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CITY OF WATER VALLEY
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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CITY OF WATER VALLEY

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RSW RONNIE S. WINDHAM, CPA, PLLC

P.O. BOX 159, OXFORD, MS 38655 (662) 281-1091 cell (662) 816-2562 fax (662) 269-4457

Member
American Institute of
Certified Public Accountants

Member
Mississippi State Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Water Valley, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Water Valley, Mississippi as of and for the year ended September 30, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Water Valley, Mississippi, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

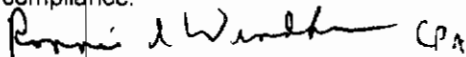
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Water Valley, Mississippi basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015, on our consideration of the City of Water Valley, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Water Valley, Mississippi's internal control over financial reporting and compliance.

 CPA

Ronnie S. Windham, CPA, PLLC
Oxford, Mississippi
January 14, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

**CITY OF WATER VALLEY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
UNAUDITED**

This Discussion and Analysis of The City of Water Valley, Mississippi's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2013. 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 2013 were as follows:

Total net assets increased \$143,449 from 2012.

Total assets of governmental activities increased \$41,378 from 2012.

Total liabilities decreased by \$9,440 from 2012.

In total, cash decreased \$251,195 from 2012.

Additions to capital assets increased \$1,428,865 from 2012.

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 Water Valley 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 Assets 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 Water Valley as a Whole

Statement of Net Assets 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 2013?" The Statement of Net Assets 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 accounts 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 assets and the changes in those assets. This change in assets 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 the City's capital assets will also need to be evaluated.

In the Statement of Net Assets 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, while Business-type Activities include the City Water and Sewer Department and Solid Waste Department.

**CITY OF WATER VALLEY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
UNAUDITED**

Reporting the City of Water Valley's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 5. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many 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 Water Valley, the City's major funds are the General, Industrial Special, Industrial Building, and Airport.

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 Assets 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 Water and Sewer Fund and Solid Waste Fund. The basis of accounting is the same as used in the Statement of Net Assets and the Statement of Activities, so no reconciliation of differences is necessary.

The City of Water Valley as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2013.

**CITY OF WATER VALLEY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
UNAUDITED**

The City of Water Valley as a Whole (Continued)

	Net Assets	
	Governmental Activities	Business-type Activities
Assets:		
Current and other assets	\$ 1,765,002	\$ 791,946
Capital Assets, Net	3,571,223	3,858,463
Total Assets	<u>\$ 5,336,225</u>	<u>\$ 4,650,409</u>
Liabilities:		
Current and other liabilities	805,844	263,859
Long-term liabilities:		
Due Within One Year	45,028	46,363
Due in more than one year	72,547	116,839
Total Liabilities	<u>\$ 923,419</u>	<u>\$ 427,061</u>
Net Assets:		
Invested in Capital Assets Net of Debt	3,453,649	3,704,638
Restricted:		
Capital Projects	609,262	229,567
Other Purposes	17,287	20,950
Debt	0	0
Unrestricted	332,608	268,193
Total Net Assets	<u>\$ 4,412,806</u>	<u>\$ 4,223,348</u>

Total assets for governmental activities increased \$41,378 from 2012. Total assets for business-type activities increased \$111,511 from 2012.

Net assets of the City's governmental activities increased by \$269,832 from 2012 and net assets for business-type activities decreased \$126,383 from 2012.

The table on the next page shows the Changes in Net Assets for the year ended September 30, 2013 as compared to Changes in Net Assets for the year ended September 30, 2012.

**CITY OF WATER VALLEY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
UNAUDITED**

	2013	2012
Governmental Activities:		
Revenues:		
Program Revenues:		
Charges for services	\$ 48,876	\$ 34,030
Operating grants and contributions	24,620	22,677
Capital Grant and contributions	510,827	20,438
Total Program Revenues	584,323	77,145
General Revenues:		
Property taxes	595,078	553,379
Other taxes and licenses	544,823	584,330
Fines and forfeitures	79,085	88,849
Grants and contributions not restricted to specific programs	\$ 973,325	657,674
Investment and other revenues	245,020	210,387
Total General Revenues	2,437,331	2,094,619
Total Revenues	\$ 3,021,654	\$ 2,171,764
Program Expenses:		
General government	539,114	463,703
Public Safety	722,876	762,703
Fire	435,638	341,926
Streets	817,668	837,546
Parks and Recreation	231,795	238,300
Interest	4,730	5,365
Total Program Expenses	2,751,821	2,649,543
Increase in Net Assets	\$ 269,833	\$ (477,779)
Business-Type Activities:		
Revenues:		
Program Revenues:		
Charges for services	1,193,941	1,192,141
Operating grants and contributions	361,223	154,056
Total Program Revenues	1,555,164	1,346,197
General Revenues:		
Investment and other revenues	3,336	4,025
Total Revenues	1,558,500	1,350,222
Program Expenses:		
Water and Sewer	1,311,624	1,410,376
Solid Waste	373,259	239,800
Total Program Expenses	1,684,883	1,650,176
Increase in Net Assets	\$ (126,383)	\$ (299,954)

**CITY OF WATER VALLEY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
UNAUDITED**

Governmental Activities

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City property tax accounted for \$558,532 or 18.48% of gross revenue; revenues from charges for services and grants and contributions accounted for \$98,112 or 3.25% of gross revenue; and state sales and gas taxes accounted for \$544,823 or 18.03% of gross revenue. The City property tax millage rate remained at 37.00 mills. The City's major expense activity is public safety which includes police and fire. These expenses totaled \$722,876 or 26.27% of total governmental activity expenses.

Business-type Activities

Charges for services fund our Business-type activities. Our proprietary funds include the Water and Sewer Fund and the Solid Waste Fund. Total charges for services revenues increased \$1,800 or .15% from 2012. Operating expenses increased \$24,100 or 1.61% from 2012.

The City's Funds

Information about the City's major governmental funds begins on page 10. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,021,656. This was an increase from the prior year mainly due to capital grants. The total revenues in the General Fund increased by \$286,615 or 13.72% from 2012. Total expenses for the General Fund increased \$6,606 or .26% from 2012. General government increased \$4,100 or 1.16%. Public safety decreased \$48,925 or 6.42% and Streets decreased \$21,402 or 2.55%. Total revenues exceeded total expenditures in the General Fund by 302,182 for 2013 as compared to expenditures exceeding total revenues by \$248,878 in 2012.

Information about the City's proprietary funds begins on page 14. These funds are accounted for using the accrual basis of accounting. The basis of accounting for these funds is the same as for the city as a whole and the results of operations are discussed above under "Business-type Activities."

**CITY OF WATER VALLEY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
UNAUDITED**

Capital Assets and Long-Term Obligations

Capital Assets

Capital Assets at September 30, 2013 as compared to 2012:

	2013	2012
Governmental Activities:		
Land	\$ -	\$ -
Buildings	1,058,514	565,511
Vehicles	271,244	248,387
Machinery and equipment	727,193	720,193
Infrastructure	7,792,314	7,459,864
Construction in progress	0	0
Total Governmental Activities	9,849,265	8,993,955
Business-type Activities:		
Land	0	0
Buildings	0	0
Water and Sewer system	9,453,188	9,282,256
Machinery and Equipment	1,279,940	1,020,882
Vehicles	116,401	95,794
Construction in progress	122,958	0
Total Business-type Activities	10,972,487	10,398,932
Total	<u>\$ 20,821,752</u>	<u>\$ 19,392,887</u>

Long-Term Obligations

At September 30, 2013, the City of Water Valley had \$299,884 in total outstanding long-term obligations of the City.

