CITY OF WINONA, MISSISSIPPI

FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

CITY OF WINONA
TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Analysis of Investment in Capital Assets, Net of Debt	10
Fund Financial Statements:	
Balance Sheet-Governmental Funds	11
Reconciliation of the Balance Sheet to the Statement of Net Position-Governmental Funds	12
Statement of Revenues-Expenditures and Changes in Fund Balances-Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities-Governmental Funds	14
Proprietary Funds-Statement of Net Position	15
Proprietary Funds-Statement of Revenues, Expenses and Changes in Fund Net Position	17
Proprietary Funds-Statement of Cash Flows	18
Notes to Financial Statements	19
Required Supplementary Information:	
Budget Comparison Schedule-Cash Budgetary Basis	37
Other Supplementary Information:	
Schedule of Reconciliation of Original Ad Valorem Tax Rolls to Fund Collections	41
Schedule of Investments-All Funds	42
Schedule of Surety Bonds	43
Schedule of Long-Term Debt	44
Independent Auditor's Report on Compliance with State Laws and Regulations	47
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*	48
Schedule of Findings and Questioned Costs	50

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INDEPENDENT AUDITOR'S REPORT

To the Board of Aldermen
City of Winona, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Winona, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Winona, Mississippi's, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Winona, Mississippi, as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012, on our consideration of the City of Winona, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 36 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Winona, Mississippi's basic financial statements. The other supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Winona, Mississippi. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

Taylor, Powell, Walton + Hartford, P.A.

September 7, 2012

CITY OF WINONA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
UNAUDITED

This Discussion and Analysis of The City of Winona, Mississippi's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2011 were as follows:

Total net position decreased $260,041 from 2010.

Total net position of governmental activities increased $22,363 from 2010.

Total liabilities increased by $807,256 from 2010.

In total, cash and investments decreased $175,675, or 13.5% from 2010.

Net capital assets increased $81,417 from 2010.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Winona as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

REPORTING THE CITY OF WINONA AS A WHOLE

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in its position. This change in position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, all of the City's activities are reported as Governmental Activities or Business-type Activities. Governmental Activities include all of the City's governmental type services including police, fire, streets, administration, and other similar departments. Business-type Activities include the City Water and Sewer Department and Solid Waste Department.

REPORTING THE CITY OF WINONA'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the City's major funds begins on page 11. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established several funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Winona, the City's major funds are the General, City Bond, and Enterprise Water and Sewer Funds. There were no non-major funds during the year ended September 30, 2011.

Governmental Funds

All of the City's governmental type activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

All of the City's business-type activities are reported in the proprietary funds. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. These funds are reported using an accounting method called accrual accounting which records revenues when earned and expenses when incurred. The reporting entity includes the Water and Sewer Fund. The basis of accounting is the same as used in the Statement of Net Position and the Statement of Activities, so no reconcilement of differences is necessary.

The City of Winona as a Whole

Recall that the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2011 compared to 2010.

	September 30,	
	2011	2010
Assets:		
Current and Other Assets	$ 2,461,865	$ 2,721,419
Capital Assets, Net	12,070,665	11,250,947
Total Assets	14,532,530	13,972,366
Liabilities:		
Current and Other Liabilities	1,240,209	1,155,526
Long-term liabilities:		
Due Within One Year	364,016	235,754
Due in More than One Year	3,667,819	3,073,508
Total Liabilities	5,272,044	4,464,788
Deferred Inflows	12,949	
Net Position:		
Invested in Capital Assets Net of Debt	8,112,990	8,031,573
Restricted:		
Debt Service	414,153	495,709
Cemetery Maintenance		23,088
Clock project		1,650
Soccer field development		113
Unrestricted	720,394	955,445
Total Net Position	$ 9,247,537	$ 9,507,578

CITY OF WINONA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
UNAUDITED

Total assets for governmental activities increased $440,382 from 2010. Total assets for business-like activities increased $119,782 from 2010.

Net position of the City's governmental activities increased by $22,363 from 2010 and net position for business-like activities decreased $282,404 from 2010.

The table below shows the Changes in Net Position for the year ended September 30, 2011 as compared to the year ended September 30, 2010.

	Changes in Net Position For the Year Ended September 30,	
	2011	2010
Revenues:		
Program Revenues:		
Charges for services	$ 1,739,815	$ 1,639,015
Operating grants and contributions	41,995	42,704
Capital grants and contributions	197,489	519,673
Total Program Revenues	1,979,299	2,201,392
General Revenues:		
Property taxes	756,961	755,542
Other taxes and licenses	1,163,709	1,150,438
Fines and forfeitures	103,901	98,930
Grants and contributions not restricted to specific programs	250,307	249,353
Investment and other revenues, (losses)	(41,661)	57,273
Total General Revenues	2,233,217	2,311,536
Total Revenues	4,212,516	4,512,928
Program Expenses:		
General government	410,878	374,014
Public safety	1,210,842	1,132,705
Highways and streets	603,550	504,882
Sanitation	460,351	403,945
Health and welfare	16,484	34,504
Culture and recreation	452,487	351,800
Non-departmental	15,370	44,286
Interest and fiscal charges	20,881	17,310
Water and sewer	1,280,994	1,093,022
Total expense	4,471,837	3,956,468
Increase, (decrease) in net position	$ (259,321)	$ 556,460

Governmental Activities

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City property tax accounted for $756,961, or 23.56% of gross governmental revenue; revenues from charges for services and operating grants and contributions accounted for $916,479, or 28.52% of gross governmental revenue; and state sales and gas taxes accounted for $1,016,127, or 31.62% of gross governmental revenue. The City property tax millage rate of 37.7 mills was approved by the City Board of Aldermen. The City has increased its assessed valuation property tax base by $1,149,765, or 5.31% in the last five years.

The City's major expense activity is public safety which includes police and fire. These expenses totaled $1,210,842 or 37.95% of total governmental activity expenses.

Business-type Activities

Charges for services fund our Business-type activities. Our proprietary fund includes the Water and Sewer Fund. Total operating revenues increased $23,244, or 2.24% from 2010. Total operating expenses increased $187,972, or 17.20% from 2010. The increase in expenses was mainly due to costs associated with redeeming 2001 Revenue refunding bonds and issuance of 2011 Revenue refunding bonds.

The City's Funds

Information about the City's major governmental funds begins on page 11. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $3,213,206. This was an increase of $12,193 over the prior year. Total revenues for the General Fund increased $7,786 from 2010. Total expenditures for the General Fund increased $467,754, or 14.09% from 2010. The fund balance of the General Fund showed a decrease of $166,413 during the year, from $703,801 at September 30, 2010 to $537,388 at September 30, 2011.

Information about the City's proprietary fund begins on page 15. This fund is accounted for using the accrual basis of accounting. The basis of accounting for this fund is the same as for the city as a whole and the results of operations are discussed above under "Business-type Activities."

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

	Capital Assets Net of Depreciation September 30,	
	2011	2010
Governmental Activities:		
Land	$ 160,099	$ 160,099
Buildings	817,676	818,824
Improvements other than buildings	1,612,031	1,610,435
Machinery and equipment	2,063,640	1,938,563
Infrastructure	927,194	615,883
Construction in progress	127,215	14,961
Total governmental activities	5,707,855	5,158,765
Business-type Activities:		
Land	40,930	40,930
Water system	2,298,705	1,945,795
Sewer system	3,930,606	4,019,648
Machinery and equipment	92,569	85,809
Total business-type activities	6,362,810	6,092,182
Total	$ 12,070,665	$ 11,250,947

Prior to October 1, 2003 and the implementation of GASB 34, governmental fund's major general infrastructure assets were not capitalized. In accordance with the provisions of GASB 34, the City has elected not to report major general infrastructure assets acquired before the adoption of GASB 34, or October 1, 2003. Accordingly, those assets and depreciation thereon have not been reported in the financial statements.

