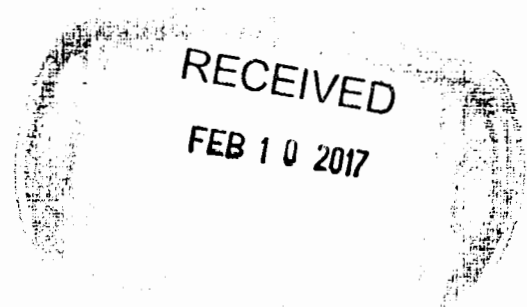




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**CITY OF OKOLONA, MISSISSIPPI**  
**Audited Financial Statements**  
**For the Year Ended September 30, 2015**





CITY OF OKOLONA, MISSISSIPPI

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FINANCIAL AUDIT REPORT





**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

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J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Board of Aldermen  
City of Okolona, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Okolona, Mississippi, as of and for the year ended September 30, 2015, which collectively comprise the City of Okolona, Mississippi'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.

**Auditors' Responsibility**

Our responsibility is to express an opinion 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 auditors' 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 auditors consider 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Okolona, Mississippi, as of September 30, 2015, and the respective changes in financial position 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, Budgetary Comparison Information, Schedule of the City's Proportionate Share of the Net Pension Liability, and Schedule of City Contributions on pages 4-7 and 40-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing 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 an opinion on the financial statements that collectively comprise the City of Okolona, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds of City Officials and the Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Surety Bonds of City Officials and the Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Surety Bonds of City Officials and the Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2016, on our consideration of the City of Okolona, 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 Okolona, Mississippi's internal control over financial reporting and compliance.

Okolona, Mississippi  
August 29, 2016

*Watkins Ward and Stafford, PLLC*



MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF OKOLONA, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015

The following discussion and analysis of the City of Okolona's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2015. The intent of this discussion and analysis is to look at the city's performance as a whole; readers should also review the notes to financial statements and the financial statements to enhance their understanding of the city's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this city's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the city's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is an element of Required Supplemental Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

#### FINANCIAL HIGHLIGHTS

- Total net position decreased \$3,489,654, including a prior period adjustment of \$3,668,285, which represents an 17% decrease from fiscal year 2014.
- General revenues account for \$2,089,879 in revenue, or 14% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,353,145 or 86% of total revenues.
- The City had \$14,264,391 in expenses; only \$12,353,145 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$2,089,879 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$1,986,193 in revenues and \$1,951,073 in expenditures. The General Fund's fund balance increased \$35,120 over the prior year. The Airport Construction Fund had \$333,720 in revenues and \$345,430 in expenditures. The Airport Construction Fund's fund balance decreased \$3,714 under the prior year. The Other Governmental Funds had \$238,063 in revenues and \$217,400 in expenditures. The Other Governmental Fund's fund balance increased \$20,663 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$848,484 over the prior year, mainly due to construction projects in governmental and business-type activities.
- Long-term debt, including current maturities, increased by \$258,178 over the prior year. In addition, the liability for compensated absences decreased by \$24,203 under the prior year.

#### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements 3) proprietary fund financial statements, and 4) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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



CITY OF OKOLONA, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015

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

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include police, fire, public works, parks & recreation, library, and general administration.

The government-wide financial statements can be found on pages 9 - 11 of this report.

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

**Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation that can be found on pages 13 and 15.

**Proprietary Funds.** When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary fund is the same as business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the financial statements.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City's budget process. The City adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplemental information can be found immediately following the notes to the financial statements.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net position:** Net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$16,810,376 as of September 30, 2015 and by \$20,300,028 as of September 30, 2014.

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





CITY OF OKOLONA, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2015

The following table presents a summary of the City's net position for the fiscal year ended September 30:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets \$	648,905	711,702	6,703,028	6,746,239	7,351,933	7,457,941
Capital assets	6,215,704	6,072,230	14,163,594	13,458,584	20,379,298	19,530,814
Total Assets	6,864,609	6,783,932	20,866,622	20,204,823	27,731,231	26,988,755
Deferred outflows	355,147	0	524,021	0	879,168	0
Current and other liabilities	218,905	318,053	2,753,847	2,616,859	2,972,752	2,934,912
Long-term liabilities	1,163,685	1,286,463	2,801,077	2,467,352	3,964,762	3,753,815
Net pension liability	1,944,619	0	2,585,661	0	4,530,280	0
Total Liabilities	3,327,209	1,604,516	8,140,585	5,084,211	11,467,794	6,688,727
Deferred outflows	41,784	0	290,449	0	332,233	0
Net Position:						
Net investment						
in capital assets	4,955,319	4,712,427	11,085,377	10,762,166	16,040,696	15,474,593
Restricted	316,819	305,156	58,955	58,849	375,774	364,005
Unrestricted	(1,421,375)	161,833	1,815,281	4,299,597	393,906	4,461,430
Total Net Position	\$ 3,850,763	5,179,416	12,959,613	15,120,612	16,810,376	20,300,028

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- The addition of \$848,484 of capital assets, net of accumulated depreciation.
- The increase of long-term liabilities of \$258,178 due to issuance of new debt obligations.

**Changes in Net Position:** The City's total revenues for the fiscal year ended September 30, 2015 and 2014 were \$14,443,024 and \$14,632,752. The total cost of all programs and services was \$14,264,391 and \$14,411,438. The following table presents a summary of the changes in net position for the fiscal year ended September 30:

	2015	2014
<b>Revenues:</b>		
Program revenues	\$ 12,353,145	12,558,128
General revenues	2,089,879	2,074,624
<b>Total revenues</b>	<u>14,443,024</u>	<u>14,632,752</u>
<b>Expenses:</b>		
Governmental activities	2,513,023	2,467,066
Business-type activities	11,751,368	11,944,372
<b>Total expenses</b>	<u>14,264,391</u>	<u>14,411,438</u>
<b>Increase (decrease) in net position</b>	<u>\$ 178,633</u>	<u>221,314</u>