**CITY OF WATER VALLEY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
UNAUDITED**

Long-Term Obligations at Year End		
	2013	2012
Governmental Activities:		
General obligations bond	\$ -	\$ -
Leases Payable	117,575	135,760
Compensated absences	15,061	26,035
Total Governmental Activities	132,636	161,795
Business-type Activities:		
Revenue bonds	0	0
Leases Payable	163,202	55,663
Compensated absences	4,046	6,975
Total Business-type activities	167,248	62,638
Total Long-Term Obligations	\$ 299,884	\$ 224,433

Current Financial Related Activities

Property Tax Revenues

Property taxes levied by the City remained at 37.00 mills for the year.

New T Hanger at Airport

This was funded by a FAA grant

New Industrial Building

This building was funded by grants from Appalachian Regional Development and Mississippi Development Authority to bring jobs to Water Valley.

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 Vivian Snider, City Clerk at 662-473-2431.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) funds
 - Fiduciary funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF WATER VALLEY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND OTHER DEBITS			
Cash and cash equivalents	\$ 962,156	\$ 251,926	\$ 1,214,082
Receivables, net of allowance for uncollectibles	\$ 794,365	\$ 228,740	\$ 1,023,105
Due from other funds	\$ 8,481	\$ 56,656	\$ 65,137
Inventory, at cost	\$ -	\$ -	\$ -
Prepays	\$ -	\$ -	\$ -
Restricted Assets	\$ -	\$ -	\$ -
Cash Bond Reserves	\$ -	\$ 228,466	\$ 228,466
Customer deposits	\$ -	\$ 26,158	\$ 26,158
Capital assets, net	\$ 3,571,223	\$ 3,858,463	\$ 7,429,686
Total Assets	<u>\$ 5,336,225</u>	<u>\$ 4,650,409</u>	<u>\$ 9,986,634</u>
LIABILITIES AND OTHER CREDITS			
Accounts Payable	\$ 24,033	\$ 218,919	\$ 242,952
Other payables	\$ 68,161	\$ 19,940	\$ 88,101
Due to other Funds	\$ 62,278	\$ 3	\$ 62,281
Customer deposits	\$ -	\$ 20,950	\$ 20,950
Compensated absences	\$ 15,061	\$ 4,047	\$ 19,108
Deferred Revenue	\$ 636,311	\$ -	\$ 636,311
Noncurrent liabilities:			
Capital related debt due within one year	\$ 45,028	\$ 46,363	\$ 91,391
Capital related debt due in more than one year	\$ 72,547	\$ 116,839	\$ 189,386
Total Liabilities	<u>\$ 923,419</u>	<u>\$ 427,061</u>	<u>\$ 1,350,480</u>
NET POSITION			
Invested in capital assets, net of related debt	\$ 3,453,649	\$ 3,704,638	\$ 7,158,287
Restricted for:		\$ -	
Capital Projects	\$ 609,262	\$ 229,567	\$ 838,829
Other Purposes	\$ 17,287	\$ 20,950	\$ 38,237
Restricted for debt covenants	\$ -	\$ -	\$ -
Unrestricted	\$ 332,608	\$ 268,193	\$ 600,801
Total Net Position	<u>\$ 4,412,806</u>	<u>\$ 4,223,348</u>	<u>\$ 8,636,154</u>

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

**CITY OF WATER VALLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:					
General government	\$ 539,114	\$ (37,484)	\$ (33,817)	\$	\$ (33,817)
Public safety	\$ 722,876	\$ (4,980)	\$ 717,896	\$	\$ 717,896
Fire	\$ 435,638	\$ -	\$ 435,638	\$	\$ 435,638
Streets	\$ 817,668	\$ (2,290)	\$ 815,378	\$	\$ 815,378
Parks and recreation	\$ 231,795	\$ (4,118)	\$ 227,677	\$	\$ 227,677
Interest on long-term debt	\$ 4,730	\$ -	\$ 4,730	\$	\$ 4,730
Total governmental activities	\$ 2,751,821	\$ (24,620)	\$ 2,167,502	\$ -	\$ 2,167,502
Business-type activities:					
Water and Sewer	\$ 1,256,625	\$ (832,524)	\$	\$ 62,878	\$ 62,878
Sanitation	\$ 242,129	\$ (361,417)	\$	\$ (119,288)	\$ (119,288)
Total business-type activities	\$ 1,498,754	\$ (1,193,941)	\$	\$ (56,410)	\$ (56,410)
Total	\$ 4,250,575	\$ (24,620)	\$ 2,167,502	\$ (56,410)	\$ 2,111,092
General revenues:					
Taxes:					
Taxes levied for general purpose	\$ 595,078		\$ 595,078	\$	\$ 595,078
Sales taxes and gas taxes	\$ 482,111		\$ 482,111	\$	\$ 482,111
Franchise taxes and licenses	\$ 62,712		\$ 62,712	\$	\$ 62,712
Fines and Forfeitures	\$ 79,085		\$ 79,085	\$	\$ 79,085
Grants and contributions not restricted to specific programs					
Homestead Exemption Reimbursement	\$ 59,685		\$ 59,685	\$	\$ 59,685
Other Intergovernmental revenues and grants	\$ 913,640		\$ 913,640	\$	\$ 913,640
Investment Earnings	\$ 7,710		\$ 7,710	\$ 3,356	\$ 11,046
Miscellaneous	\$ 51,185		\$ 51,185	\$	\$ 51,185
Gain on sale of capital assets	\$ -		\$ -	\$	\$ -
Transfers	\$ 186,129		\$ (186,129)	\$	\$ -
Total general revenues and transfers	\$ 2,437,335		\$ (182,793)	\$	\$ 2,254,542
Change in net assets	\$ 269,833		\$ (126,383)	\$	\$ 143,450
Net assets- beginning	\$ 4,142,974		\$ 4,349,751	\$	\$ 8,492,705
Prior period adjustment	\$ -		\$ -	\$	\$ -
Net assets- ending	\$ 4,412,807		\$ 4,223,368	\$	\$ 8,636,155