Long-Term Obligations

At September 30, 2011, the City of Winona had $4,031,835 in outstanding General Obligation Bonds, Notes, Revenue Bonds and Compensated absences. The following table shows the total outstanding long-term obligations of the City:

	Long-Term Obligations at Year End	
	2011	2010
Governmental Activities:		
General obligation bonds	$ 45,000	$ 65,000
Compensated absences	57,892	77,823
Notes payable	619,685	225,164
Total governmental activities	722,577	367,987
Business-type Activities:		
Revenue bonds	2,815,000	2,840,000
Notes payable	477,990	89,210
Compensated absences	16,268	12,064
Total business-type activities	3,309,258	2,941,274
Total long-term obligations	$ 4,031,835	$ 3,309,261

CURRENT FINANCIAL RELATED ACTIVITIES

2010 HOME Rehabilitation Project

The City has been awarded a $446,000 HOME grant for homeowner rehabilitation, which encompasses the demolition and reconstruction of four (4) stick-built homes and replacement of one (1) mobile home. At September 30, 2011, $8,500 of the grant award had been received and expended.

Fairgrounds Street Improvement Project

The City has been awarded a $247,696 STP federal grant for the purpose of overlay and repair to Fairground Street. The grant is to be composed of a maximum of 80% federal share and a minimum of 20% local/state share. At September 30, 2011, $81,535 federal grant funds had been received and $118,027 in expenditures has been incurred, resulting in $36,492 being paid/matched by the City.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Clerk at 662-283-1232.

CITY OF WINONA, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash	$ 276,055	$ 404,602	$ 680,657
Investments	23,955	10,908	34,863
Receivables (net)	881,339	122,943	1,004,282
Due from other governments	184,392		184,392
Due from other funds	129,310		129,310
Inventory		14,208	14,208
Restricted assets:			
Cash	5,936	135,132	141,068
Investments	-	273,085	273,085
Capital assets:			
Non-depreciable		40,930	40,930
Depreciable, net	5,707,855	6,321,880	12,029,735
Total assets	7,208,842	7,323,688	14,532,530
Liabilities:			
Accounts payable (includes Gen Fund O/D of $57,690)	142,292	27,888	170,180
Accrued liabilities	19,569	7,337	26,906
Unearned revenue	778,681		778,681
Due to other funds	36,690	92,620	129,310
Customer refundable meter deposits		135,132	135,132
Non-current liabilities:			
Due within one year:			
Bonds and loans payable	85,422	278,594	364,016
Due in more than one year:			
Bonds and loans payable	579,263	3,014,396	3,593,659
Compensated absences	57,892	16,268	74,160
Total liabilities	1,699,809	3,572,235	5,272,044
Deferred inflow of resources:			
Premium on revenue refunding bonds, Series 2011	-	12,949	12,949
Net Position:			
Invested in capital assets, net of related debt	5,043,170	3,069,820	8,112,990
Restricted for:			
Debt service	5,936	408,217	414,153
Unrestricted	459,927	260,467	720,394
Total net position	$ 5,509,033	$ 3,738,504	$ 9,247,537

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Function/Program Activities:							
Governmental Activities:							
General government	$ 410,878	$	$	$	$ -410,878	$	$ -410,878
Public safety	1,210,842	35,715	41,995	25,873	-1,107,259		-1,107,259
Highways and streets	603,550			171,616	-431,934		-431,934
Sanitation	460,351	409,939			-50,412		-50,412
Health and welfare	16,484				-16,484		-16,484
Culture and recreation	452,487	210,391			-242,096		-242,096
Non-departmental	15,370	20,950			$ 5,580		$ 5,580
Interest on long-term debt	20,881				-20,881		-20,881
Total governmental activities	3,190,843	676,995	41,995	197,489	-2,274,364		-2,274,364
Business-type Activities:							
Water and Sewer	1,280,994	1,062,820		-		(218,174)	- 218,174
Total business-type activities	1,280,994	1,062,820		-		(218,174)	- 218,174
Total	$ 4,471,837	$ 1,739,815	$ 41,995	$ 197,489	-2,274,364	(218,174)	-2,492,538
General revenues:							
Taxes:							
Property taxes, levied for general purposes					$ 733,010	$	$ 733,010
Property taxes, levied for debt service					23,951		23,951
Sales and gas taxes					1,016,127		1,016,127
Occupational licenses and franchise fees					147,582		147,582
Fines and forfeitures					103,901		103,901
Grants and contributions not restricted to specific programs:							-
Homestead exemption reimbursement					78,427		78,427
Other intergovernmental revenues and grants					171,880		171,880
Investment earnings (loss)					(1,846)	24,017	22,171
Miscellaneous					23,695		23,695
Loss on sale of revenue bonds					-	(87,527)	(87,527)
Total general revenues					2,296,727	(63,510)	2,233,217
Changes in net position					22,363	(281,684)	(259,321)
Net position - beginning, as restated					5,486,670	4,020,188	9,506,858
Net position - ending					$ 5,509,033	$ 3,738,504	$ 9,247,537

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
ANALYSIS OF INVESTMENT IN CAPITAL ASSETS, NET OF DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Issue	Amount Outstanding	Unamortized Premium on Bonds	Net
Other Capital Assets - Governmental			
1998 General Obligation Equipment Bonds	$ 45,000	$	$ 45,000
Bank of Winona-City Lighting	6,265		6,265
Musco Finance-Ballfield Lighting	185,236		185,236
Bank of Kilmichael-Track Hoe	73,184		73,184
Tax Increment Financing Bonds	355,000	-	355,000
Total Governmental	$ 664,685	$ -	664,685
Capital Assets			5,707,855
Invested in Capital Assets, Net of Related Debt			$ 5,043,170
Infrastructure - Proprietary			
2011 Revenue Refunding Bonds	$ 2,802,051	$ (12,949)	2,815,000
SRF Loan - ARRA Project	14,608		14,608
SRF Loan - ARC Project	10,974		10,974
Regions Finance-Automated Meter Reading System	362,005		362,005
Regions Finance-Automated Meter Reading System	49,475		49,475
2003 State of Miss. Capital Improvements Loan	40,928		40,928
Total Proprietary	$ 3,280,041	$ (12,949)	3,292,990
Capital Assets			6,362,810
Invested in Capital Assets, Net of Related Debt			$ 3,069,820

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General	City Bond	Total Governmental Funds
Assets:			
Cash	$ 274,907	$ 7,084	$ 281,991
Investments	23,955		23,955
Due from other funds	129,310		129,310
Due from other governments:			
Property taxes - auto	11,709	352	12,061
State sales taxes	164,016		164,016
Motor vehicle privilege tax	948		948
Road maintenance tax	2,172		2,172
DUI enforcement grant	5,195		5,195
Other receivables:			
Property taxes	760,478	18,203	778,681
Garbage fees	67,737		67,737
Franchise tax	27,168		27,168
Fines	6,908		6,908
Privilege tax	333		333
Penalties & interest	242		242
Interest Receivable	270		270
Total assets	$ 1,475,348	$ 25,639	$ 1,500,987
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable (includes overdraft of $57,690)	$ 142,292	$ -	$ 142,292
Due to other funds	35,190	$ 1,500	36,690
Unearned revenue	760,478	18,203	778,681
Total liabilities	937,960	19,703	957,663
Fund Balances:			
Restricted for:			
Debt Service	-	5,936	5,936
Assigned for:			
Fire protection	167,374		167,374
Unassigned for:			
General fund	370,014	-	370,014
Total Fund Balances	537,388	5,936	543,324
Total Liabilites and Fund Balances	$ 1,475,348	$ 25,639	$ 1,500,987

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Fund balances - total governmental funds	$	$ 543,324
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	6,163,236	
Less accumulated depreciation	-455,381	5,707,855
Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds		
Governmental bonds payable	-45,000	
Tax incremental financing bonds payable	-355,000	
Notes Payable	-264,685	
Compensated absences	-57,892	
Accrued interest payable on bonds and notes payable	-19,569	-742,146
Net position of governmental activities		$ 5,509,033