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**



**CITY OF OKOLONA**  
**Statement of Net Position**  
**September 30, 2015**

	Primary Government		
	Governmental	Business-type	Totals
	Activities	Activities	
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 455,652	4,464,194	4,919,846
Certificates of deposit	116,436	123,138	239,574
Cushion of credit		18,970	18,970
Accounts receivable, net		1,377,641	1,377,641
Intergovernmental receivables	32,319	-	32,319
Other receivables, net	44,498		44,498
Materials and supplies		121,971	121,971
Internal balances	-	1,748	1,748
Prepaid items		25,420	25,420
Other current assets		199,970	199,970
Restricted assets	-	170,212	170,212
Conservation loan receivable		140,787	140,787
Regulatory assets	-	58,981	58,981
Capital assets, net	6,215,704	14,163,594	20,379,298
Total assets	6,864,609	20,866,626	27,731,235
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred outflows related to pensions	355,147	524,021	879,168
Total deferred outflows of resources	355,147	524,021	879,168
<b><u>LIABILITIES</u></b>			
Cash overdraft	-	236	236
Accounts payable	63,274	1,527,520	1,590,794
Intergovernmental payable	20,056		20,056
Accrued wages payable	14,044	90,142	104,186
Customer deposits	350	701,537	701,887
Deferred revenue	2,000		2,000
Internal balances	6,463		6,463
Advances from TVA for conservation loans		143,769	143,769
Accrued interest payable	3,242	10,244	13,486
Long-term liabilities, due within one year:			
Capital related debt	96,700	277,140	373,840
Non-capital related debt	12,776	3,259	16,035
Long-term liabilities, due beyond one year:			
Capital related debt	1,163,685	2,801,077	3,964,762
Net pension liability	1,944,619	2,585,661	4,530,280
Total liabilities	3,327,209	8,140,585	11,467,794
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred inflows related to pensions	41,784	290,449	332,233
Total deferred inflows of resources	41,784	290,449	332,233

The accompanying notes to financial statements are an integral part of these financial statements.



**CITY OF OKOLONA**  
**Statement of Net Position**  
**September 30, 2015**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	4,955,319	11,085,377	16,040,696
Restricted for:			
Expendable:			
Capital projects	189,159		189,159
Debt service	52,071	58,955	111,026
Fire protection	75,563		75,563
Cemetery	26		26
Unrestricted	(1,421,375)	1,815,281	393,906
Total Net Position	<u>\$ 3,850,763</u>	<u>12,959,613</u>	<u>16,810,376</u>

The accompanying notes to financial statements are an integral part of these financial statements.



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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 567,705	85,823	-	342,220	(139,662)
Public safety	890,855	1,882	36,886	12,540	(839,547)
Public works	456,717	665	-	-	(456,052)
Culture and recreation	141,789	644	2,050	-	(139,095)
Economic development	87,629	-	-	78,904	(8,725)
Pension expense	292,897				(292,897)
Interest on long-term debt	75,431	-	-	-	(75,431)
Total governmental activities	2,513,023	89,014	38,936	433,664	(1,951,409)
Business-type Activities:					
Water and Sewer	868,257	917,735			49,478
Solid Waste	308,666	241,028			(67,638)
Electric Department	10,574,445	10,632,768			58,323
Total business-type activities	11,751,368	11,791,531	-	-	40,163
Total primary government	\$ 14,264,391	11,880,545	38,936	433,664	(1,911,246)

	Governmental Activities	Business-type Activities	Total
<b>Changes in Net Position:</b>			
Net (expense) / revenue	\$ (1,951,409)	40,163	(1,911,246)
<b>General revenues</b>			
Taxes:			
Property taxes	1,094,781	-	1,094,781
Sales taxes	285,819	-	285,819
Franchise taxes	25,763	-	25,763
Licenses and permits	8,449	-	8,449
Fines and report fees	29,324	-	29,324
Intergovernmental revenues	60,513	47,036	107,549
Unrestricted investment income	6,299	11,905	18,204
Refund salaries	235,941	-	235,941
Insurance reimbursements	150,377	-	150,377
Miscellaneous	97,096	36,576	133,672
Total general revenues	1,994,362	95,517	2,089,879
Change in net position	42,953	135,680	178,633
Net Position - Beginning, as previously reported	5,179,416	15,120,612	20,300,028
Prior Period Adjustment	(1,371,606)	(2,296,679)	(3,668,285)
Net Position - Beginning, as restated	3,807,810	12,823,933	16,631,743
Net Position - Ending	\$ 3,850,763	12,959,613	16,810,376

The accompanying notes to financial statements are an integral part of these financial statements.





**CITY OF OKOLONA**  
**Balance Sheet – Governmental Funds**  
**September 30, 2015**

	Major Funds			
	General	Airport	Other	Total
	Fund	Construction	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 127,470	-	329,350	456,820
Certificate of deposit	116,436	-	-	116,436
Intergovernmental receivables	31,044	1,275	-	32,319
Other receivables	44,498	-	-	44,498
Due from other funds	11,666	3,999	-	15,665
Total assets	<u>\$ 331,114</u>	<u>5,274</u>	<u>329,350</u>	<u>665,738</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Cash overdraft	\$ -	1,168	-	1,168
Claims payable	52,598	-	10,676	63,274
Intergovernmental payables	20,056	-	-	20,056
Accrued payroll	14,044	-	-	14,044
Due to other funds	11,386	-	10,742	22,128
Deposits	-	-	350	350
Unearned revenue	2,000	-	-	2,000
Total Liabilities	<u>100,084</u>	<u>1,168</u>	<u>21,768</u>	<u>123,020</u>
<b>Fund Balances:</b>				
Restricted:				
Capital projects		4,106	185,053	189,159
Debt service			55,313	55,313
Fire protection			75,563	75,563
Assigned	26,000		3,762	29,762
Unassigned	205,030		(12,135)	192,895
Total Fund Balances	<u>231,030</u>	<u>4,106</u>	<u>307,582</u>	<u>542,718</u>
Total Liabilities and Fund Balances	<u>\$ 331,114</u>	<u>5,274</u>	<u>329,350</u>	<u>665,738</u>

The accompanying notes to financial statements are an integral part of these financial statements.



**CITY OF OKOLONA**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**

**September 30, 2015**

<b>Total fund balances for governmental funds</b>	<b>\$</b>	<b>542,718</b>
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Amounts reported for governmental activities in the statement of net position are different because:

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

Land	\$	321,253	
Construction in progress		159,707	
Buildings		4,729,693	
Building improvements		2,806,244	
Infrastructure		2,772,551	
Equipment		264,029	
Vehicles		491,209	
Accumulated depreciation		<u>(5,328,982)</u>	6,215,704

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability		(1,944,619)	
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Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions		355,147	
Deferred inflows of resources related to pensions		<u>(41,784)</u>	(1,631,256)

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	\$	(1,165,000)	
Capital lease payable		(95,385)	
Accrued interest payable		(3,242)	
Compensated absences		<u>(12,776)</u>	(1,276,403)

<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>3,850,763</u></b>
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The accompanying notes to financial statements are an integral part of these financial statements.