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

FUND FINANCIAL STATEMENTS

CITY OF WATER VALLEY
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Industrial Special	Industrial Building	Airport	Other Governmental Funds	Total Governmental Funds
ASSETS AND OTHER DEBITS						
Cash and cash equivalents	\$ 330,001	\$ 550,903	8	\$ -	\$ 81,243	\$ 962,155
Taxes Receivable	\$ 593,218				\$ 43,113	\$ 636,331
Fines Receivable	\$ 208,698				\$ -	\$ 208,698
Allowance for uncollectibles	\$ (129,613)					\$ (129,613)
Due from other governments	\$ 78,949					\$ 78,949
Due from other funds					\$ 134,282	\$ 134,282
Prepays						\$ -
Total Assets	\$ 1,081,253	\$ 550,903	8	\$ -	\$ 258,638	\$ 1,890,802
LIABILITIES AND OTHER CREDITS						
Accounts Payable	\$ 13,704	\$ 758		\$ 2,571	\$ 7,000	\$ 24,033
Deferred Revenue	\$ 593,198				\$ 43,113	\$ 636,311
Other Payables	\$ 65,072				\$ 3,089	\$ 68,161
Due to Other Funds	\$ 187,647				\$ 432	\$ 188,079
Accrued Leave	\$ 14,825				\$ 236	\$ 15,061
Total Liabilities	\$ 874,446	\$ 758	-	\$ 2,571	\$ 53,870	\$ 931,645
FUND BALANCES						
Reserved						\$ -
Reserved for bond						\$ -
Reserved for prepaids						\$ -
Unreserved, undesignated reported in:						\$ -
General fund	\$ 206,807					\$ 206,807
Special revenue funds		\$ -			\$ 17,287	\$ 17,287
Capital projects funds		\$ 550,145	8	\$ (2,571)	\$ 187,481	\$ 735,063
Total fund balances	\$ 206,807	\$ 550,145	8	\$ (2,571)	\$ 204,768	\$ 959,157
Total liabilities and fund balances	\$ 1,081,253	\$ 550,903	8	\$ -	\$ 258,638	\$ 1,890,802

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

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET POSITION - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

Total Fund Balance- Governmental Funds	\$ 959,157
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the government funds	\$ 3,571,223
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Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	\$ (117,574)
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Total Net Position-Governmental Activities	<u>\$ 4,412,806</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF WATER VALLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Major Funds			Total Non-Major Funds	Total Governmental
	General Fund	Industrial	Industrial	Airport	
REVENUES:					
Property taxes	\$ 557,745			\$ 37,333	\$ 595,078
Unrestricted intergovernmental	\$ 1,382,208			\$ 9,035	\$ 1,391,243
Restricted intergovernmental	\$ 6,542		\$ 195,000	\$ 18,078	\$ 535,447
Permits and Fees	\$ 62,712				\$ 62,712
Miscellaneous	\$ 143,502	\$ 87,620	\$ 8	\$ 4,695	\$ 235,988
TOTAL REVENUE	\$ 2,152,709	\$ 87,620	\$ 195,008	\$ 69,141	\$ 2,820,468
EXPENDITURES					
General governmental	\$ 353,828			\$ 67,010	\$ 420,838
Public safety	\$ 681,260			\$ 13,091	\$ 694,351
Fire	\$ 343,853			\$ 110	\$ 343,963
Streets	\$ 453,759			\$ 1,789	\$ 453,759
Parks and recreation	\$ 194,619		\$ 493,003		\$ 196,408
Capital Outlay	\$ 22,857				\$ 848,310
Debt services					\$ -
Principal	\$ 41,042			\$ -	\$ 41,042
Interest	\$ 4,730				\$ 4,730
Other		\$ 8,376			\$ 9,829
TOTAL EXPENDITURES	\$ 2,095,948	\$ 8,376	\$ 493,003	\$ 82,000	\$ 3,013,230
Excess (deficiency) of revenues over expenditures	\$ 56,761	\$ 79,244	\$ (297,995)	\$ (17,913)	\$ (192,762)
Other financing sources (uses):					
Transfers in	\$ 181,129	\$ -	\$ -	\$ -	\$ 186,129
Transfers out	\$ -	\$ -			\$ -
Proceeds from debt	\$ 22,857				\$ 22,857
Sales of Capital Assets	\$ -				\$ -
Total other financing sources (uses):	\$ 203,986	\$ -	\$ -	\$ -	\$ 208,986
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 260,747	\$ 79,244	\$ (297,995)	\$ (17,913)	\$ 16,224
Fund Balances - Beginning	\$ 31,189	\$ 697,564	\$ -	\$ 1,553	\$ 942,933
Fund Balances - Ending	\$ 291,936	\$ 776,808	\$ (297,995)	\$ (16,360)	\$ 959,157

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

**CITY OF WATER VALLEY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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

Net change in fund balances- total government funds \$ 16,224

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reports as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. \$ 229,484

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas, in the governmental funds proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decreases financial resources. This is the amount by which the proceeds from the sale of assets exceeds the gain on the sale of net assets. \$ -

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount that debt proceeds exceeded debt payments in the current period. \$ (22,857)
proceeds of debt \$ 41,042
repayment of principal

Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required in the Statement of Activities using the full-accrual basis of accounting. \$ (5,032)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. \$ -

This is the amount of increase in compensated absences. \$ 10,974
This is the amount of increase in claims and judgments.

Change in Net Position of Governmental Activities \$ 269,835

CITY OF WATER VALLEY
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-type Activities- Enterprise funds		
	Water and Sewer Fund Current	Solid Waste Fund Current	Totals Current Year
ASSETS			
Cash and cash equivalents	\$ 175,421	\$ 76,505	\$ 251,926
Customer receivables, net of allowance	75,320	\$ 30,462	\$ 105,782
Unbilled Income			\$ -
Due from other funds	4,832	\$ 51,824	\$ 56,656
Other receivables	122,958		\$ 122,958
Inventory, at cost			\$ -
Prepays			\$ -
Restricted Assets			\$ -
Cash Bond Reserves	228,466		\$ 228,466
Customer deposits	26,158		\$ 26,158
Capital assets, net	3,749,002	\$ 109,461	\$ 3,858,463
Capitalized interest and bond costs (net)			
Total Assets	<u>\$ 4,382,157</u>	<u>\$ 268,252</u>	<u>\$ 4,650,409</u>
LIABILITIES			
Accounts Payable	\$ 213,308	\$ 5,611	\$ 218,919
Due to other funds	3		\$ 3
Other payable	11,831	\$ 8,109	\$ 19,940
Customer deposits	20,950		\$ 20,950
Compensated absences	3,327	\$ 720	\$ 4,047
Noncurrent liabilities:			\$ -
Capital related debt due within one year	17,542	\$ 28,821	\$ 46,363
Capital related debt due in more than one year	26,822	\$ 90,017	\$ 116,839
Total Liabilities	<u>293,783</u>	<u>\$ 133,278</u>	<u>\$ 427,061</u>
NET POSITION			
Invested in capital assets, net of related debt	3,704,638		\$ 3,704,638
Restricted for debt covenants	0		
Unrestricted	383,736	\$ 134,974	\$ 518,710
Total Net Position	<u>\$ 4,088,374</u>	<u>\$ 134,974</u>	<u>\$ 4,223,348</u>
Total Liabilities and Net Position	<u>4,382,157</u>	<u>\$ 268,252</u>	<u>\$ 4,650,409</u>