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General	City Bond	Total Governmental Funds
Revenues:			
Property taxes	$ 733,010	$ 23,951	$ 756,961
Licenses and permits	147,582		147,582
Intergovernmental revenues	1,505,916		1,505,916
Charges for services	676,995		676,995
Fines and forfeits	103,901		103,901
Miscellaneous	21,825	26	21,851
Total revenues	3,189,229	23,977	3,213,206
Expenditures:			
General government	393,549		393,549
Public safety	1,175,183		1,175,183
Highways and streets	570,797		570,797
Sanitation	460,351		460,351
Health and welfare	16,484		16,484
Culture and recreation	420,040		420,040
Non-departmental	15,370		15,370
Capital outlay	687,129		687,129
Debt service:			
Principal retirement	37,346	20,000	57,346
Interest and other	11,180	3,435	14,615
Total expenditures	3,787,429	23,435	3,810,864
Excess (Deficiency) of Revenues Over Expenditures	-598,200	$ 542	-597,658
Other Financing Sources and (Uses):			
Transfers in			
Transfer out (-)			
Bond and loan proceeds	431,787		431,787
Total other financing sources, uses (-)	431,787		431,787
Net change in fund balances	-166,413	$ 542	-165,871
Fund balances - beginning of year	703,801	5,394	709,195
Fund balances - end of year	$ 537,388	$ 5,936	$ 543,324

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds	$	$ (165,871)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Expenditures for capital assets	685,142	
Less current year depreciation	(133,830)	551,312
Proceeds from disposition of general capital assets	(2,222)	
Unrecovered basis in general capital assets disposed		(2,222)
Bond and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.		(374,521)
Some expenses reported in the statement of activities do not require the use or current available resources and therefore are not reported as expenditures in the governmental funds.		
Decrease in accrual for compensated absences		19,931
Governmental funds do not report a liability for accrued interest until it is due and payable. Accrued interest is reported as a liability in the statement of activities.		
Increase in accrued interest liability		(6,266)
Change in net position - governmental activities		$ 22,363

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
PROPRIETARY FUND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2011

	Business - Type Activity
	Enterprise Water & Sewer Fund
Current Assets:	
Cash	$ 404,602
Investments	10,908
Accounts receivables less allowance for uncollectible accounts	78,630
Unbilled revenue	44,313
Inventory	14,208
Total Current Assets	552,661
Non-current Assets:	
Restricted:	
Cash - bond reserve funds	-
Cash - Meter deposits	135,132
Investments:	
Meter deposits	-
Bond debt depr. & cont.	10,000
Bond debt service reserve	263,085
Capital Assets:	
Land	40,930
Building and improvements	33,138
Water and sewer system	11,107,540
Equipment	479,952
Vehicles	86,987
Office equipment, furniture and fixtures	57,458
Less accumulated depreciation	(5,443,195)
Total Non-current Assets	6,771,027
Total assets	7,323,688
Current Liabilities:	
Accounts payable	$ 27,888
Due to Other Funds	92,620
Bonds, notes, and loans payable (current)	278,594
Accrued interest	7,337
Meter deposits	135,132
Total Current Liabilities	541,571

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
PROPRIETARY FUND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2011

(Cont'd)

	Business - Type Activity
	Enterprise Water & Sewer Fund
Non-current Liabilities:	
Bonds, notes, and loans payable	$ 3,014,396
Compensated absences	16,268
Total Non-current Liabilities	3,030,664
Total Liabilities	3,572,235
Deferred inflow of resources:	
Premium on revenue refunding bonds, Series 2011	12,949
Net Position:	
Invested in Capital Assets, net of related debt	3,069,820
Restricted:	
Debt Service	408,217
Unrestricted	260,467
Total Net Position	$ 3,738,504

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business - Type Activity
	Enterprise Water & Sewer Fund
Operating Revenue:	
Water sales	$ 669,761
Sewer charges	393,060
Other revenues	-
Total operating revenues	1,062,820
Operating Expenses:	
General administration	223,599
Maintenance - buildings, grounds & equip.	144,084
Water line transmission & distribution	167,586
Treatment & purification	59,991
Sewage collection	151,304
Sewage treatment	10,961
Depreciation	235,384
Total operating expenses	992,908
Operating income, loss (-)	69,912
Non-Operating Revenues, Expenses (-):	
Investment income	24,017
Gain, loss (-) on sale of revenue bonds	(87,527)
Capital grants	-
Interest and fiscal charges	(186,296)
Bond discount/premium amortization & issuance costs	(101,791)
Transfers in, out (-)	
Total non-operating revenues, expenses (-)	(351,596)
Changes in net position	(281,684)
Net position - Beginning, as restated	4,020,188
Net position - Ending	$ 3,738,504

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2011

Cash Flows From Operating Activities:		
Cash received from customers	$	1,070,236
Cash payments for goods & services		-352,914
Cash payments for payroll, payroll taxes and retirement		-341,057
Net cash provided by operating activities		376,265
Cash Flows From Capital and Related Financing Activities:		
Capital grants received		-
Bond and loan proceeds		3,102,985
Acquisition and construction of capital assets		-476,883
Principal payments on loans		-33,675
Interest payments		-1,445
Retirement of revenue bonds		-2,840,000
Interest, issuance costs, and agent fees paid on revenue bonds		-181,340
Net cash used by capital and related financing activities		-430,358
Cash Flows From Investing Activities:		
Interest received on cash and investments		32,881
Redemption of investments		1,447,319
Purchase of investments		-1,046,715
Net cash provided by investing activities		433,485
Net decrease in cash and cash equivalents		379,392
Cash and cash equivalents at beginning of year		160,342
Cash and cash equivalents at end of year	$	539,734
Reconciliation of Income From Operations to Net Cash Provided by Operating Activities:		
Income from operations	$	69,912
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation		235,384
Changes in assets & liabilities:		
Decrease in accounts receivable, net of allowance for uncollectibles		9,442
Increase in unbilled revenues		(1,965)
Decrease in inventory		690
Increase in accounts payable		9,598
Increase in due to other funds		48,341
Increase in compensated absences liability		4,204
Increase in customer meter deposits		659
Net cash provided by operating activities	$	376,265

See Notes to Financial Statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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 conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government: City of Winona

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity"*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Board of Aldermen or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has no blended presented component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

1.B. BASIS OF PRESENTATION (Cont'd)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute it assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Funds

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Funds

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Funds

Debt Service Funds account for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the city other that debt service payments made by enterprise funds. Ad valorem taxes are levied for the payment of principle and interest on the City's general long-term debt.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

1.B. BASIS OF PRESENTATION (Cont'd)

Proprietary Fund

Enterprise Fund

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Winona Water and Sewer Fund.

Fiduciary Funds (Not included in governmental-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes three agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities) they do not involve the measurement of results of operations. The agency funds are as follows:

Fund	Brief Description
Accounts Payable Clearing	Accounts for funds transferred in to pay claims of the City. Funds are transferred in monthly from Governmental and Proprietary type funds and disbursements are made to the City's vendors.
Payroll Fund	Accounts for disbursement of payroll checks for City. Funds are transferred in monthly from Governmental and Proprietary type funds and payroll checks are disbursed to employees.
Tax Collector's Fund	All property taxes collected are deposited to this fund. Settlements are made monthly from this fund to the various governmental funds which the taxes were levied and the Winona Separate School District.

Major and Nonmajor Funds

The funds further classified as major or nonmajor are as follows:

Fund	Brief Description
Major:	
General	See above for description.
Enterprise Funds:	
Water and Sewer	See above for description

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

1.B. BASIS OF PRESENTATION (Cont'd)

Major and Nonmajor Funds (Cont'd)

Fund	**Brief Description**
Nonmajor:	
Debt Service Fund:	
City Bond Fund	See above for description.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement of focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Basis of Accounting (Cont'd)

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Budgets and Budgetary Accounting

Budgets are adopted on the cash basis of accounting.

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

1. Prior to September 15, the City Manager submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. As required by State law, the City conducts public hearings on the budget.

3. The budget as submitted is reviewed by the Mayor and Board of Aldermen and necessary revisions are made to the budget. Then the budget is approved prior to September 15.