## CITY OF OKOLONA

## Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended September 30, 2015

	Major Funds			Total
	General	Airport	Other	Governmental
	Fund	Construction	Governmental	Funds
	Fund	Fund	Funds	Funds
<b>Revenues:</b>				
Property taxes	\$ 985,740	-	109,041	1,094,781
Privilege licenses and permits	8,423	-	26	8,449
Franchise taxes	25,763	-	-	25,763
Fines and forfeitures	29,324	-	-	29,324
Intergovernmental revenues	383,161	333,720	102,052	818,933
Charges for services	76,294	-	12,720	89,014
Interest income	6,299	-	-	6,299
Refund salary - W/S	103,415	-	-	103,415
Refund salary - S/W	58,058	-	-	58,058
Refund salary - OED	74,469	-	-	74,469
Insurance reimbursements	150,377	-	-	150,377
Miscellaneous revenues	84,870	-	14,224	99,094
<b>Total Revenues</b>	<b>1,986,193</b>	<b>333,720</b>	<b>238,063</b>	<b>2,557,976</b>
<b>Expenditures:</b>				
General government	732,683	-	27,483	760,166
Public safety	899,179	-	17,385	916,564
Public works	93,071	345,430	-	438,501
Economic development	8,725	-	78,904	87,629
Culture and recreation:				
Library	104,373	-	-	104,373
Park and recreation	31,635	-	-	31,635
Debt service:				
Principal	49,418	-	50,000	99,418
Interest	31,989	-	41,688	73,677
Other	-	-	1,940	1,940
<b>Total Expenditures</b>	<b>1,951,073</b>	<b>345,430</b>	<b>217,400</b>	<b>2,513,903</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>over (under) Expenditures</b>	<b>35,120</b>	<b>(11,710)</b>	<b>20,663</b>	<b>44,073</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	7,996	-	7,996
Transfers out	-	-	(7,996)	(7,996)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>7,996</b>	<b>(7,996)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>35,120</b>	<b>(3,714)</b>	<b>12,667</b>	<b>44,073</b>
<b>Fund Balances - Beginning</b>	<b>195,910</b>	<b>7,820</b>	<b>294,915</b>	<b>498,645</b>
<b>Fund Balances - Ending</b>	<b>\$ 231,030</b>	<b>4,106</b>	<b>307,582</b>	<b>542,718</b>

The accompanying notes to financial statements are an integral part of these financial statements.



**CITY OF OKOLONA**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended September 30, 2015**

**Net change in fund balances - total governmental funds** **\$ 44,073**

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 371,131	
Depreciation expense	<u>(225,657)</u>	145,474

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	99,418	
Accrued interest payable	<u>186</u>	99,604

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	15,452	
City's pension contributions	33,247	
Pension expense	<u>(292,897)</u>	(244,198)

<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>42,953</u></b>
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The accompanying notes to financial statements are an integral part of these financial statements.





CITY OF OKOLONA  
Statement of Fund Net Position – Proprietary Funds  
September 30, 2015

	Water and Sewer	Solid Waste	Electric Department	Total Proprietary Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 327,655	-	4,136,539	4,464,194
Certificates of deposit	119,227	3,911		123,138
Cushion of credit			18,970	18,970
Accounts receivables, net	75,982	20,354	1,281,305	1,377,641
Materials and supplies			121,971	121,971
Internal balances	-	24,925		24,925
Prepaid expenses			25,420	25,420
Special funds			75,568	75,568
Interest receivable	-	-	358	358
Other current assets			124,044	124,044
Total current assets	522,864	49,190	5,784,175	6,356,229
Non-current assets:				
Restricted cash and cash equivalents	58,955		111,257	170,212
Conservation loan receivables			140,787	140,787
Regulatory assets			58,981	58,981
Capital assets:				
Land	26,541	1,699	21,317	49,557
Construction in progress	999,220		420,603	1,419,823
Electric plant in service			19,686,566	19,686,566
Infrastructure	4,776,960			4,776,960
Machinery	353,052			353,052
Vehicles	76,561	118,620		195,181
Less accumulated depreciation	(2,571,720)	(106,759)	(9,639,066)	(12,317,545)
Total non-current assets	3,719,569	13,560	10,800,445	14,533,574
Total Assets	\$ 4,242,433	62,750	16,584,620	20,889,803
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	90,100	32,719	401,202	524,021
Total deferred outflows of resources	90,100	32,719	401,202	524,021
<b>LIABILITIES</b>				
Current liabilities:				
Cash overdraft	\$ -	236	-	236
Accounts payable	57,467	497	1,469,556	1,527,520
Accrued wages payable	5,196	550	84,396	90,142
Internal balances	23,177	-		23,177
Customer deposits	71,206	-	630,331	701,537
Advances - conservation loans			143,769	143,769
Compensated absences	2,855	404		3,259
Bonds, notes and loans payable	79,259		197,881	277,140
Total current liabilities	239,160	1,687	2,525,933	2,766,780

The accompanying notes to financial statements are an integral part of these financial statements.



CITY OF OKOLONA  
Statement of Fund Net Position – Proprietary Funds  
September 30, 2015

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Electric Department</u>	<u>Total Proprietary Funds</u>
<b><u>LIABILITIES</u></b>				
Non-current liabilities:				
Accrued interest payable	1,786	-	8,458	10,244
Bonds, notes and loans payable	1,594,872	-	1,206,205	2,801,077
Net pension liability	499,294	183,952	1,902,415	2,585,661
Total non-current liabilities	<u>2,095,952</u>	<u>183,952</u>	<u>3,117,078</u>	<u>5,396,982</u>
Total Liabilities	<u>2,335,112</u>	<u>185,639</u>	<u>5,643,011</u>	<u>8,163,762</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred inflows related to pensions	<u>10,728</u>	<u>3,952</u>	<u>275,769</u>	<u>290,449</u>
Total deferred inflows of resources	<u>10,728</u>	<u>3,952</u>	<u>275,769</u>	<u>290,449</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	1,986,483	13,560	9,085,334	11,085,377
Restricted for debt service	58,955			58,955
Unrestricted (deficit)	(58,745)	(107,682)	1,981,708	1,815,281
Total Net Position	<u>\$ 1,986,693</u>	<u>(94,122)</u>	<u>11,067,042</u>	<u>12,959,613</u>

The accompanying notes to financial statements are an integral part of these financial statements.