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

**CITY OF WATER VALLEY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Business-type Activities- Enterprise</u>		
	<u>Water and Sewer Fund Current</u>	<u>Solid Waste Fund Current Year</u>	<u>Totals Current Year</u>
Operating revenues:			
Charges for services	500,248	\$ 361,417	861,665
Tap fees	4,424		4,424
Other Operating Revenues	7,082		7,082
Sewer treatment charges	320,770		320,770
	<u>832,524</u>	<u>\$ 361,417</u>	<u>1,193,941</u>
Operating expenses:			
Personnel services	246,878	\$ 82,285	329,163
Supplies and material	202,513	\$ 121,929	324,442
Other services and charges	198,147	\$ 26,129	224,276
Capital repairs	91,951	\$ -	91,951
Depreciation	514,067	\$ 9,377	523,444
Total operating expenses	<u>1,253,556</u>	<u>\$ 239,720</u>	<u>1,493,276</u>
Operating income (loss)	<u>(421,032)</u>	<u>\$ 121,697</u>	<u>(299,335)</u>
Other sources (uses)			
Intergovernmental	(361,223)		(361,223)
Investment earnings	(3,336)	\$ -	(3,336)
Interest expense	3,069	\$ 2,410	5,479
Operating transfers in	-	\$ (1,461)	(1,461)
Operating transfers out	55,000	\$ 132,590	187,590
	<u>(306,490)</u>	<u>\$ 133,539</u>	<u>(172,951)</u>
Change in net position	(114,542)	\$ (11,842)	(126,384)
Total net position - beginning	<u>4,202,915</u>	<u>\$ 146,816</u>	<u>4,349,731</u>
Total net position - ending	<u>4,088,373</u>	<u>\$ 134,974</u>	<u>4,223,347</u>

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

**CITY OF WATER VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED SEPTEMBER 30, 2013**

	Water and Sewer Fund	Solid Waste Fund	Totals
Cash Flow from operating Activities:			
Cash received from customers (excluding deposit)	\$ 823,448	\$ 360,287	\$ 1,183,735
Cash Paid to suppliers	(562,518)	(150,468)	\$ (712,986)
Cash paid to employees	(248,832)	(78,689)	\$ (327,521)
Net cash provided (used) by operating activities:	<u>\$ 12,098</u>	<u>\$ 131,130</u>	<u>\$ 143,228</u>
Cash flow from non-capital financing activities:			
Operating transfers out	\$ (55,000)	\$ (132,590)	\$ (187,590)
Operating transfers in	-	1,461	\$ 1,461
Net cash provided by non-capital and related financing activities	<u>\$ (55,000)</u>	<u>\$ (131,129)</u>	<u>\$ (186,129)</u>
Cash flow from capital and related financing activities:			
Grants Received	361,223		361,223
Loans made	139,445	118,838	258,283
Principal paid on notes	(31,906)	-	(31,906)
Interest paid	(3,069)	-	(3,069)
Net cash provided (used) by capital and related financing activities	<u>\$ 465,693</u>	<u>\$ 118,838</u>	<u>584,531</u>
Cash flow from investing activities:			
Purchase of fixed assets	\$ (454,717)	\$ (118,838)	(573,555)
Interest received	3,336	-	3,336
Net cash provided (used) by investing activities	<u>\$ (451,381)</u>	<u>\$ (118,838)</u>	<u>\$ (570,219)</u>
Net change in cash	\$ (28,590)	\$ 1	\$ (28,589)
Cash and restricted cash-October 1, 2012	<u>\$ 458,635</u>	<u>\$ 76,506</u>	<u>\$ 535,141</u>
Cash and restricted cash-September 30, 2013	<u>\$ 430,045</u>	<u>\$ 76,507</u>	<u>\$ 506,552</u>

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

10/10/2013

**CITY OF WATER VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - continued
FOR YEAR ENDED SEPTEMBER 30, 2013**

Reconciliation of Operating Income to Net
Cash Provided by Operating Activities

	Water and Sewer	Solid Waste	Totals
Income (loss) from operations	\$ (448,482)	\$ 131,130	\$ (317,352)
Adjustment to reconcile operating income to net cash provided by operating income activities:			
Depreciation	\$ 514,067	\$ 9,377	\$ 523,444
Other nonoperating revenue			
(Increase) decrease in accounts receivable	\$ (1,131)	\$ (1,131)	\$ (2,262)
(Increase) decrease in prepaid assets	\$ -	\$ -	\$ -
Increase (decrease) in other liabilities	\$ 10,549	\$ (4,651)	\$ 5,898
Increase (decrease) in accounts payable	\$ 3,595	\$ (3,595)	\$ -
Net Cash provided by operating activities	<u>\$ 78,598</u>	<u>\$ 131,130</u>	<u>\$ 209,728</u>
Other Required Disclosures:			
Interest expense	<u>\$ 1,832</u>	<u>\$ -</u>	<u>\$ 1,832</u>

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

CITY OF WATER VALLEY
STATEMENT OF FIDUCIARY NET POSITION-FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	Payroll Clearing	Accounts Payable Clearing	Land Redemption	Unemployment Tax Clearing	Court Assessment Clearing	Total Agency Funds
ASSETS						
Cash	\$ 10,512	\$ 242	\$ 1,973	\$ 3	\$ 21,654	\$ 34,384
Interfund Receivables	21,906	-	13,102	-	-	35,008
Total Assets	<u>\$ 32,418</u>	<u>\$ 242</u>	<u>\$ 15,075</u>	<u>\$ 3</u>	<u>\$ 21,654</u>	<u>\$ 69,392</u>
LIABILITIES and NET ASSETS						
Interfund Payables	\$ 2,853	\$ -	\$ -	\$ 3	\$ -	\$ 2,856
Payable to others	\$ 7,659	\$ 242	833	-	\$ 21,654	30,388
Total Liabilities	<u>\$ 10,512</u>	<u>\$ 242</u>	<u>\$ 833</u>	<u>\$ 3</u>	<u>\$ 21,654</u>	<u>\$ 33,244</u>
NET POSITION						
Fund Balance -						
Unrestricted			\$ 1,140	\$ -	\$ -	\$ -
Total Fund Equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CITY OF WATER VALLEY
STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION - FIDUCIARY FUNDS
SEPTEMBER 30, 2013**

Total Agency Funds

Additions	\$ 0
Interest	630
Transfers In	<u>0</u>
Total Additions	\$ 630
Deductions	0
Transfers Out	<u>0</u>
Change In Net Position	<u>\$ 630</u>
Net Position: Beginning	\$ 510
Net Position: Closing	<u><u>\$ 1,140</u></u>

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

**CITY OF WATER VALLEY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Water Valley, Mississippi's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

The citizens of Water Valley, Mississippi, have elected to operate under a Code Charter as permitted by Mississippi Statutes 21-3-3, which prescribes a Mayor and Board of Aldermen form of government.

These financial statements present all the accounts of the City. There are no component units as defined by GASB Statement 14, *The Financial Reporting Entity*.

B. Basic Financial Statements - Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's water and sewer, and sanitation services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statements of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues,

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating revenues include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.
- c. **Debt Service Funds** are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs. The City has no bonded indebtedness.
- d. **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Enterprise Funds are the Water and Sewer Department Fund, and the Sanitation Fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support city programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The City's fiduciary funds are presented in the fiduciary fund financial statement by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

1. Cash and Cash Equivalents

For purposes of the statement of cash flows for the proprietary funds, the City defines cash equivalents as short-term, highly liquid investments with original maturity dates of three months or less.

2. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market.

3. Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings	20 – 50 years
Water and sewer system	30 – 50 years
Machinery and equipment	5 – 10 years
Improvements	10 – 20 years
Other infrastructure	10 – 50 years

4. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

5. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

6. Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

7. Inter-fund Activity

Inter-fund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

8. Basis of Budgeting

The city prepares its governmental fund type budgets in accordance with state statutes, which require the cash basis of accounting for revenues. Expenditures are budgeted and reported on the modified accrual basis of accounting. For purposes of budgetary comparisons in the financial statements, the City has elected to compare GAAP basis revenue to budget. This presentation provides a reasonable basis of comparison because the difference in beginning and ending receivables is immaterial.