4. The budget is formally revised no later than July of each year or any time a deficit is indicated.

5. Budgetary comparisons are employed by management as a management control device during the year for all governmental funds and Water and Sewer Enterprise Fund. The budget and actual comparisons are formally presented in the financial statements to the Mayor and Board of Aldermen. Budgetary control over other funds is achieved through applicable state law, bond ordinances, or other restrictions imposed when the fund is created.

Budgeted amounts are as originally adopted or as amended by the Board of Aldermen as of September 30, 2011.

1.D. ASSETS, DEFERRED OUTFOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY

Cash and Investments

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

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". Short-term interfund loans are reported as "interfund receivables and payables". Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 12 for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, and police fines. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the governmental-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Unbilled Revenues

An estimated amount has been recorded for utility services provided but not billed as of the end of the year.

Inventory

Inventory is valued at cost. The inventory in the Water and Sewer Enterprise Fund of $14,208 consists of expendable supplies held for consumption.

1.D. ASSETS, DEFERRED OUTFOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY (Cont'd)

Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

The City has elected early implementation of GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB No. 65, Items Previously Reported as Assets and Liabilities.

GASB 63 and 65 amend GASB 34 to incorporate the following:

Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred Inflows of Resources

Deferred inflows of resources is an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

GASB 63 changes the title of the "Statement of Net Assets" to the "Statement of Net Position" and similarly the "Statement of Revenues, Expenses and Changes in Net Assets" changes to "Statement of Revenues, Expenses and Changes in Net Position" and provides (1) that deferred outflows should be reported in a separate section following assets, and (2) deferred inflows should be reported in a separate section following liabilities. The statement then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources. GASB 65 clarifies which financial statement items should continue to be presented as assets and liabilities and which should be reclassified as deferred outflows and deferred inflows, and which items should be treated as current period expenditures (outflows) or current period inflows.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, general capital assets including major general infrastructure assets acquired during the current year are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Assets capitalized, not including infrastructure assets, have an estimated useful life of over three years. All infrastructure asset additions are capitalized.

Prior to October 1, 2003, and the implementation of GASB 34, governmental fund's major general infrastructure assets were not capitalized. In accordance with the provisions of GASB 34, the City has elected not to report major general infrastructure assets acquired before the adoption of GASB 34, or October 1, 2003. Accordingly, those assets and depreciation thereon have not been reported in these financial statements.

1.D. ASSETS, DEFERRED OUTFOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY (Cont'd)

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. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years
Utility System	25-50 years
Infrastructure	25-50 years

Fund Financial Statements

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

Restricted Assets

Restricted assets include cash that is legally restricted as to their use. The primary restricted assets are related to revenue bond reserve accounts and customer water meter deposits fund.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of general obligation bonds, revenue bonds, notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

1.D. ASSETS, DEFERRED OUTFOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY (Cont'd)

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. In the Balance Sheet of governmental funds, fund balance is reported in five possible classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash (e.g. inventories and prepaid assets).

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed

The committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority.

Assigned Fund Balance

The assigned fund balance includes amounts constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

1.D. ASSETS, DEFERRED OUTFOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY (Cont'd)

Unassigned Fund Balance

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Expenditures may be incurred for purposes for which both restricted, if any, and unrestricted (committed, assigned, or unassigned) amounts are available. Composition of the ending fund balance will be determined by applying the following: In those instances where both restricted and unrestricted amounts are available, restricted amounts will be considered to have been spent first, followed by committed amounts, followed by assigned amounts, and then unassigned amounts.

Proprietary fund equity is classified the same as in the government-wide statements.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the following October 1 and are payable by the following February 1. The City bills and collects its own property taxes except for automobile taxes, which are collected by the county and remitted to the city.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenses are classified as follows:

Governmental Funds – By Character:	Current (further classified by function) Debt Service Capital Outlay

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2 – PROPERTY TAXES COLLECTED FOR SEPARATE SCHOOL DISTRICT

State law requires the municipality to exercise its taxing authority for the benefit of other governing authorities, which are not part of the reporting entity. As provided the municipality must levy specified ad valorem taxes as directed by the other governing authority and turn all proceeds over to it.

Ad valorem taxes collected and settled in accordance with this legal requirement are not recognized as revenues and expenditures of the municipality. The accompanying supplemental information schedule "Reconciliation of Original Ad Valorem Tax Rolls to Fund Collections" provides specific assessment and settlement information. For the reported fiscal year the following ad valorem tax levies were made in accordance with this legal requirement.

Other Governing Authority: Winona Separate School District

PURPOSE OF LEVY	MILLS LEVIED
District maintenance	49.80
Note Fund	2.60
Total	52.40

NOTE 3: CASH AND CASH EQUIVALENTS

A summary of cash balances including bank account deposits and cash on hand at September 30, 2011, follows:

	General Fund	Debt Service Fund	Water and Sewer Fund	Total
Petty cash on hand	$ 925	$	$ 135	$ 1,060
Bank deposits – unrestricted	297,937	1,148	415,375	714,460
Bank deposits – restricted		5,936	408,217	414,153
Total bank deposits	297,937	7,084	823,592	1,128,613
Total cash	$ 298,862	$ 7,084	$ 723,727	$ 1,129,673

In accordance with state statutes, the City maintains deposits within approved limits at those depositories authorized by the Board of Aldermen. State statutes require that all of the City's deposits be protected by collateral or insurance equal to 105% of the total deposits not covered by insurance. The City's deposits are collateralized through the Statewide Collateral Pool Program sponsored by the State of Mississippi Treasury Department.

At September 30, 2011 all of the City's funds on deposit in financial institutions were insured or collateralized per the schedule below:

	Category 1	Category 2	Category 3	Total
Carrying amount per books	$ 258,219	$ 870,394	$	$ 1,128,613
Balance per bank	258,219	1,079,054		1,337,273

The categories of risk are described as follows:

Category 1 - Insured by Federal Deposit Insurance Corporation
Category 2 - Collateralized with securities held by the pledging financial institution's agent in the City's name
Category 3 – Uncollateralized

Cash and cash equivalents at September 30, 2011 is shown on the Statement of Cash Flows – Proprietary Fund as $539,734. This amount is shown on the Statement of Net Position – Proprietary Fund as current asset cash balance of $404,602 and restricted asset cash balance of $135,132.

NOTE 4 – INVESTMENTS:

State statutes, City bond ordinances and city resolutions authorize the City's investments. Generally, the City is authorized to invest in bonds or other direct obligations of the U.S. Government or the State of Mississippi, or of any county, municipality, or school district of this state meeting certain qualifications or in obligations issued or guaranteed in full as to principal and interest by the U.S. Government.

Water and Sewer Enterprise Fund investments consist of the following at September 30, 2011:

	Unrestricted	Restricted	Total
250,000 units Federal Obligations - Federal National Mortgage Association	$ 10,908	$ 239,161	$ 250,069
33,924 units Goldman Sachs Treasury Obligation Fund		33,924	33,924
Total	$ 10,908	$ 273,085	$ 283,993

All of the above investments at September 30, 2011, were held by a bank trust department in the City's name (Category 2).

