently reconciled on a monthly basis; in some instances errors or other problems might not be recognized and resolved on a timely basis and management may base decisions on erroneous data.

*Recommendation:* Although the City has made current improvements in the reconciliation process, I recommend that all cash activity be timely posted to the general ledger and that bank accounts be reconciled each month prior to preparation of the monthly financial statements.

**CITY OF VICKSBURG, MISSISSIPPI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING  
YEAR ENDED SEPTEMBER 30, 2014**

2012-2 Reconciliations of Cash and Investment Accounts – Continued

The benefit of monthly reconciliations is that errors do not accumulate and can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. These steps can be performed at the same date, if possible. In addition, the reconciliation should be performed by someone other than the preparer of the deposits and the person preparing the checks. This will reduce the risk that misappropriation of cash assets could be concealed.

*Response:* The City is utilizing all efforts to review the applicability of the above issue and resolve this finding as soon as possible.



## **V. INTERNAL CONTROL AND COMPLIANCE**



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## Booker T. Camper Jr., CPA & CGMA

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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 Vicksburg, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Vicksburg, Mississippi's basic financial statements, and have issued my report thereon dated June 30, 2015.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered City of Vicksburg, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Vicksburg, Mississippi's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Vicksburg, Mississippi's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies, as 2014-001 and 2014-002.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, I performed test 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 my audits, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing*. I noted certain other matters that I reported to management of City of Vicksburg, Mississippi in a separate letter contained in this report dated June 30, 2015 and an additional letter on compliance contained in this report with state laws and regulations dated June 30, 2015.

## **City's Response to Findings**

The City's response to the findings identified in my audit is described in the accompanying schedule of findings, responses and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, reading "Booker T. Camper, Jr.", with a long horizontal flourish extending to the right.

**Booker T. Camper, Jr.**

Memphis, Tennessee

June 30, 2015



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## Booker T. Camper Jr., CPA & CGMA

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### **Independent Auditor's Report on Compliance For Each Major Federal Program, on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Honorable Mayor and Board of Aldermen  
City of Vicksburg, Mississippi

#### **Report on Compliance for Each Major Federal Program**

I have audited the City of Vicksburg, Mississippi's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Vicksburg, Mississippi's major federal programs for the year ended September 30, 2014. The City of Vicksburg, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of City of Vicksburg, Mississippi's major federal programs based on my audit of the types of compliance requirement referred to above. We conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Vicksburg, Mississippi's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of City of Vicksburg, Mississippi's compliance.

#### **Opinion on Each Major Federal Program**

In my opinion, City of Vicksburg, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

## **Report on Internal Control Over Compliance**

Management of City of Vicksburg, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered City of Vicksburg, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of City of Vicksburg, Mississippi's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliances, such there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that might be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

I have audited the financial statements of City of Vicksburg, Mississippi as of and for the year September 30, 2014, and have issued my report thereon dated June 30, 2015, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures.



**Booker T. Camper, Jr., CPA**

**Memphis, Tennessee**

**June 30, 2015**

**CITY OF VICKSBURG, MISSISSIPPI  
SCHEDULE OF FINDING, RESPONSES AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2014**

**SCHEDULE I- SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS**

**A. SUMMARY OF AUDIT RESULTS**

FINANCIAL STATEMENTS:

1. The audit's report expresses an unmodified opinion on the financial statements of the City of Vicksburg, Mississippi.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

2. Two (2) instances of deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters required by *Government Auditing Standards*. These two (2) instances are reported as significant deficiencies.

NONCOMPLIANCE MATERIAL TO FINANCIAL STATEMENT:

3. Two (2) instances of noncompliance material to the financial statements of the City of Vicksburg, Mississippi, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

FEDERAL AWARDS:

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.

TYPE OF AUDITOR'S REPORT ISSUED:

5. The auditor's report on compliance for the major federal award programs for the City of Vicksburg, Mississippi expresses an unmodified opinion on all major federal programs.

AUDIT FINDINGS:

6. Audit findings are required to be reported in accordance with Section 510(a) of OMB A-133 in Section III-Federal Award Findings, Responses and Questioned Costs.