9. Net Position

GASB 63 requires the classification of net position into three components – invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- a. Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

- b. **Restricted** – this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- c. **Unrestricted** – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

10. Fund Balance

GASB 54 requires the classification of fund balance into five components – non-spendable, restricted, committed, assigned and unassigned. These classifications are defined as follows:

- a. **Non-spendable fund balance** – amounts that cannot be spent due to form such as inventories, prepaid amounts, etc...

The City has the following non-spendable assets: capital assets, net of related debt, inventory and prepaid expenses.

- b. **Restricted fund balance** – amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

The City has the following restricted assets: restricted for fire protection, restricted for police protection, restricted for airport activities, restricted for parks and recreation, restricted for debt service and restricted for capital projects.

- c. **Committed fund balance** – amounts constrained for a specific purpose by an entity using its highest level of decision-making authority. It would require the same group to remove or change the constraints placed on the resources.

The City's committed asset is the cash balance in a private donation account that is to be used at the discretion of the Water Valley Park Commission.

- d. **Assigned fund balance** – for all funds other than the general fund, any remaining positive amounts not classified as non-spendable, restricted or committed.

The City does not have any assigned assets.

- e. **Unassigned fund balance** – for the general fund, any remaining amounts not classified as non-spendable, restricted or committed.

The City has the following unassigned assets: cash and cash equivalents, accounts receivable, other receivables, notes receivable and other assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**11. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS

The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by the institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation ("FDIC").

Custodial credit risk is the risk that, in the event of a financial institution's failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. As of September 30, 2013, the City's bank balance was not exposed to custodial credit risk.

As of September 30, 2013, the carrying amount of the City's deposits was \$1,500,375 and the bank balances totaled \$1,687,286. Of the bank balances, \$250,000 was insured by the FDIC and \$1,437,286 was covered by pooled and/or pledged collateral.

NOTE 3: ACCOUNTS RECEIVABLE, NET OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

At September 30, 2013, accounts receivable were as follows:

	Governmental Activities	Business-type Activities	Total
Taxes receivable	\$ 636,331	\$	\$ 636,331
Fine forfeits	79,085		79,085
Due from other governments	78,949	122,958	201,907
Water, sewer, garbage, electric	0	105,783	105,783
Net accounts receivable	<u>\$ 794,365</u>	<u>\$ 228,741</u>	<u>\$ 1,023,106</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciable assets:				
Land	\$	\$	\$	\$
Depreciable assets:				
Buildings	565,511	493,003	0	1,058,514
Vehicles	248,387	22,857	0	271,244
Machinery and equipment	720,193	7,000	0	727,193
Infrastructure	<u>7,459,864</u>	<u>332,450</u>	<u>0</u>	<u>7,792,314</u>
Totals at historical cost	8,993,955	855,310	0	9,849,265
Less accumulated depreciation for:				
Buildings	295,093	4,193	0	299,286
Vehicles	396,613	14,417	0	411,030
Machinery and equipment	436,116	182,723	0	618,839
Infrastructure	<u>4,524,392</u>	<u>424,493</u>	<u>0</u>	<u>4,948,885</u>
Total accumulated depreciation	5,652,214	625,826	0	6,278,040
Governmental activities capital assets, net	<u>\$ 3,341,741</u>	<u>\$ 229,484</u>	<u>\$ 0</u>	<u>\$ 3,571,225</u>

The City adopted a capitalization threshold of \$5,000 for general fixed assets and a threshold of \$25,000 for infrastructure assets effective for the current fiscal year.

	Beginning Balance 10/1/2012	Additions	Retirements	Ending Balance 9/30/2013
Business-type Activities:				
Non-depreciable assets:				
Land	\$ 0	\$ 0	\$ 0	\$ 0
Depreciable assets:				
Water and Sewer system	9,282,256	170,932	0	9,453,188
Machinery and equipment	1,020,882	259,058	0	1,279,940
Vehicles	95,794	20,607	0	116,401
Construction in Progress	0	122,958	0	122,958
Totals at historical cost	10,398,932	573,555	0	10,972,487
Less accumulated depreciation for:				
Water and sewer system	6,209,161	359,804	0	6,568,965
Machinery and equipment	269,777	161,133	0	430,910
Vehicles	111,642	2,507	0	114,149
Total accumulated depreciation	6,590,580	523,444	0	7,114,024
Business-type activities capital assets, net	<u>\$ 3,808,352</u>	<u>\$ 50,111</u>	<u>\$ 0</u>	<u>\$ 3,858,463</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the

NOTE 4: CAPITAL ASSETS (Continued)

estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

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

Depreciation expenses were charged to governmental functions as follows:

	GOVERNMENTAL		PROPRIETARY
General government	\$ 5,145	Water & Sewer system	359,804
Public property	136,571	Equipment	161,133
Public safety	120,213	Vehicles	2,507
Streets	<u>363,897</u>		
Total depreciation expense	<u>\$ 625,826</u>	Total Depreciation expense	<u>\$ 523,444</u>

NOTE 5: LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES:

Date Issued	Definition and Purpose	Beginning Balance Oct. 1, 2012	Additions	Reductions	Ending Balance Sept. 30, 2013	Amounts Due Within One Year
	GO BONDS					
	CAPITAL LEASES:					
12/23/2008	2009 Ford F350, 5.15%, 4 yrs	1,189	501		1,690	1,690
12/23/2008	Excavator, 4.60%, 4 years	1,951	0	1,951	0	0
4/23/2009	Police Car, 4.60%, 4 years	2,119	0	2,119	0	0
10/7/2009	Police Car, 5.19%, 4 years	14,512	0	7,536	6,976	6,976
3/1/2011	Knuckleboom, 3.00%, 5 years	77,329	0	19,989	57,340	22,412
7/13/2011	Police Car, 2.76%, 5 years	17,124	0	4,043	13,081	4,505
3/14/2013	Police Car, 3.75%, 4 years		22,857	1,729	21,128	4,241
4/5/2012	Police Car, 2.63%, 5 years	21,536	0	4,176	17,360	4,688
	Total	135,760	23,358	41,543	117,575	44,512
	Compensated Absences	26,035	0	10,974	15,061	0
	Total Governmental Activities					
	Long-Term Debt	\$ 161,795	\$ 23,358	\$ 52,517	\$ 132,636	\$ 44,512

BUSINESS-TYPE ACTIVITIES:

Date Issued	Definition and Purpose	Beginning Balance Oct. 1, 2012	Additions	Reductions	Ending Balance Sept. 30, 2013	Amounts Due Within One Year
	CAPITAL LEASES:					
12/16/2005	2012 Waater Trailer	37,500	0	11,268	26,232	12,484
5/5/2008	Case 125 Tractor, 4.8%, 5 yrs	10,243	0	10,243	0	0
5/11/2010	Aerator, 5.75%, 3 years	7,920	0	7,920	0	0
3/1/2013	2013 Chev Truck, 1.95%, 4 yrs		20,607	2,475	18,132	5,058
5/11/2013	Garbage Truck, 2.28%, 4 yrs	0	118,838	0	118,838	28,821
	TOTAL	55,663	139,445	31,906	163,202	46,363
	Compensated Absences	6,975	0	2,929	4,046	0
	Total Business-Type Activities					
	Long-Term Debt	\$ 62,638	\$ 139,445	\$ 34,835	\$ 167,248	\$ 46,363

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

NOTE 5: LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2013, are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	42,822	3,357	48,053	3,006	97,238
2015	36,979	1,865	48,311	2,137	89,292
2016	23,611	772	35,261	1,336	60,980
2017	9,543	271	33,268	636	43,718
2018	2,931	45	0	0	2,976
Total	\$115,886	\$6,310	\$164,893	\$7,115	\$294,204

NOTE 6: DEFINED BENEFIT PENSION PLAN

Plan Description: The City 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201 or by calling (601)359-3589 or 1-800-444-PERS.