NOTE 5: ACCOUNTS RECEIVABLE, NET OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

At September 30, 2011, accounts receivable were as follows:

	Governmental Activities	Business-type Activities	Total
Property taxes receivable	$ 778,681	$	$ 778,681
Penalties and interest	242		242
Franchise taxes receivable	27,168		27,168
Court fines	6,908		6,908
Privilege taxes	333		333
Water, sewer and garbage	67,737	128,943	196,680
Interest receivable	270		270
(Allowance for uncollectible accounts)		(6,000)	(6,000)
Net accounts receivable	$ 881,339	$ 122,943	$ 1,004,282

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciable assets:				
Land	$ 160,099	$	$	$ 160,099
Depreciable assets:				
Buildings	818,919			818,919
Improvements	1,656,166	50,060		1,706,226
Machinery and equipment	2,187,972	190,886	(2,222)	2,376,636
Infrastructure	642,198	331,944		974,142
Construction in progress	14,961	127,215	(14,961)	127,215
Totals at historical cost	5,480,315	700,105	(17,183)	6,163,237
Less accumulated depreciation for:				
Buildings	96	1,148		1,244
Improvements	45,730	48,465		94,195
Machinery and equipment	249,410	63,585		312,995
Infrastructure	26,314	20,634		46,948
Total accumulated depreciation	321,550	133,832		455,382
Governmental activities capital assets, net	$ 5,158,765	$ 566,273	$ (17,183)	$ 5,707,855
Business-Type Activities:				
Non-depreciable assets:				
Land	$ 40,930	$	$	$ 40,930
Depreciable assets:				
Buildings	33,138			33,138
Water system	4,140,161	431,098		4,571,259
Sewer system	6,489,159	47,123		6,536,282
Machinery and equipment	625,734	27,791	(29,128)	624,397
Totals at historical cost	11,329,122	506,012	(29,128)	11,806,006
Less accumulated depreciation for:				
Buildings	33,138			33,138
Water system	2,194,366	78,187		2,272,553
Sewer system	2,469,511	136,166		2,605,677
Machinery and equipment	539,923	21,033	(29,128)	531,828
Total accumulated depreciation	5,236,938	235,386	(29,128)	5,443,196
Business-type activities capital assets, net	$ 6,092,184	$ 270,626	$ 0	$ 6,362,810

Depreciation expense was charged to governmental functions as follows:

General government	$ 22,327
Public safety – police	30,054
Public safety - fire	3,301
Streets and sanitation	51,955
Culture and recreation	26,195
Total depreciation expense	$ 133,832

NOTE 7: LONG-TERM DEBT

Date Issued	Definition and Purpose	Beginning Balance Oct. 1, 2010	Additions	Reductions	Ending Balance Sept. 30, 2011	Amounts Due within One Year
GOVERNMENTAL ACTVITIES:						
GENERAL OBLIGATION BONDS:						
5-1-98	$250,000 Equipment Bonds. Payable in annual installments of $15,000 to $25,000 on May 1. Final installment due May 1, 2013. Interest payable on May 1 and November 1 at 4.9%.	$ 65,000	$	$ 20,000	$ 45,000	$ 20,000
TAX INCREMENT FINANCING REVENUE BONDS:						
3-2-11	$355,000 T.I.F. bonds for infrastructure executed with Trustmark National Bank. Interest payable in semi-annual installments at 4.5% on November 1 and interest and principal installments on May 1 beginning with final installment 5-1-22.		355,000		355,000	25,000
NOTES PAYABLE:						
6-21-11	$76,867 Bank of Kilmichael note payable. Payable in monthly installments of $1,373.87 starting 7-11 at a rate of 2.80%		76,867	3,683	73,184	14,624
6-22-07	$34,608 Bank of Winona note payable. Payable in monthly installments of $638, starting 8-1-07 at a rate of 4.007%	14,104		7,839	6,265	6,265
1-30-08	$10,125 Regions Bank note payable. Payable of $3,000 principal due on 1-30-09, $3,563 principal due on 1-30-10, and final payment of principal and accrued interest due on 1-30-11 at a rate of 4.5%	3,562		3,562		
3-31-08	$9,516 Regions Bank note payable. Payable in 3 annual installments of $3,4667, starting 4-1-20 at a rate of 4.5%	3,304		3,304		
10-1-08	$221,000 Musco Finance note payable. Payable in annual installments of $28,739, starting 10-1-09 at a rate of 4.97%	204,194		18,958	185,236	19,533
	Total notes payable	225,164	76,867	37,346	264,685	40,422
OTHER LIABILITIES:						
	Compensated absences	77,823		19,931	57,892	
	Total Governmental Activities Long-term liabilities	$ 367,987	$ 431,867	$ 77,277	$ 722,577	$ 85,422

NOTE 7: LONG-TERM DEBT

Date Issued	Definition and Purpose	Beginning Balance Oct. 1, 2010	Additions	Reductions	Ending Balance Sept. 30, 2011	Amounts Due within One Year
BUSINESS-TYPE ACTVITIES:						
REVENUE BONDS:						
3-1-01	$3,925,000 Combined Water & Sewer System Revenue Refunding Bonds Series 2001. Payable in annual installments of varying amounts from $105,000 to $235,000 starting 6-1-02. Final payment 6-1-24. Interest payable on 6-1 and 12-1 at various rates from 3.50% to 4.75%.	$ 2,840,000	$	$ 2,840,000	$	$
	$2,815,000 Combined Water & Sewer System Revenue Refunding Bonds Series 2011. Payable in annual installments of varying amounts from $190,000 to $255,000 starting 12-1-11. Final payment 6-1-24. Interest payable on 6-1 and 12-1 at various rates from 2.00% to 3.625%.		2,815,000		2,815,000	210,000
	Total Revenue Bonds	2,840,000	2,815,000	2,840,000	2,815,000	210,000
OTHER NOTES PAYABLE:						
9-1-03	$184,260.35 State of Mississippi Capital Improvements Revolving Loan. Payable in 120 monthly installments of $1,695.47 including interest at 2.0%. First payment 11-1-2003. Final payment 9-2013. Proceeds used for sewer rehab work on South Applegate and Powell Streets.	60,220		19,293	40,927	19,707
9-10-10	$28,990 SRF-ARSR loan payable in 24 monthly installments of $1,231.20 including interest at 1.75%. First payment due 11-10. Proceeds used for water and sewer improvements.	28,990		14,382	14,608	14,608
5-19-11	Automated Meter Reading System with Regions Equipment Finance Corporation. Due in annual installments of $44,623.06 including principal and interest at the rate of 3.996%. Payments beginning 5-19-12 with final payment on 5-19-21.		362,005		362,005	30,157
9-9-11	Automated Meter Reading System with Regions Equipment Finance Corporation. Due in annual installments of $6,098.60 including principal and interest at the rate of 3.996%. Payments beginning 9-9-12 with final payment on 9-9-21.		49,475		49,475	4,122
7-25-11	S R F Loan #DWI-L490010-02-0. Maximum loan to be $291,750 at a rate of 1.95%. Payment to be determined after project is complete and depending on loaned amount.		10,975		10,975	
	Total other notes payable	89,210	422,455	33,675	477,990	68,594
	Compensated absences	12,064	4,204		16,268	
	Total Business-type activities long-term debt	$ 2,941,274	$ 3,241,659	$ 2,873,675	$ 3,309,258	$ 278,594

NOTE 7: LONG-TERM DEBT

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2011, are as follows:

	Governmental Activities		Business-type Activities		
Year Ended September 30,	Principal	Interest	Principal	Interest	Total
2012	$ 85,422	$ 31,982	$ 278,594	$ 70,305	$ 466,303
2013	85,542	25,758	256,728	87,864	455,892
2014	66,988	21,963	233,189	82,400	404,540
2015	68,496	19,104	233,555	77,017	398,172
2016	65,867	16,190	240,095	71,576	393,728
2017 – 2021	252,370	41,288	1,315,829	256,329	1,865,816
2022 – 2024	40,000	1,800	735,000	52,813	829,613
Total	$ 664,685	$ 158,085	$ 3,292,990	$ 698,304	$ 4,814,064

NOTE 8: PENSION PLAN

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

Funding Policy. PERS members are required to contribute 11.85 percent of their annual covered salary and the City of Winona, Mississippi, is required to contribute at an actuarially determined rate. The current rate is 10.75 percent of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Winona, Mississippi's contributions to PERS for the years ended September 30, 2011, 2010 and 2009 were $167,447, $160,656, and $159,261, respectively, equal to the required contributions for each year.

NOTE 9: BOND ISSUANCE COST AND BOND DISCOUNT

The City incurred costs in connection with the issuance of the 2001 Combined Water and Sewer System Revenue Refunding Bonds of $181,775. The City also incurred a discount in connection with the issuance of these same bonds of $102,450. These costs were being amortized over the life of the bonds using the interest method; however, the 2001 bonds were redeemed in this fiscal year and the remaining balances of bond issuance costs, $74,906, and bond discount, $42,680, were expensed.