## CITY OF OKOLONA

## Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

For the Year Ended September 30, 2015

	Water and Sewer	Solid Waste	Electric Department	Total Proprietary Funds
<b><u>OPERATING REVENUES</u></b>				
Water sales	\$ 483,937			483,937
Sewer service	433,798			433,798
Solid waste fees		241,028		241,028
Electric services			10,632,768	10,632,768
Intergovernmental revenues	47,036	-		47,036
Miscellaneous	36,134	442		36,576
Total operating revenues	<u>1,000,905</u>	<u>241,470</u>	<u>10,632,768</u>	<u>11,875,143</u>
<b><u>OPERATING EXPENSES</u></b>				
Operating and maintenance	639,832	283,228	2,215,440	3,138,500
Purchased power			7,663,554	7,663,554
Depreciation	129,584	-	446,314	575,898
Miscellaneous	-	-	42,072	42,072
Total operating expenses	<u>769,416</u>	<u>283,228</u>	<u>10,367,380</u>	<u>11,420,024</u>
Operating income (loss)	231,489	(41,758)	265,388	455,119
<b><u>NON-OPERATING REVENUES</u></b>				
<b><u>(EXPENSES)</u></b>				
Interest income	820	11	11,074	11,905
Interfund transfers	14,068	(14,068)		-
Interest and amortization expense	(31,117)	-	(78,222)	(109,339)
Pension expense	(67,724)	(25,438)	(128,843)	(222,005)
Total non-operating revenues (expenses)	<u>(83,953)</u>	<u>(39,495)</u>	<u>(195,991)</u>	<u>(319,439)</u>
Change in net position	<u>147,536</u>	<u>(81,253)</u>	<u>69,397</u>	<u>135,680</u>
Net Position - beginning, as originally reported	2,191,326	116,878	12,812,408	15,120,612
Prior period adjustments	<u>(352,169)</u>	<u>(129,747)</u>	<u>(1,814,763)</u>	<u>(2,296,679)</u>
Net Position - beginning, as restated	<u>1,839,157</u>	<u>(12,869)</u>	<u>10,997,645</u>	<u>12,823,933</u>
Net Position - ending	<u>\$ 1,986,693</u>	<u>(94,122)</u>	<u>11,067,042</u>	<u>12,959,613</u>

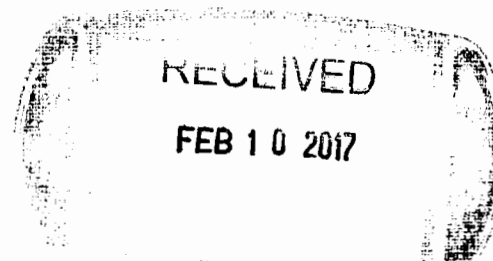
The accompanying notes to financial statements are an integral part of these financial statements.



**CITY OF OKOLONA**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended September 30, 2015**

	<b>Water and Sewer</b>	<b>Solid Waste</b>	<b>Electric Department</b>	<b>Total Proprietary Funds</b>
<b><u>Cash Flows from Operating Activities</u></b>				
Receipts from customers	\$ 933,637	241,519	10,883,897	12,059,053
Payments to suppliers	(244,746)	(83,569)	(8,830,642)	(9,158,957)
Payments to employees	(355,199)	(208,902)	(990,660)	(1,554,761)
Other receipts (payments)	83,170	442	(33,245)	50,367
Net Cash Flows from Operating Activities	<u>416,862</u>	<u>(50,510)</u>	<u>1,029,350</u>	<u>1,395,702</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Proceeds from issuance of debt	741,276			741,276
Principal payment on capital debt	(133,053)		(226,423)	(359,476)
Interest payment on capital debt	(32,361)		(69,306)	(101,667)
Other receipts (payments)	-	-	(145,876)	(145,876)
Net Cash Flows from Capital and Related Financing Activities	<u>575,862</u>	<u>-</u>	<u>(441,605)</u>	<u>134,257</u>
<b><u>Cash Flows from Investing Activities</u></b>				
Purchase of capital assets	(771,808)		(529,712)	(1,301,520)
Interest revenue	820	11	10,934	11,765
(Increase) decrease in conservation loan receivable			16,618	16,618
(Increase) decrease in other investments	-	-	(8,287)	(8,287)
Increase (decrease) in conservation loans			(16,621)	(16,621)
Transfers	14,068	(14,068)		-
Net Cash Flows from Investing Activities	<u>(756,920)</u>	<u>(14,057)</u>	<u>(527,068)</u>	<u>(1,298,045)</u>
<b>Net Change in Cash</b>	<b>235,804</b>	<b>(64,567)</b>	<b>60,677</b>	<b>231,914</b>
<b>Cash and Cash Equivalents - Beginning</b>	<b>270,033</b>	<b>68,242</b>	<b>4,187,119</b>	<b>4,525,394</b>
<b>Cash and Cash Equivalents - Ending</b>	<b>\$ 505,837</b>	<b>3,675</b>	<b>4,247,796</b>	<b>4,757,308</b>
<b>Reconciliation of Operating Income (Loss) to Cash</b>				
<b>Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 231,489	(41,758)	265,388	455,119
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>				
Depreciation expense	129,584		446,314	575,898
<b>Changes in assets and liabilities:</b>				
(Increase) decrease in accounts receivable	4,665	491	242,728	247,884
(Increase) decrease in other assets	-	-	8,827	8,827
Increase (decrease) in accounts payable	45,365	(2,111)	51,906	95,160
Increase (decrease) in wages payable	(727)	(3,132)	5,786	1,927
Increase (decrease) in customer deposits	11,237	-	8,401	19,638
Increase (decrease) in compensated absences	(4,751)	(4,000)	-	(8,751)
Total Adjustments	<u>185,373</u>	<u>(8,752)</u>	<u>763,962</u>	<u>940,583</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 416,862</u>	<u>(50,510)</u>	<u>1,029,350</u>	<u>1,395,702</u>

The accompanying notes to financial statements are an integral part of these financial statements.







**CITY OF OKOLONA**  
**Fiduciary Funds**  
**Statement of Fiduciary Assets and Liabilities**  
**September 30, 2015**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 13,588
Certificates of deposit	25,451
Internal balances	4,715
Total Assets	<u>43,755</u>
<b>Liabilities</b>	
Intergovernmental payables	43,755
Total Liabilities	<u>\$ 43,755</u>

The accompanying notes to financial statements are an integral part of these financial statements.



CITY OF OKOLONA  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies**

The accompanying financial statements of the City of Okolona, Mississippi have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the city's accounting policies are described below:

**a. Financial Reporting Entity**

The City of Okolona was incorporated on March 4, 1850 under the provisions of House Bill No. 214 and operates under a strong council – weak mayor form of government and provides public safety, streets and sidewalks, water and sewerage, sanitation, health and social services, culture, recreation, education, public improvement, planning and zoning and general administrative services. Electricity is distributed to consumers residing within the municipality as well as surrounding areas. This service is provided in conjunction with Tennessee Valley Authority (TVA). The primary sources of revenues are property taxes, utility billings and sales taxes. Various criteria are applied in order to determine the various funds and activities which should be reported as part of the City. Such criteria include oversight responsibility by the elected officials such as decision-making authority, accountability to the City, legal and fiscal responsibility, and inter-agency relationships. All agencies meeting the above criteria are included in the financial statements of the City.

Included within the reporting entity:

**City of Okolona Electric Department.** The City of Okolona Electric Department is governed by the City Council, and derives its revenue from the City's residents by providing electricity. The City is financially accountable for the City of Okolona Electric Department's activities, and the Electric Department is included in business-type activities of the City. Separate City of Okolona Electric Department component unit financial statements can be obtained from the City Clerk's office. The Electric Department has a June 30 year-end.