Funding Policy: PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2013, 2012, and 2011 were 178,754, 158,081, and 147,569, respectively, which equaled the required contributions for each year.

NOTE 7: INTERFUND RECEIVABLES AND PAYABLES

The following schedule as of September 30, 2013, represents interfund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
Government Funds	\$ -	\$ 53,797
Proprietary Funds	56,653	-
Agency Funds	-	2,856
Total	<u>\$ 56,653</u>	<u>\$ 56,653</u>

NOTE 8: INTRAFUND TRANSFERS

Transfers for the year ended September 30, 2013, consisted of the following:

From	To	
Sanitation	General	\$ 131,129
Water & Sewer	General	\$ 50,000
Water & Sewer	Sports	\$ 5,000
	TOTAL	<u>\$ 186,129</u>

NOTE 9: RISK MANAGEMENT

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

NOTE 10: PROPERTY TAX

Numerous statutes exist under which the Mayor and Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Mayor and Board of Aldermen, each year at a meeting in September, levy property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year.

Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. The City taxes are collected and remitted to the City by the Yalobusha Tax Collector.

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

The distribution of taxes to funds was made in accordance with prescribed tax levies, and uncollected taxes were properly handled.

Delinquent taxes are not recorded as assets.

NOTE 11: COMMITMENTS AND CONTINGENCIES

The City of Water Valley 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.

In the normal course of business, the City is occasionally a defendant in various lawsuits filed against it. These cases are turned over to the City's insurer's attorneys, who handle the defense of these suits. At present, it is impossible to predict if any loss may be incurred from these suits. The City believes that these suits will be successfully defended.

The city participated in a number of Federal, State and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the city may be required to reimburse the grantor government. The city believes that disallowed expenditures, if any, found in subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 14, 2015, which is the date the financial statements were issued.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WATER VALLEY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS:				
Ad Valorem Taxes:				
Real & Personal	\$ 636,311	\$ 605,887	\$ 576,855	\$ (29,032)
Licenses & Permits	\$ 12,000	\$ 12,000	\$ 12,529	\$ 529
Franchise Tax	\$ 79,000	\$ 79,000	\$ 50,183	\$ (28,817)
State of Mississippi:				\$ -
Sales Tax				\$ -
State Shared Revenue	\$ 480,000	\$ 470,000	\$ 486,147	\$ 16,147
Homeland Security				\$ -
In Lieu - TVA	\$ 25,000	\$ 23,000	\$ 25,168	\$ 2,168
Yalobusha County:				\$ -
Grants From Local Units	\$ 40,000	\$ 35,000	\$ 39,854	\$ 4,854
Pro Rate Tax				\$ -
In Lieu - Other:				\$ -
Federal Payments in lieu of Tax				\$ -
Fine & Forfeitures	\$ 95,000	\$ 95,000	\$ 82,429	\$ (12,571)
Charge for Services				
General Government	\$ 1,700	\$ 1,700	\$ 2,373	\$ 673
Public Safety	\$ 600	\$ 500	\$ 830	\$ 330
Highways and Streets	\$ 3,000	\$ -	\$ 3,757	\$ 3,757
Sanitation	\$ 360,000	\$ 350,000	\$ 360,287	\$ 10,287
Culture and Recreation	\$ 2,500	\$ 2,500	\$ 3,200	\$ 700
Other (Cemetery)	\$ 5,000	\$ 5,000	\$ 1,825	\$ (3,175)
Other Revenue	\$ 966,000	\$ 905,815	\$ 690,179	\$ (215,636)
Total Receipts	\$ 2,706,111	\$ 2,585,402	\$ 2,335,616	\$ (249,786)
EXPENDITURES:				
General Government:				
Personnel Services	\$ 215,000	\$ 215,000	\$ 185,234	\$ 29,766
Supplies	\$ 14,400	\$ 9,700	\$ 8,259	\$ 1,441
Other Services & Charges	\$ 154,300	\$ 155,300	\$ 134,871	\$ 20,429
Transfers	\$ 25,000	\$ 18,000	\$ 28,820	\$ (10,820)
Capital Outlay	\$ 6,300	\$ 5,000	\$ -	\$ 5,000
Total	\$ 415,000	\$ 403,000	\$ 357,184	\$ 45,816
Public Safety:				
Police Department				
Personnel Services	\$ 556,900	\$ 556,900	\$ 473,165	\$ 83,735
Supplies	\$ 43,800	\$ 43,800	\$ 38,930	\$ 4,870

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Other Services & Charges	\$ 186,300	\$ 182,900	\$ 166,165	\$ 16,735
Transfers	\$ -	\$ -	\$ -	\$ -
Capital Outlay	\$ 28,000	\$ 28,000	\$ 24,720	\$ 3,280
Total	<u>\$ 815,000</u>	<u>\$ 811,600</u>	<u>\$ 702,980</u>	<u>\$ 108,620</u>
Fire Department				
Personnel Services	\$ 336,500	\$ 336,500	\$ 247,785	\$ 88,715
Supplies	\$ 3,500	\$ 3,500	\$ 2,334	\$ 1,166
Other Services & Charges	\$ 35,400	\$ 35,400	\$ 23,770	\$ 11,630
Transfers	\$ -	\$ -	\$ -	\$ -
Capital Outlay	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Total	<u>\$ 395,400</u>	<u>\$ 395,400</u>	<u>\$ 293,889</u>	<u>\$ 101,511</u>
Street				
Personnel Services	\$ 291,000	\$ 291,000	\$ 289,489	\$ 1,511
Supplies	\$ 73,100	\$ 73,100	\$ 72,588	\$ 512
Other Services & Charges	\$ 251,400	\$ 251,400	\$ 84,392	\$ 167,008
Transfers	\$ -	\$ -	\$ -	\$ -
Capital Outlay	\$ 42,000	\$ 42,000	\$ 28,571	\$ 13,429
Total	<u>\$ 657,500</u>	<u>\$ 657,500</u>	<u>\$ 475,040</u>	<u>\$ 182,460</u>
Cemetery				
Personnel Services	\$ 110,000	\$ 110,000	\$ 135,451	\$ (25,451)
Supplies	\$ 12,200	\$ 12,200	\$ 12,257	\$ (57)
Other Services & Charges	\$ 47,000	\$ 47,000	\$ 48,714	\$ (1,714)
Transfers	\$ -	\$ -	\$ -	\$ -
Capital Outlay	\$ 16,000	\$ 16,000	\$ 3,128	\$ 12,872
Total	<u>\$ 185,200</u>	<u>\$ 185,200</u>	<u>\$ 199,550</u>	<u>\$ (14,350)</u>
Total Expenditures:	<u>\$ 2,744,300</u>	<u>\$ 2,744,300</u>	<u>\$ 2,265,511</u>	<u>\$ 478,789</u>
Total General Fund Balance	<u>\$ 155,898</u>	<u>\$ 155,898</u>	<u>\$ 68,636</u>	<u>\$ 224,534</u>

The accompanying notes are an integral part of the financial statements

CITY OF WATER VALLEY, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013

A. BUDGETARY INFORMATION

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

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are not encumbrances to budget because state statutes do not require that funds be available when goods or services are ordered, only when payment is made.