In the fiscal year ending September 30, 2011, the City issued 2011 Combined Water and Sewer System Revenue Refunding Bonds in the amount of $2,815,000 at a premium of $12,949 and incurred issuance costs of $85,969. In accordance with GASB No. 63 and 65, the $12,949 premium is reflected as Deferred Inflows of Resources on the Statement of Net Position and will be amortized over the life of the bonds using the interest method, and the issuance costs were expensed.

NOTE 10: RISK MANAGEMENT

The City of Winona has entered into a joint and several relationships with other public entities in the Mississippi Municipal Worker's Compensation Group and the Mississippi Municipal Liability Group. Each member shares responsibility for premium contribution based on payroll and their own loss experiences as well as assessments needed for fund inadequacies. They also share the benefit of fund surplus in the form of dividends when applicable.

The City of Winona is a member of the Mississippi Municipal Association Unemployment Compensation Group Account with Unemployment Compensation Control Systems, Inc., of Mississippi as its agent.

NOTE 11: CONTINGENT LIABILITIES

The City participates in federally assisted grant programs, principal of which are Community Development Block Grants and HOME grants. These programs are subject to program compliance audits by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or applicable fund. The City expects amounts disallowed, if any, to be immaterial.

The City is occasionally involved in various other legal actions arising in the normal course of business. Any such cases would be turned over to the City's insurer's attorneys, who would handle the defense of these claims. In the opinion of management, there were currently no such matters outstanding that would have a material effect upon the financial position of the City.

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

The following schedule as of September 30, 2011, represents interfund receivables and payables:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
Due from proprietary funds	$ 92,620	$
Proprietary Funds:		
Due to governmental funds		92,620
Total	$ 92,620	$ 92,620

NOTE 13: FUND EQUITY

Fund Balance:	Amount
General Fund assigned for:	
Fire protection	$ 167,374
	$ 167,374

NOTE 14 - RESTRICTED ASSETS:

Certain cash and investments in the City can be restricted as to use by donors or bond ordinances. The Enterprise Fund 2011 Revenue Refunding Bond ordinance requires that the City provide and maintain a Bond Fund, Depreciation Fund and a Contingent Fund. The Bond Fund requires a Debt Service Account and a Debt Service Reserve Account. The Debt Service Account is established for the City to set aside on a monthly basis an amount which will provide a sum for the payment of the semi-annual interest and annual principal payments on the refunding bonds when they become due. The Debt Service Reserve Account was required by the 2011 Revenue Refunding Bond ordinance to be funded with a portion of the sale proceeds of the 2011 bonds. Moneys in the Debt Service Reserve Account can only be used for the purpose of paying maturing principal or interest on the Bonds when the moneys in the Debt Service Account are insufficient and for no other purpose. In the event that amounts credited to the Debt Service Reserve Account are used to pay maturing principal or interest on the Bonds when moneys on hand in the Debt Service Account are insufficient, the City shall restore the amounts credited to the Debt Service Reserve Account to the amount of the Reserve Account requirement. The Debt Service Reserve Account requirement is equal to the lesser of (1) 10% of the principal amount of all bonds, (2) the maximum annual debt service requirement on a bond year basis or (3) 125% of the average annual debt service on a bond year basis. The Depreciation Fund is to be maintained with a balance of $5,000 and shall be used for the purpose of paying the cost of repairing the system when needed. The Contingent Fund is to be maintained with a balance of $5,000 and shall be used for the purpose of paying the cost of unforeseen contingencies arising in the operation and maintenance of the system, including the construction of reasonable and proper improvements.

NOTE 14 - RESTRICTED ASSETS: (Continued)

	Cash	Investments	Total
Bond and Interest Fund:			
Debt Service	$ 5,936	$	$ 5,936
Enterprise Fund:			
Revenue Refunding Bond Reserves:			
Bond Fund:			
Debt Service Accounts		263,085	
Depreciation Fund		5,000	
Contingent Fund		5,000	
Customer deposits	135,132		
	135,132	273,085	408,217
Totals	$ 141,068	$ 273,085	$ 414,153

City of Winona
Budget Comparison Schedule
Cash Budgetary Basis
Year Ended September 30, 2011
Unaudited

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Positive(Negative)
General Fund:				
Resources (Inflows):				
Taxes:				
Property taxes	$ 745,055	$ 745,055	$ 733,930	$ -11,125
Penalties and interest	14,000	14,000	8,310	-5,690
Total taxes	759,055	759,055	742,240	-16,815
Licenses, permits and other:				
Licenses and permits	14,000	14,000	11,809	-2,191
Franchise taxes	165,000	165,000	140,963	-24,037
Fines and forfeits	100,300	100,360	104,187	3,827
Total licenses, permits and other	279,300	279,360	256,959	-22,401
Intergovernmental revenues:				
Federal grants:				
Home grant			8,500	8,500
T.I.F. bond expense			-	-
Jackson St. Ditch Project		21,938	21,938	-
ARRA-Overlay Project		328	328	-
S.T.P. grant	247,696	247,696	81,535	-166,161
Rural Development	2,500		-	-
Clock Project	5,000	5,000		-5,000
Justice Assistance grant	10,050	10,050	10,050	-
DUI Enforcement grant	40,000	40,000	39,205	-795
ARC Grant - Hwy 82/55	59,315	59,315	59,315	-
Underage Drinking Prevention Grant				-
State of Mississippi:				
General municipal aid	2,850	2,850	2,845	-5
Sales tax	1,000,000	1,000,000	1,006,923	6,923
Homestead exemption reimbursement	77,451	77,451	78,427	976
Gasoline tax	10,000	10,000	9,812	-188
Alcoholic beverage licenses	3,000	3,000	3,150	150
Fire insurance premium	29,000	29,000	25,873	-3,127
LEOTA grant	3,500	3,500	-	-3,500
Grand Gulf	33,000	32,490	32,490	-
Historical District Grant				-
Montgomery County:				
Road/Rail car tax	127,000	127,000	130,848	3,848
Fire protection	5,800	5,800	4,498	-1,302
Motor vehicle privilege tax	7,500	7,500	4,257	-3,243
Local grants/ donations			2,372	2,372
Total intergovernmental revenues	1,663,662	1,682,918	1,522,366	-160,552

City of Winona
Budget Comparison Schedule
Cash Budgetary Basis
Year Ended September 30, 2011
Unaudited

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Positive(Negative)
Charges for services:				
Garbage	$ 396,000	$ 396,000	$ 409,458	$ 13,458
Fees and rent - City facilities	22,600	22,600	20,550	-2,050
Cemetary perpetual upkeep	1,200	1,200	400	-800
Local fire runs	35,500	35,500	35,000	(500)
Animal control	600	600	713	113
Recreation fees	113,300	169,590	210,391	40,801
Total charges for services	569,200	625,490	676,512	51,022
Miscellaneous:				
Payments in lieu of taxes	2,600	2,600	6,112	3,512
Interest earnings	3,550	3,550	(1,872)	-5,422
Cemetary sale of lots	2,000	2,000	2,000	-
Public contributions			-	-
Sale of equipment			-	
Surplus Proceeds Bond		4,025	4,025	
Bond and loan proceeds		431,787	431,787	
Other revenue	6,300	6,300	15,300	9,000
Total miscellaneous	14,450	450,262	457,352	7,090
Amounts available for appropriation	$ 3,285,667	$ 3,797,085	$ 3,655,429	$ -141,656
Charges to appropriations (Outflows):				
General government:				
Personal services	$ 227,248	$ 233,309	$ 239,289	$ -5,980
Materials and supplies	11,650	14,550	11,213	3,337
Other services and charges	155,930	142,773	118,291	24,482
Capital outlay	86,815	433,265	380,937	52,328
Total general government	481,643	823,897	749,730	74,167
Police:				
Personal services	530,173	529,038	561,061	-32,023
Materials and supplies	69,300	104,040	97,963	6,077
Other services and charges	83,075	81,367	74,384	6,983
Capital outlay	37,800	32,908	28,265	4,643
Total police	720,348	747,353	761,673	-14,320
Fire:				
Personal services	360,079	359,071	392,046	-32,975
Materials and supplies	13,450	21,400	17,656	3,744
Other services and charges	39,300	28,654	32,072	-3,418
Capital outlay and debt service	2,000	1,885	13,259	-11,374
Total fire	414,829	411,010	455,033	-44,023