**b. Government-wide and Fund Financial Statements**

**Government-wide Financial Statements -** The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the City. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the City's non-fiduciary assets and liabilities, with the difference reported as net position.

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

**Fund Financial Statements –** Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.



CITY OF OKOLONA  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

The City reports the following major governmental funds:

General Fund – This fund is used to account for all activities of the general government for which a separate fund has not been established.

Airport Construction Fund – This fund is used to account for various capital projects for improvements and additions to the City's airport.

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

The City reports the following proprietary funds:

Water and Sewer Fund – This fund is used to account for all operations of the water and sewer system of the City.

Solid Waste Fund – This fund is used to account for all operations of the solid waste and sanitation services that the City offers to its residents.

City of Okolona Electric Department – This fund accounts for all the operations of the electric departments as it provides electricity to the City's residents.

The City also reports fiduciary funds (agency funds) which focus on assets and changes in net position.

The City's fiduciary funds include the following:

School Tax Fund – This fund accounts for school ad valorem taxes collected by the city that have not yet been remitted to the school.

Court Clearing Fund – This fund accounts for court fines and fees collected by the city that have not yet been remitted to the state.

Bond and Interest Paying Fund – This fund accounts for bond and interest payments that have not been redeemed by the bearers.

Morris Futorian Scholarship Fund – This expendable trust fund is used to account for funds used for book purchases by the City.

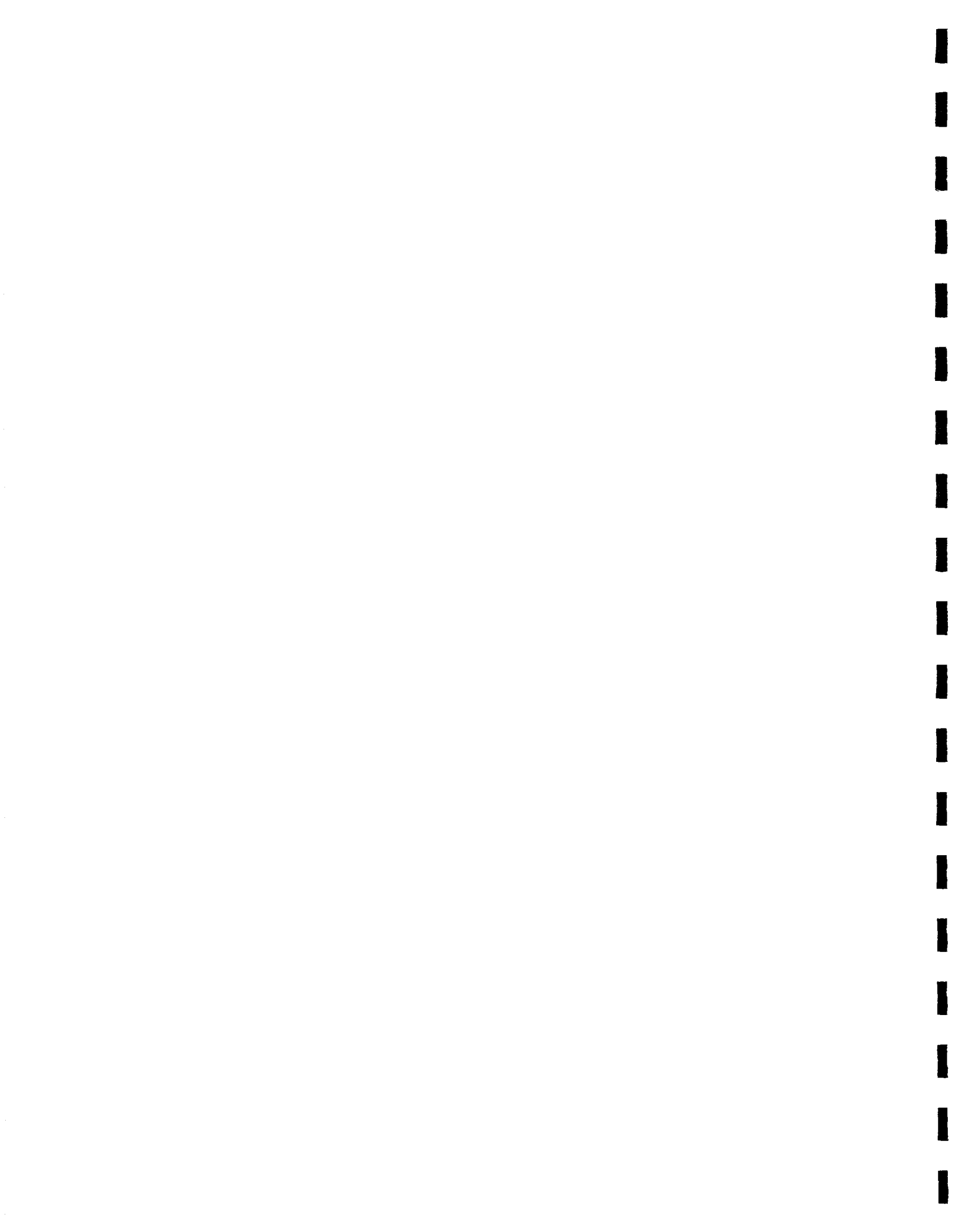
Additionally, the city reports the following fund types:

**Governmental Funds**

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

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

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



CITY OF OKOLONA  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**3. Due from Other Governments**

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

**4. Inventories and Prepaid Items**

The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

**5. Restricted Assets**

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes.

**6. Capital Assets**

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical costs or estimated historical cost based on appraisals or deflated current replacement costs. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the city as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisitions and construction are reflected as expenditures in the governmental fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statement.

The following schedule details the capitalization thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	n/a
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.





CITY OF OKOLONA  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**7. Deferred outflows/inflows of resources**

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

See Note 8 for further details.

**8. Compensated Absences**

The City has adopted a policy of compensation for accumulated unpaid employee benefits. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

**9. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**10. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**11. Net Position**

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

- a) Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
- b) Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.



CITY OF OKOLONA  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

- c) Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

**12. Fund Balances**

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

- a) *Nonspendable fund balance* – amounts that cannot be spent due to form, (such as inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund. The City has the following nonspendable 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 does not have any committed assets.
- d) *Assigned fund balance* – for all funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted, or committed. The City does not have any assigned assets.
- e) *Unassigned fund balance* – for general fund, any remaining amounts not classified as nonspendable, restricted, or committed. The City has the following unassigned assets: cash and cash equivalents, accounts receivable, other receivables, notes receivables and other assets.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**f. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The principal estimates made by management that affect these financial statements are the allowance for doubtful accounts receivable and depreciation expense. Actual results could differ from those estimates.