B. BASIS OF PRESENTATION

The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund.

For the year ended September 30, 2009 the City implemented GASB Statement No. 41 – *Budgetary Comparison Schedules – Perspective Differences*, which amends Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The statement clarifies the budgetary presentation requirements. The Budgetary Comparison Schedule–Budget to Actual (Non-GAAP) is part of the required supplemental information.

C. BUDGET/GAAP RECONCILIATION

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Budget (Cash Basis)	General Fund \$ 68,636
Increase (Decrease)	
Net Adjustments for Revenue Accruals	39,657
Net Adjustments for Expenditure Accruals	<u>(256,444)</u>
GAAP Basis	<u>\$ (148,151)</u>

OTHER SUPPLEMENTAL INFORMATION

**CITY OF WATER VALLEY
BALANCE SHEET - NON MAJOR FUNDS
SEPTEMBER 30, 2013**

	Volunteer Fire	Police Seized	Library	Sports	Municipal Fire	Police Equipment	Total Governmental Funds
ASSETS AND OTHER DEBITS							
Cash and cash equivalents	\$ 6,021	\$ 13,623	\$ 1,399	\$ 32,693	\$ 19,196	\$ 8,311	\$ 81,243
Taxes Receivable	\$ -	\$ -	\$ 43,113	\$ -	\$ -	\$ -	\$ 43,113
Fines Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
allowance for uncollectibles	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Assets	\$ 6,021	\$ 13,623	\$ 44,512	\$ 32,693	\$ 19,196	\$ 8,311	\$ 134,282
LIABILITIES AND OTHER CREDITS							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 7,000	\$ -	\$ 7,000
Deferred Revenue	\$ -	\$ -	\$ 43,113	\$ -	\$ -	\$ -	\$ 43,113
Other Payables	\$ -	\$ -	\$ 3,089	\$ -	\$ -	\$ -	\$ 3,089
Due to Other Funds	\$ -	\$ -	\$ 432	\$ -	\$ -	\$ -	\$ 432
Accrued Leave	\$ -	\$ -	\$ 236	\$ -	\$ -	\$ -	\$ 236
Total Liabilities	\$ -	\$ -	\$ 46,870	\$ -	\$ 7,000	\$ -	\$ 53,870
FUND BALANCES							
Reserved							
Reserved for bond							\$ -
Reserved for prepaids							\$ -
Unreserved, undesignated reported in:							\$ -
General fund							\$ -
Special revenue funds	\$ 6,021	\$ 13,623	\$ (2,358)	\$ -	\$ 140,602	\$ 46,791	\$ 50,454
Capital projects funds	\$ -	\$ -	\$ -	\$ 38,569	\$ -	\$ (38,480)	\$ 154,314
Total fund balances	\$ 6,021	\$ 13,623	\$ (2,358)	\$ 38,569	\$ 140,602	\$ 8,311	\$ 204,768
Total liabilities and fund balances	\$ 6,021	\$ 13,623	\$ 44,512	\$ 38,569	\$ 147,602	\$ 8,311	\$ 258,638

The accompanying notes are an integral part of the financial statements

CITY OF WATER VALLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Volunteer Fire	Police Seized	Library	Sports	Municipal Fire	Police Equipment	Total Governmental Funds
REVENUES:							
Property taxes	\$	\$	37,333		0	\$	37,333
Unrestricted intergovernmental			9,035		0		9,035
Restricted intergovernmental	0		0	0	18,078		18,078
Permits and Fees	0		0	0	0		0
Miscellaneous	42	4,250	57	198	112	36	4,695
TOTAL REVENUE	\$ 42	\$ 4,250	\$ 46,425	198	18,190	\$ 36	\$ 69,141
EXPENDITURES							
General government	0		67,010		0		67,010
Public safety	0	7,921			0	5,170	13,091
Fire	0				110		110
Streets	0				0		0
Parks and recreation	0			1,789	0		1,789
Capital Outlay	0		0	0	0		0
Debt services	0						0
Principal	0				0		0
Interest	0				0		0
Other	0	0		0	0		0
OTAL EXPENDITURES	\$ 0	\$ 7,921	\$ 67,010	1,789	110	\$ 5,170	\$ 82,000
Excess (deficiency) of revenues over expenditures	\$ 42	\$ -3,671	\$ -20,585	\$ -1,591	18,080	\$ -5,134	\$ -12,859
Other financing sources (uses):							
Transfers in	0	0		5,000	0		5,000
Transfers out	0	0					0
Proceeds from debt	0				0		0
Sales of Capital Assets	0						0
Total other financing sources (uses):	0	0		5,000			5,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 42	\$ -3,671	\$ -1,180	\$ 3,409	18,080	\$ -5,134	\$ -7,859
Fund Balances - Beginning,	\$ 5,979	\$ 17,293	\$ -1,180	35,160	149,216	\$ 6,159	\$ 212,627
Fund Balances - Ending	\$ 6,021	\$ 13,622	\$ -2,175	38,569	167,296	\$ 1,025	\$ 204,768

The accompanying notes are an integral part of the financial statements

CITY OF WATER VALLEY
SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

GOVERNMENTAL ACTIVITIES:

Date Issued	Definition and Purpose	Beginning Balance Oct. 1, 2012	Additions	Reductions	Ending Balance Sept. 30, 2013	Amounts Due Within One Year
GO BONDS						
CAPITAL LEASES:						
12/23/2008	2009 Ford F350, 5.15%, 4 yrs	\$ 1,189	\$ 501		\$ 1,690	\$ 1,690
12/23/2008	Excavator, 4.60%, 4 years	\$ 1,951	\$ -	\$ 1,951	\$ -	\$ -
4/23/2009	Police Car, 4.60%, 4 years	\$ 2,119	\$ -	\$ 2,119	\$ -	\$ -
10/7/2009	Police Car, 5.19%, 4 years	\$ 14,512	\$ -	\$ 7,536	\$ 6,976	\$ 6,976
3/1/2011	Knuckleboom, 3.00%, 5 years	\$ 77,329	\$ -	\$ 19,989	\$ 57,340	\$ 22,412
7/13/2011	Police Car, 2.76%, 5 years	\$ 17,124	\$ -	\$ 4,043	\$ 13,081	\$ 4,505
	Police Car, 3.75%, 4 years	\$ -	\$ 22,857	\$ 1,729	\$ 21,128	\$ 4,241
4/5/2012	Police Car, 2.63%, 5 years	\$ 21,536	\$ -	\$ 4,176	\$ 17,360	\$ 4,688
Total		\$ 135,760	\$ 23,358	\$ 41,543	\$ 117,575	\$ 44,512