City of Winona
Budget Comparison Schedule
Cash Budgetary Basis
Year Ended September 30, 2011
Unaudited

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Positive(Negative)
Highways and Streets:				
Personal services	$ 369,145	$ 340,746	$ 308,636	$ 32,110
Materials and supplies	198,600	216,400	89,521	126,879
Other services and charges	39,500	37,574	45,269	-7,695
Capital outlay	345,696	449,949	382,861	67,088
Total highways and streets	952,941	1,044,669	826,287	218,382
Sanitation:				
Other services and charges	431,000	431,400	460,351	-28,951
Health and Welfare:				
Personal services	10,240	10,240	10,929	-689
Materials and supplies	8,200	8,200	5,001	3,199
Other services and charges	1,900	1,100	556	544
Capital outlay				-
Total health and welfare	20,340	19,540	16,486	3,054
Culture and Recreation:				
Personal services	77,911	77,911	87,545	-9,634
Materials and supplies	80,700	117,102	184,028	-66,926
Other services and charges	155,336	156,411	148,288	8,123
Capital outlay	42,000	35,000	31,945	3,055
Total culture and recreation	355,947	386,424	451,806	-65,382
Cemetary:				
Personal services	1,800	1,800		1,800
Materials and supplies	-		(500)	500
Other services and charges	1,300	1,800	-	1,800
Total cemetary	3,100	3,600	(500)	4,100
Airport:				
Materials and supplies	250	2,420	294	2,126
Other services and charges	8,525	10,975	9,949	1,026
Capital outlay	6,628	7,228	7,794	-566
Total airport	15,403	20,623	18,037	2,586
Charges to appropriations (Outflows):				
Debt Service payments on bonds and notes	43,406	48,661	48,526	135
Total charges to appropriations	$ 3,438,957	$ 3,937,177	$ 3,787,429	$ 149,748

City of Winona
Budget Comparison Schedule
Cash Budgetary Basis
Year Ended September 30, 2011
Unaudited

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Positive(Negative)
Excess of revenues and other financing sources over expenditures and other financing uses			$ -132,000	
Fund balance Oct. 1, 2010			703,801	
Fund balance Sept. 30, 2011			571,801	
Adjustment to GAAP basis:				
Add accrued revenues - end of year			286,428	
Less accrued revenues - beginning of year			-320,841	
Fund balance - GAAP Sept. 30, 2011			$ 537,388	
City Bond Fund:				
Resources (Inflow):				
Taxes:				
Property taxes	$ 20,000	$ 20,000	$ 21,853	$ 1,853
Intergovernmental revenues:				
State of Mississippi:				
Homestead exemption reimbursement	2,000	2,000	2,357	357
Miscellaneous:				
Interest earnings	40	40	26	-14
Amounts available for appropriation	$ 22,040	$ 22,040	$ 24,236	$ 2,196
Charges to appropriations (Outflows):				
Debt Service:				
Principal payments on bonds and notes	$ 20,000	$ 20,000	$ 20,000	$
Interest and fiscal charges	7,040	7,040	3,435	3,605
Total charges to appropriations	27,040	27,040	23,435	3,605
Excess of revenues and other financing sources over expenditures and other financing uses			$ 801	
Fund balance - Oct. 1, 2010			5,395	
Fund balance - Sept. 30, 2011			6,196	
Adjustment to GAAP basis:				
Add accrued revenues - end of year			352	
Less accrued revenues - beginning of year			-612	
Fund balance - GAAP Sept. 30, 2011			$ 5,936	

CITY OF WINONA, MISSISSIPPI
RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS TO FUND COLLECTIONS
YEAR ENDED SEPTEMBER 30, 2011

	Municipal	School	Tax
ASSESSED VALUATION AND MILLAGE:			
Realty	$ 15,077,888	$ 16,238,841	$ -
Personal - other than auto	2,277,749	2,536,446	
Public Utilities	1,514,292	2,085,297	
Personal - auto (remitted by county)	3,938,016	4,623,438	
Total municipal at 37.70 mills	$ 22,807,945		859,860
Total school at 52.40 mills		$ 25,484,022	1,335,363
COLLECTION ADJUSTMENTS:			
Add: Municipal homestead reimbursement		80,784	
School homestead reimbursement		63,970	
Prior year tax collections		-	
Penalties and interest on delinquent taxes		8,246	153,000
Less: Cost of collections		18,940	
School regular homestead credit		63,967	
Special homestead exemption allowed		258,374	(341,281)
Total to be accounted for			$ 2,006,942

	Taxes	Homestead	Total	
CREDITS:				
Collections allocated to:				
General Fund	$ 674,128	$ 71,998	$ 746,126	
City Bond Fund	21,593	2,357	23,950	
Library Fund	58,882	6,428	65,310	
SSD Maintenance	1,097,683	63,967	1,161,650	
Totals	$ 1,852,286	$ 144,750		$ 1,997,036
Balance represented by:				
Unpaid personal taxes			4,628	
Unaccounted for - (over) under			5,278	
Total accounted for				$ 2,006,942

CITY OF WINONA, MISSISSIPPI
SCHEDULE OF INVESTMENTS - ALL FUNDS
SEPTEMBER 30, 201

PROPRIETARY FUND TYPES:	Unrestricted	Restricted	Total
33,924 units Goldman Sachs Treasury Obligation Fund	$	$ 33,924	$ 33,924
250,000 units Federal Obligations - Federal National Mortgage Association	10,908	239,161	250,069
Total	$ 10,908	$ 273,085	$ 283,993

CITY OF WINONA, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2011

NAME	POSITION	COMPANY	BOND
Jerry Flowers	Mayor	Travelers Casualty & Surety Co.	$ 50,000
Charles Shelton	Alderman	Travelers Casualty & Surety Co.	90,000
Clifford Dance, Jr.	Alderman	Travelers Casualty & Surety Co. (Cancelled 6-10-11)	90,000
William Travis Johnson	Alderman	Travelers Casualty & Surety Co. (Added 5-6-11; replaces Alderman Dance)	90,000
Franklin Seals	Alderman	Travelers Casualty & Surety Co.	90,000
Michael Austin	Alderman	Travelers Casualty & Surety Co.	90,000
William Ware	Alderman	Travelers Casualty & Surety Co.	90,000
Dorothy Tillman	Deputy Clerk	State Auto Insurance Company	50,000
Johnny Hargrove	Chief of Police	Western Surety Company	50,000
Donnie Blaylock	Court Clerk	Western Surety Company	10,000
June Williams	City Clerk	Ohio Casualty Insurance Company	67,500
Tiffany Everett	Deputy Clerk	Travelers Casualty & Surety Co.	50,000
Jessie Pickens	Deputy Court Clerk	Travelers Casualty & Surety Co.	50,000
Nafisa Tharp	Water Clerk	Travelers Casualty & Surety Co.	50,000
Tommy Bibbs	Police Captain	Travelers Casualty & Surety Co.	50,000
Rachel Oswalt	Water Clerk	Travelers Casualty & Surety Co.	50,000
Michael Narmour	Recreation Director	Travelers Casualty & Surety Co.	50,000

CITY OF WINONA, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
SEPTEMBER 30, 2011