IDENTIFICATION OF MAJOR PROGRAMS:

7. The programs tested as major program are U. S. Department of Justice for fiscal year ended September 30, 2014.

DOLLAR THRESHOLD:

8. The threshold for distinguishing Types A and B programs was \$300,000.

AUDITEE QUALIFIED AS:

9. The City of Vicksburg, Mississippi did not qualify as a low-risk auditee.

**CITY OF VICKSBURG, MISSISSIPPI  
SCHEDULE OF FINDING, RESPONSES AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2014**

**B. SCHEDULE II - FINANCIAL STATEMENTS FINDINGS:**

**2014-001 Reconciliations of Cash and Investment Accounts**

*Condition:* The City has made progress in reconciling accounts to the general ledger; However, further work is needed to complete the reconciliation of bank statements to the general ledger on a timely basis. Additionally, investment accounts held by the trustee are only reconciled annually.

Bank statements were not timely reconciled to the appropriate general ledger accounts and approved in the minutes and material errors were detected once the reconciliations were prepared. Additionally, investment accounts held by the trustee are only reconciled annually. Cash activity at the Convention Center is posted annually in conjunction with the audit to the City's general ledger.

*Criteria:* Monthly bank account reconciliations are the primary internal control procedure relating to the City's cash accounts.

*Effect:* Not timely recording cash activity and reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis and management may base decisions on erroneous data.

*Recommendation:* I recommend that all cash activity be timely posted to the general ledger and that bank accounts be reconciled each month prior to preparation of the monthly financial statements. The benefit of monthly reconciliations is that errors do not accumulate and can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. These steps can be performed at the same date, if possible. In addition, the reconciliation should be performed by someone other than the preparer of the deposits and the person preparing the checks. This will reduce the risk that misappropriation of cash assets could be concealed.

*Response:* The City is utilizing all efforts to review the applicability of the above issue and resolve this finding as soon as possible.

**CITY OF VICKSBURG, MISSISSIPPI  
SCHEDULE OF FINDING, RESPONSES AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2014**

B. SCHEDULE II - FINANCIAL STATEMENTS FINDINGS: - CONTINUED

**COMPLIANCE AND OTHER MATTERS**

**NONE**



**CITY OF VICKSBURG, MISSISSIPPI  
SCHEDULE OF FINDING, RESPONSES AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2014**

**B. SCHEDULE II - FINANCIAL STATEMENTS FINDINGS: - CONTINUED**

**2014-002 Cash Receipts System – Fines and Fees – Police Station**

*Condition:* Initial cash receipts tickets are accounted for individually in a separate reporting system and not in the City's management and accounting system.

*Criteria:* Internal control requires that initial cash receipt records for fines and fees be annotated into the initial and intermediate journal of the City's accounting and management information system (MUNIS) to safeguard assets and account for all cash receipts, rather than in entry into an incompatible system which does not interface with the current system.

*Effect:* Unable to trace total receipts to individual tickets and account for all cash receipts for the given period.

*Recommendation:* The City should establish a new system that is compatible with the current accounting system to safeguard assets and account for all transactions.

*Response:* The City is utilizing all efforts to review the applicability of the above issue and resolve this finding as soon as possible.

**C. SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**SIGNIFICANT DEFICIENCIES:**

NONE



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## Booker T. Camper Jr., CPA & CGMA

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

Honorable Mayor and Board of Aldermen  
City of Vicksburg, Mississippi

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vicksburg, Mississippi as of and for the year ended September 30, 2014, and have issued my report thereon dated June 30, 2015. I conducted my 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*.

I 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 my audit and, accordingly, I do not express such an opinion.

The results of those procedures and my audit of the financial statements disclosed the following material instances of noncompliance with state laws and regulations. My findings and recommendations are as follows:

**Investments:** - The perpetual care trust fund, which is managed by the trust department of two local banks, had investments other than ones approved by state statute. State of Mississippi statute dictates the types of investments allowed for excess operating funds.

**Response:** - The City's legal department will review state statute and recommend to the City's board its compliance or noncompliance.

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendations noted above. 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 of Vicksburg, Mississippi's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

**Booker T. Camper, Jr.**  
**Memphis, Tennessee**  
**June 30, 2015**