BUSINESS-TYPE ACTIVITIES:

Date Issued	Definition and Purpose	Beginning Balance Oct. 1, 2012	Additions	Reductions	Ending Balance Sept. 30, 2013	Amounts Due Within One Year
CAPITAL LEASES:						
12/16/2005	2012 Water Trailer	\$ 37,500	\$ -	\$ 11,268	\$ 26,232	\$ 12,484
5/5/2008	Case 125 Tractor, 4.8%, 5 yrs	\$ 10,243	\$ -	\$ 10,243	\$ -	\$ -
	Aerator, 5.75%, 3 years	\$ 7,920	\$ -	\$ 7,920	\$ -	\$ -
	2013 Chev Truck, 1.95%, 4 yrs	\$ -	\$ 20,607	\$ 2,475	\$ 18,132	\$ 5,058
5/11/2010	Garbage Truck		\$ 118,838	\$ -	\$ 118,838	\$ 28,821
TOTAL		\$ 55,663	\$ 139,445	\$ 31,906	\$ 163,202	\$ 46,363

The accompanying notes are an integral part of the financial statements

CITY OF WATER VALLEY, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2013

Name	Position	Company	Bond
Larry Hart	Mayor	Western Surety Co.	\$50,000
Donald Gray	Alderman	Western Surety Co.	\$50,000
Fred E White	Alderman	Western Surety Co.	\$50,000
Bobby Cox	Alderman	Western Surety Co.	\$50,000
Phillip Tallant	Alderman	Western Surety Co.	\$50,000
Larry Bell	Alderman	Western Surety Co.	\$50,000
Vivian Snider	City Clerk	Western Surety Co.	\$50,000
Audra Haireston	Court Clerk	Western Surety Co.	\$50,000
Margie French	Deputy Clerk	Western Surety Co.	\$50,000
Michael W King	Police Chief	Western Surety Co.	\$50,000

**CITY OF WATER VALLEY, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**CITY OF WATER VALLEY, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>Name of Agency or Department</u>	<u>CFDA Other No.</u>	<u>Grant I.D. No.</u>	<u>Total Awards Expended</u>
US DEPT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Mississippi Development Authority			
Community Services Division	14.228	1128-22-378-PF-01	\$ 134,818
US DEPARTMENT OF TRANSPORTATION			
Federal Aviation Administration Airport Improvement Program	20.106	3-28-0075-007-2012	\$ 299,205
Passed through Mississippi Department of Transportation	20.106	3-28-0075-007-2012	\$ 16,622
Total U. S. Dept of Transportation			<u>\$ 315,827</u>
Appalachian Regional Development	23.001	MS-17123-302-11	\$ 82,155
Appalachian Regional Development	23.002	1336-10-378-AR-01	\$ 144,250
Appalachian Regional Development	23.011	MS-17277	\$ 195,000
TOTAL EXPENDITURES FOR FEDERAL AWARDS			<u>\$ 872,050</u>

The accompanying notes are an integral part of the financial statements

CITY OF WATER VALLEY, MISSISSIPPI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards including the federal grant activity of the City of Grenada, Mississippi under programs of the federal government for the year ended SEPTEMBER 30, 2013 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Water Valley, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Water Valley.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

COMPLIANCE SECTION

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

RONNIE S. WINDHAM, CPA, PLLC

P O BOX 159, OXFORD, MS 38655 (662) 281-1091 cell (662) 816-2562 fax (662) 236-6452

Member
American Institute of
Certified Public Accountants

Member
Mississippi State Society of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and City Council
City of Water Valley, Mississippi

We have audited the financial statements of City of Water Valley, Mississippi as of and for the year ended September 30, 2013, and have issued our report thereon dated January 14, 2015.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

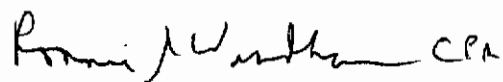
The results of those procedures and our audit of the financial statements disclosed the following material instances of noncompliance with state laws and regulations.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Water Valley, Mississippi had not complied with the requirements of the Office of the State Auditor, as set forth in the Municipal Compliance questionnaire except for the following:

The city does not settle assessments monthly to the appropriate state agency as required by the regulations and sections 99-19-73.

The municipality has not published an itemized report of all revenues, costs and expenses incurred by the municipality during the immediately preceding fiscal year in operating the garbage or rubbish collection or disposal system as required by the regulations and sections 17-17-348.

This report is intended solely for the use of the City Board, 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.



RONNIE S. WINDHAM, CPA, PLLC
Oxford, Mississippi
January 14, 2015

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

RSW RONNIE S. WINDHAM, CPA, PLLC
P.O BOX 159, OXFORD, MS 38655 (662) 281-1091 cell (662) 816-2562 fax (662) 236-6452

Member
American Institute of
Certified Public Accountants

Member
Mississippi State Society of
Certified Public Accountants

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

To the City Council
City of Water Valley, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Water Valley, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Water Valley, Mississippi's basic financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control Over Financial Reporting

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

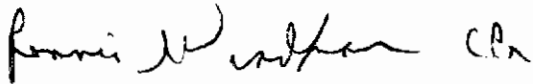
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, reading "Ronnie S. Windham", followed by the letters "CPA" in a slightly larger, more formal script.

RONNIE S. WINDHAM, CPA, PLLC
Oxford, Mississippi
January 14, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

RONNIE S. WINDHAM, CPA, PLLC

P.O. BOX 159, OXFORD, MS 38655 (662) 281-1091 cell (662) 816-2562 fax (662) 269-4457

Member
American Institute of
Certified Public Accountants

Member
Mississippi State Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Council
City of Water Valley, Mississippi

Report on Compliance for Each Major Federal Program

We have audited City of Water Valley, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Water Valley, Mississippi's major federal programs for the year ended September 30, 2013. City of Water Valley, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Water Valley, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

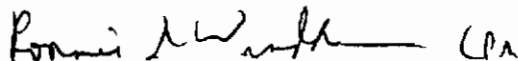
Report on Internal Control Over Compliance

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

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

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

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



Ronnie S. Windham, CPA, PLLC
Oxford, Mississippi
January 14, 2015

**CITY OF WATER VALLEY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013**

Section 1: Summary of Auditor's Results

1	Type of auditor's report issued on the basic financial statements.	Unqualified
2	Material noncompliance relating to the financial statements.	No
3	Internal control over financial reporting:	No
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified that are not considered to be material weaknesses?	No

Federal Awards

4	Type of auditor's report issued on compliance with major federal programs:	
	Unqualified for all major programs except for:	None
5	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified that are not considered to be material weaknesses?	No
6	Any audit findings reported as required by OMB Circular A-133?	No
7	Federal programs identified as major programs:	
	CDFA#: 23.011	
	CDFA#: 20.106	
8	The dollar threshold used to distinguish between type A and Type B programs:	300,000
9	The City of Water Valley did not qualify as a low-risk auditee.	
10	Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315 (b) of OMB Circular A-133?	No

Section 2: Findings Relating to the Financial Statements Audit

The results of our tests did not disclose any findings relating to the financial statements.

Section 3: Major Federal Awards Program Findings and Questioned Costs

The results of our tests did not disclose any findings or questioned costs related to federal awards.

**CITY OF WATER VALLEY, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

None