DATE OF ISSUE	GENERAL OBLIGATION	BALANCE OUTSTANDING 09/30/10	TRANSACTIONS DURING FISCAL YEAR ISSUED	REDEEMED	BALANCE OUTSTANDING 09/30/11
05/01/98	General Obligation Bonds, Series 1998	$ 65,000	$	$ 20,000	$ 45,000
03/02/11	T.I.F. Bonds		355,000		355,000
	OTHER LONG – TERM DEBT				
06/21/11	Bank of Kilmichael-John Deere Track hoe		76,867	3,683	73,184
06/22/07	Bank of Winona – City lighting improvements	14,104		7,839	6,265
01/30/08	Regions Bank- 2006 Ford F150	3,562		3,562	
03/31/08	Regions Bank-2008 Kubota tractor	3,304		3,304	
10/1/08	Musco Finance-Ballfield lighting	204,194		18,958	185,236
		225,164	76,867	37,346	264,685
	UTILITY REVENUE REFUNDING BONDS				
03/01/01	Combined Water and Sewer System Revenue Refunding Bond, Series 2001	2,840,000		2,840,000	
09/22/11	Combined Water and Sewer System Revenue Refunding Bond, Series 2011		2,815,000		2,815,000
		2,840,000	2,815,000	2,840,000	2,815,000
	OTHER LONG-TERM DEBT				
09/01/03	State of MS - CAP loan	60,220		19,293	40,927
09/10/10	SRF-ARSF Loan	28,990		14,382	14,608
05/19/11	Automated Meter Reading System-Regions Equipment Finance Corp.		362,005		362,005
09/09/11	Automated Meter Reading System-Regions Equipment Finance Corp.		49,475		49,475
07/25/11	SRF Loan		10,975		10,975
		89,210	422,455	33,675	477,990
	Total	$ 3,219,374	$ 3,669,322	$ 2,931,021	$ 3,957,67

CITY OF WINONA, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
SEPTEMBER 30, 2011

Maturities of Long-term debt are as follows:

$250,000 GENERAL OBLIGATION EQUIPMENT BONDS OF 05/01/98

NUMBERS	RATE	MATURITY	AMOUNT
206 - 225	4.9%	05/01/12	$ 20,000
226 - 250	4.9%	05/01/13	25,000
Total			$ 45,000

$355,000 TAX INCREMENT FINANCE REVENUE BONDS 03/02/11

Principal due FYE	- 09/30/12	$ 25,000	Interest rate 4.50%
	- 09/30/13	25,000	Interest rate 4.50%
	- 09/30/14	30,000	Interest rate 4.50%
	- 09/30/15	30,000	Interest rate 4.50%
	- 09/30/16	30,000	Interest rate 4.50%
	9/30/17- 09/30/21	175,000	Interest rate 4.50%
	- 09/30/22	40,000	Interest rate 4.50%
Total		$ 355,000	

GENERAL NOTES PAYABLE:

BANK OF KILMICHAEL LOAN OF 06/21/11

Principal due FYE	- 09/30/12	$ 14,624	Interest rate 2.80%
	- 09/30/13	15,039	Interest rate 2.80%
	- 09/30/14	15,465	Interest rate 2.80%
	- 09/30/15	15,904	Interest rate 2.80%
	- 09/30/16	12,152	Interest rate 2.80%
Total		$ 73,184	

BANK OF WINONA LOAN OF 06/22/07

Principal due FYE	- 09/30/12	$ 6,265	Interest rate 4.007%

MUSCO FINANCE LOAN OF 10/01/08

Principal due FYE	- 09/30/12	$ 19,533	Interest rate 4.97%
	- 09/30/13	20,504	Interest rate 4.97%
	- 09/30/14	21,523	Interest rate 4.97%
	- 09/30/15	22,592	Interest rate 4.97%
	- 09/30/16	23,715	Interest rate 4.97%
	09/30/17 - 09/30/21	77,369	Interest rate 4.97%
Total		$ 185,236	

CITY OF WINONA, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
SEPTEMBER 30, 2011

Maturities of Long-term debt: (Continued)

COMBINED WATER AND SEWER SYSTEM REVENUE REFUNDING BOND OF 09/22/11

Principal due FYE	- 09/30/12	$	210,000	Interest rate 2.00%
	- 09/30/13		190,000	Interest rate 2.00%
	- 09/30/14		195,000	Interest rate 2.00%
	- 09/30/15		195,000	Interest rate 2.00%
	- 09/30/16		200,000	Interest rate 2.00%
	09/30/17 - 09/30/21		1,090,000	Interest rate varies
	09/30/22 - 09/30/24		735,000	Interest rate varies
Total		$	2,815,000	

AUTOMATED METER READING SYSTEM - REGIONS EQUIPMENT FINANCE OF 05/19/11

Principal due FYE	- 09/30/12	$	30,157	Interest rate 3.996%
	- 09/30/13		31,362	Interest rate 3.996%
	- 09/30/14		62,616	Interest rate 3.996%
	- 09/30/15		33,919	Interest rate 3.996%
	- 09/30/16		35,274	Interest rate 3.996%
	09/30/17 - 09/30/21		198,677	Interest rate 3.996%
Total		$	362,005	

AUTOMATED METER READING SYSTEM - REGIONS EQUIPMENT FINANCE OF 09/09/11

Principal due FYE	- 09/30/12	$	4,122	Interest rate 3.996%
	- 09/30/13		4,286	Interest rate 3.996%
	- 09/30/14		4,458	Interest rate 3.996%
	- 09/30/15		4,636	Interest rate 3.996%
	- 09/30/16		4,821	Interest rate 3.996%
	09/30/17 - 09/30/21		27,152	Interest rate 3.996%
Total		$	49,475	

STATE OF MISSISSIPPI CAPITAL IMPROVEMENTS LOAN OF 09/01/03

Principal due FYE	- 09/30/12	$	19,707	Interest rate 2.00%
	- 09/30/13		20,105	Interest rate 2.00%
	- 09/30/14		1,115	Interest rate 2.00%
Total		$	40,927	

SRF-ARSR WATER AND SEWER IMPROVEMENTS LOAN OF 09/10/10

Principal due FYE	- 09/30/12	$	14,608	Interest rate 1.75%

SRF-LOAN #DWI-L490010-02-0

	Advance	$	10,975	Interest rate 1.95%

Repayment undetermined at 09/30/11

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

To the Honorable Mayor and
Board of Aldermen
City of Winona, Mississippi

We have audited the basic financial statements of the City of Winona, MS as of and for the year ended September 30, 2011 and have issued our report dated September 7, 2012. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards.*

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

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations. The prior findings have been corrected.

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

Taylor, Powell, Wilson + Hartford, P.A.

September 7, 2012

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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*

To the Honorable Mayor and
Board of Aldermen
City of Winona, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Winona, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise City of Winona, MS's basic financial statements and have issued our report thereon dated September 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of City of Winona, MS, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Winona, MS's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Winona, MS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Winona, MS's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2011-1).

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies (2011-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Winona, MS's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

City of Winona, MS's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Winona, MS's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Board of Alderman, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Taylor, Powell, Walton & Hartsfield, P.A.

September 7, 2012

Findings – Financial Statements Audit:

Material Weaknesses

2011-1. Inability of management to prepare the financial statements in accordance with generally accepted accounting principles.

Criteria: All Mississippi governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the City's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (Le., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (Le., external financial reporting).

Condition: As is the case with many smaller and medium-sized governmental unites, the City has historically relied on its independent external auditors to assist in the preparation of the government-wide and fund financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, primarily, on its reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls.

Effect: As a result of this condition, the City lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, primarily, on its external auditors for assistance with this task.

Recommendation: The accounting personnel should receive proper training in order to prepare the government-wide and fund financials in accordance with GAAP.

City's Response: It is more cost effective to outsource the preparation of the financial statements than to incur the time and expense of obtaining the necessary training and expertise required to draft the financial statements internally.

Significant Deficiencies

2011-2. A lack of segregation of duties.

Criteria: In several instances, a single employee performs various procedures in the accounting process which would normally be divided among other employees in an environment where there were more clerical and accounting employees.

Condition: The desired level of internal control obtained by adequate separation of duties in the accounting control categories cannot be achieved due to the small number of persons employed.

Effect: The City has certain inherent weaknesses in its internal control structure. As typical for a city this size, it is not economically feasible to employ additional persons solely for the purpose of achieving adequate internal controls.

Recommendation: The City should utilize other systems of checks and balances to minimize the inherent weaknesses in internal controls.

City's Response: It is not cost effective to employ additional staff necessary to provide for adequate separation of duties within the accounting function; however, the City believes that reasonable effort is being made to affect internal controls considering the limited staff.