CITY OF OKOLONA  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**g. Environmental Risk for Possible Clean-up from City-owned Facilities**

As a distributor of water, sewer, and electricity, there is a possibility that environmental conditions may arise which would require the City and its component units to incur clean-up costs. The likelihood of such an event or the amount of such costs, if and, cannot be determined at this time. However, management does not believe such costs, if any, would materially affect the City's financial position or future cash flows.

**h. Economic Dependency**

The City depends on financial resources flowing from, or associated with, the State of Mississippi and the collection of local property taxes. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws and appropriations, and the City is reliant on the continuing existence of an adequate local tax base to fund the City's operations.

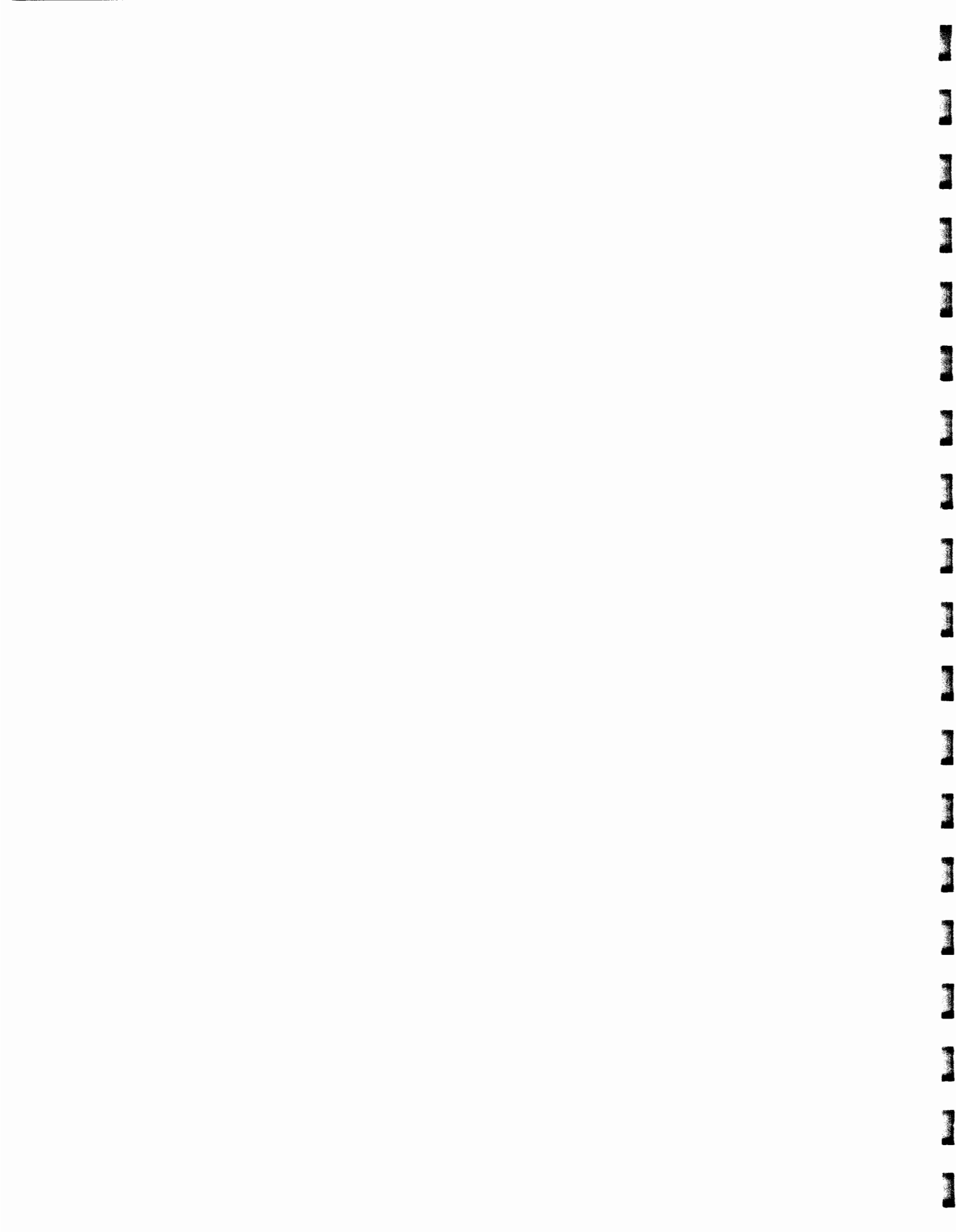
**Note 2 – Cash and Cash Equivalents and Investments**

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

**Deposits.** The city must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the city's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. All of the City's funds eligible to be included in the state's collateral pool program were properly included and were fully collateralized as of September 30, 2015.

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the City to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (3), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (3) United States Government agency,

United States Government instrumentality or United States Government sponsored enterprise obligations; not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects) bond sinking funds (Debt Service Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.



CITY OF OKOLONA  
Notes to Financial Statements

**Note 2 – Cash and Cash Equivalents and Investments (Continued)**

**Cash and Cash Equivalents**

The carrying amount of the City's deposits with financial institutions at September 30, 2015, reported in the governmental funds, enterprise funds, and fiduciary fund was \$572,088, \$4,757,308, and \$39,039, respectively.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the city. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the city. As of September 30, 2015, none of the City's bank balance of \$5,155,198 was exposed to custodial credit risk.

**Investments**

As of September 30, 2015, the city had no investments.

**Note 3 – Inter-fund Transactions and Balances**

The following is a summary of inter-fund balances at September 30, 2015:

**A. Due From/To Other Funds:**

	<u>Due From</u>	<u>Due To</u>
<b><u>Major Governmental Funds</u></b>		
City General Fund	\$ 11,666	11,386
Airport Constuction Fund	3,999	
<b><u>Non-major Governmental Funds</u></b>		
Airport Fund		9,542
Recreational Park Fund		1,200
<b><u>Enterprise Funds</u></b>		
Water & Sewer Fund		23,177
Solid Waste Fund	24,925	
<b><u>Fiduciary Funds</u></b>		
Court Clearing Fund	4,715	
	<u>\$ 45,305</u>	<u>45,305</u>

The amounts due to or due from other funds primarily represent amounts loaned between funds for timing differences between revenues and expenditures and cash balances.





CITY OF OKOLONA  
Notes to Financial Statements

**Note 3 – Inter-fund Transactions and Balances (Continued)**

**B. Transfers In/Out:**

	<u>Transfer In</u>	<u>Transfer Out</u>
<b><u>Major Governmental Funds</u></b>		
Airport Construction Fund	\$ 7,996	
<b><u>Non-major Governmental Funds</u></b>		
Airport Fund		7,996
<b><u>Enterprise Funds</u></b>		
Water & Sewer Fund	14,068	
Solid Waste Fund		14,068
	<u>\$ 22,064</u>	<u>22,064</u>

All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

**C. Intergovernmental Receivables:**

The following is a summary of intergovernmental receivables at September 30, 2015:

Mississippi Bureau of Revenue	\$ 23,720
Okolona Electric Department	7,324
Mississippi Department of Transportation	1,275
	<u>\$ 32,319</u>





CITY OF OKOLONA  
Notes to Financial Statements

**Note 4 – Capital Assets**

The following is a summary of capital assets activity for the year ended September 30, 2015.

	Balance 10/1/2014	Additions	Deletions	Balance 9/30/2015
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 323,253		(2,000)	321,253
Construction in progress	259,007	345,398	(444,698)	159,707
Total non-depreciable capital assets	582,260	345,398	(446,698)	480,960
<u>Depreciable capital assets:</u>				
Buildings	4,729,693			4,729,693
Improvements	2,361,546	444,698		2,806,244
Infrastructure	2,772,551			2,772,551
Furniture and equipment	197,227			197,227
Vehicles	532,278	25,733		558,011
Total depreciable capital assets	10,593,295	470,431	-	11,063,726
<u>Less Accumulated Depreciation:</u>				
Buildings	2,030,694	55,401		2,086,095
Improvements	917,787	103,860		1,021,647
Infrastructure	1,644,641	21,627		1,666,268
Furniture and equipment	136,396	9,664		146,060
Vehicles	373,807	35,105		408,912
Total accumulated depreciation	5,103,325	225,657	-	5,328,982
Governmental activities capital assets, net	\$ 6,072,230	590,172	(446,698)	6,215,704
<b>Business-type Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 49,557			49,557
Construction in progress	714,516	709,094	(3,787)	1,419,823
Total non-depreciable capital assets	764,073	709,094	(3,787)	1,469,380
<u>Depreciable capital assets:</u>				
Electric plant in service	19,153,067	567,571	(34,072)	19,686,566
Infrastructure	4,776,960			4,776,960
Machinery and Equipment	290,338	62,714		353,052
Vehicles	195,181			195,181
Total Capital Assets	24,415,546	630,285	(34,072)	25,011,759
<u>Less Accumulated Depreciation:</u>				
Electric plant in service	9,172,141	525,024	(58,099)	9,639,066
Infrastructure	2,299,214	98,415		2,397,629
Machinery and Equipment	87,153	25,404		112,557
Vehicles	162,527	5,766		168,293
Total Accumulated Depreciation	11,721,035	654,609	(58,099)	12,317,545
Business-type activities capital assets, net	\$ 13,458,584	684,770	20,240	14,163,594



CITY OF OKOLONA  
Notes to Financial Statements

**Note 4 – Capital Assets (Continued)**

Depreciation expense charged to various functions presented on the statement of activities is presented as follows:

	Governmental Activities	Business-Type Activities	Total
General Government	\$ 161,336		161,336
Public Safety	33,783		33,783
Public Works	20,735		20,735
Culture and Recreation	9,803		9,803
Water and Sewer		129,585	129,585
Electric Department		525,024	525,024
	<u>\$ 225,657</u>	<u>654,609</u>	<u>880,266</u>

Depreciation expense for the Electric Department as reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds is \$446,314. The difference in this amount and the current year increases in accumulated depreciation of \$525,024 is due to difference in salvage value and allocation of depreciation to certain maintenance and overhead lines expense accounts.

**Note 5 – Claims and Judgments**

**Risk Financing**

The city finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The city pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.



CITY OF OKOLONA  
Notes to Financial Statements

**Note 6 – Long-term Liabilities**

The following is a summary of changes in long-term debt for the year ended September 30, 2015.

	Adjusted Balance			Balance	Amounts Due Within
	10/1/2014	Additions	Deductions	9/30/2015	One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 1,215,000		50,000	1,165,000	50,000
Capital Leases Payable	144,803		49,418	95,385	46,700
Compensated Absences	28,228		15,452	12,776	12,776
Total Governmental Activities	<u>\$ 1,388,031</u>	<u>0</u>	<u>114,870</u>	<u>1,273,161</u>	<u>109,476</u>
Business-Type Activities					
Revenue Bonds Payable	\$ 579,487		44,323	535,164	38,823
Loans Payable	332,366	678,562	5,139	1,005,789	5,295
Capital Leases Payable	1,784,565	62,714	310,014	1,537,265	233,022
Compensated Absences	12,010		8,751	3,259	3,259
Total Business-Type Activities	<u>\$ 2,708,428</u>	<u>741,276</u>	<u>368,227</u>	<u>3,081,477</u>	<u>280,399</u>

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Year Ending September 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 96,700	42,162	277,140	79,224
2017	86,429	38,537	314,468	76,139
2018	72,256	36,076	327,728	62,729
2019	60,000	33,950	315,124	48,779
2020	60,000	31,850	327,682	34,745
2021 and after	885,000	200,077	547,387	65,720
Totals	<u>\$ 1,260,385</u>	<u>382,652</u>	<u>2,109,529</u>	<u>367,336</u>

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

The city has borrowed money from the Water Pollution Control Revolving Loan Fund Program, administered by the Mississippi Department of Environmental Quality, for capital improvements to its water-sewer system. Therefore, this capital improvement loan – currently in the amount of \$968,689 – is not included in the above business-type activities annual debt service requirements due to uncertainty of repayment dates and payment amounts. The payments for this loan will begin thirty days after the project is completed, and the loan is for an amount not to exceed \$3,255,476.





CITY OF OKOLONA  
Notes to Financial Statements

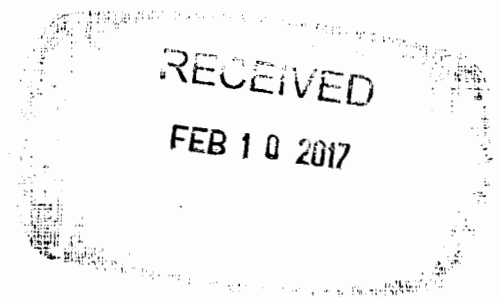
**Note 6 – Long-term Liabilities (continued)**

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the city is limited by the state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the last completed assessment for taxation. However, the limitation is increased to 20% whenever a city issues bonds to repair or replace washed out or collapsed bridges on the public roads of the city. As of September 30, 2015, the amount of outstanding debt was equal to 13% of the latest property assessments.

**Note 7 – Contingencies**

Federal Grants – The city has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the city. No provision for any liability that may result has been recognized in the city's financial statements.

Litigation – The city is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the city with respect to the various proceedings. However, the city's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the city.





CITY OF OKOLONA  
Notes to Financial Statements

**Note 8 – 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* 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 employer's rate as of September 30, 2015 was 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, 2015, 2014 and 2013 were \$163,090, \$162,565, and \$150,809, respectively, which equaled the required contributions for each year.

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

At September 30, 2015, the city reported a liability of \$4,530,280 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on a projection of the city's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the city's proportion was 0.0339 percent.

For the year ended September 30, 2015, the city recognized pension expense of \$556,918. At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



CITY OF OKOLONA  
Notes to Financial Statements

**Note 8 – Defined Benefit Pension Plan (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 74,317	\$
Net difference between projected and actual earnings on pension plan investments		332,233
Changes of assumptions	165,526	
Changes in proportion and differences between the entity's contributions and proportionate share of overall contributions	429,735	
Entity's contributions subsequent to the measurement date	209,590	
Total	<u>\$ 879,168</u>	<u>\$ 332,233</u>

\$209,590 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Deferred Outflows	Deferred Inflows
2016	\$ 238,240	\$ 106,039
2017	238,240	106,039
2018	193,098	106,039
2019	-	14,116
Total	<u>\$ 669,578</u>	<u>\$ 332,233</u>

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

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

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



CITY OF OKOLONA  
Notes to Financial Statements

**Note 8 – Defined Benefit Pension Plan (Continued)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	100 %	

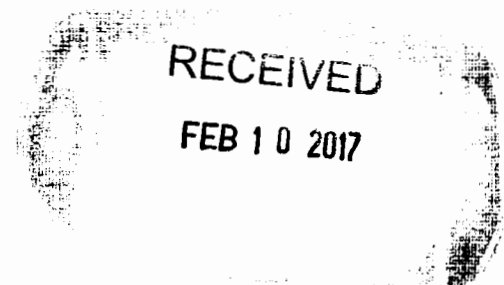
*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that Employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the city's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the city's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1- percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Entity's proportionate share of the net pension liability	\$ 6,176,123	\$ 4,530,280	\$ 3,157,403

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.







CITY OF OKOLONA  
Notes to Financial Statements

**Note 9 – Deficit Fund Balance of Individual Funds**

Included in funds of Other Governmental Activities are the following funds with deficit fund balances:

Recreational Park Fund	\$ 1,200
Airport Fund	10,935

- A deficit fund balance is not in violation of state law.

**Note 10 – Prior Period Adjustment**

A prior period adjustment is made on these financial statements to record a \$1,371,606 and \$2,388,531 reduction in unrestricted net position of governmental and proprietary funds, respectively, as required by Statement No. 68 of the Governmental Accounting Standards Board which addresses the accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers.

A summary of the adjustment is as follows:

Implementation of GASB 68:	
Unfunded pension liability	\$ (4,035,977)
Deferred outflows of resources	<u>275,840</u>
Total prior period adjustment related to GASB 68	<u>\$ (3,760,137)</u>

**Note 11 – Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Subsequent events have been evaluated through August 29, 2016, which is the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require disclosure in the notes to the financial statements.



REQUIRED SUPPLEMENTARY INFORMATION



## CITY OF OKOLONA

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Budgetary Comparison Schedule - General Fund

For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (GAAP Basis)	Variance with Final Budget Positive Negative
<b>REVENUES</b>				
Property taxes	\$ 1,029,990	1,119,519	985,740	(133,779)
Licenses, commissions and other revenue	41,676	36,721	34,186	(2,535)
Fines and forfeitures	45,000	29,324	29,324	0
Intergovernmental revenues	417,422	409,526	383,161	(26,365)
Charges for services	54,939	44,556	76,294	31,738
Interest income	550	6,824	6,299	(525)
Miscellaneous revenues	414,617	449,010	471,189	22,179
Total Revenues	<u>2,004,194</u>	<u>2,095,480</u>	<u>1,986,193</u>	<u>(109,287)</u>
<b>EXPENDITURES</b>				
General government	857,155	798,264	732,683	(65,581)
Public safety	975,806	996,405	899,179	(97,226)
Public works	126,866	120,285	93,071	(27,214)
Economic development	-	-	8,725	8,725
Culture and recreation	127,721	139,945	136,008	(3,937)
Debt Service	-	-	81,407	81,407
Total Expenditures	<u>2,087,548</u>	<u>2,054,899</u>	<u>1,951,073</u>	<u>(103,826)</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(83,354)</u>	<u>40,581</u>	<u>35,120</u>	<u>(5,461)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of capital lease	-	-	-	-
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(83,354)</u>	<u>40,581</u>	<u>35,120</u>	<u>(5,461)</u>
Fund Balances - Beginning	<u>195,910</u>	<u>195,910</u>	<u>195,910</u>	
Fund Balances - Ending	<u>\$ 112,556</u>	<u>236,491</u>	<u>231,030</u>	<u>(5,461)</u>

The accompanying Notes to Required Supplementary Information are an integral part of this schedule.



## CITY OF OKOLONA

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Budgetary Comparison Schedule – Airport Construction Fund

For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 145,000	376,350	333,720	(42,630)
Total Revenues	145,000	376,350	333,720	(42,630)
<b>EXPENDITURES</b>				
Public works	145,000	376,350	345,430	(30,920)
Total Expenditures	145,000	376,350	345,430	(30,920)
<b>Excess of Revenues over (under) Expenditures</b>	-	-	(11,710)	(11,710)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	-	7,996	7,996
Transfer out	-	-	-	-
Total Other Financing Sources and Uses	-	-	7,996	7,996
Net Change in Fund Balance	-	-	(3,714)	(3,714)
Fund Balances - Beginning	7,820	7,820	7,820	
Fund Balances - Ending	\$ 7,820	7,820	4,106	(3,714)

The accompanying Notes to Required Supplementary Information are an integral part of this schedule.





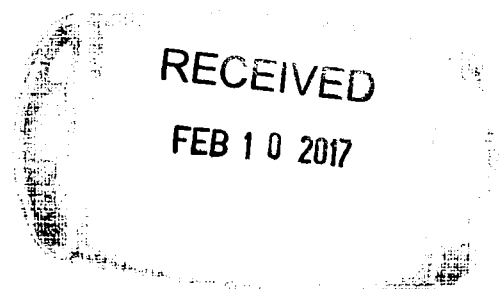
**CITY OF OKOLONA**

**Schedule of the City's Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years \***

	<u>2015</u>
City's proportion of the net pension liability	0.0339%
City's proportionate share of the net pension liability	\$ 4,530,280
City's covered-employee payroll	\$ 1,989,873
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	227.67%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

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

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



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



**CITY OF OKOLONA**  
**Schedule of City Contributions**  
**Last 10 Fiscal Years**

	<u>2015</u>
Contractually required contribution	\$ 329,714
Contribution in relation to the contractually required contribution	329,714
Contribution deficiency (excess)	<u>\$ 0</u>
City's covered-employee payroll	2,093,422
Contributions as a percentage of its covered-employee payroll	15.75%

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

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



CITY OF OKOLONA  
Notes to Required Supplementary Information

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

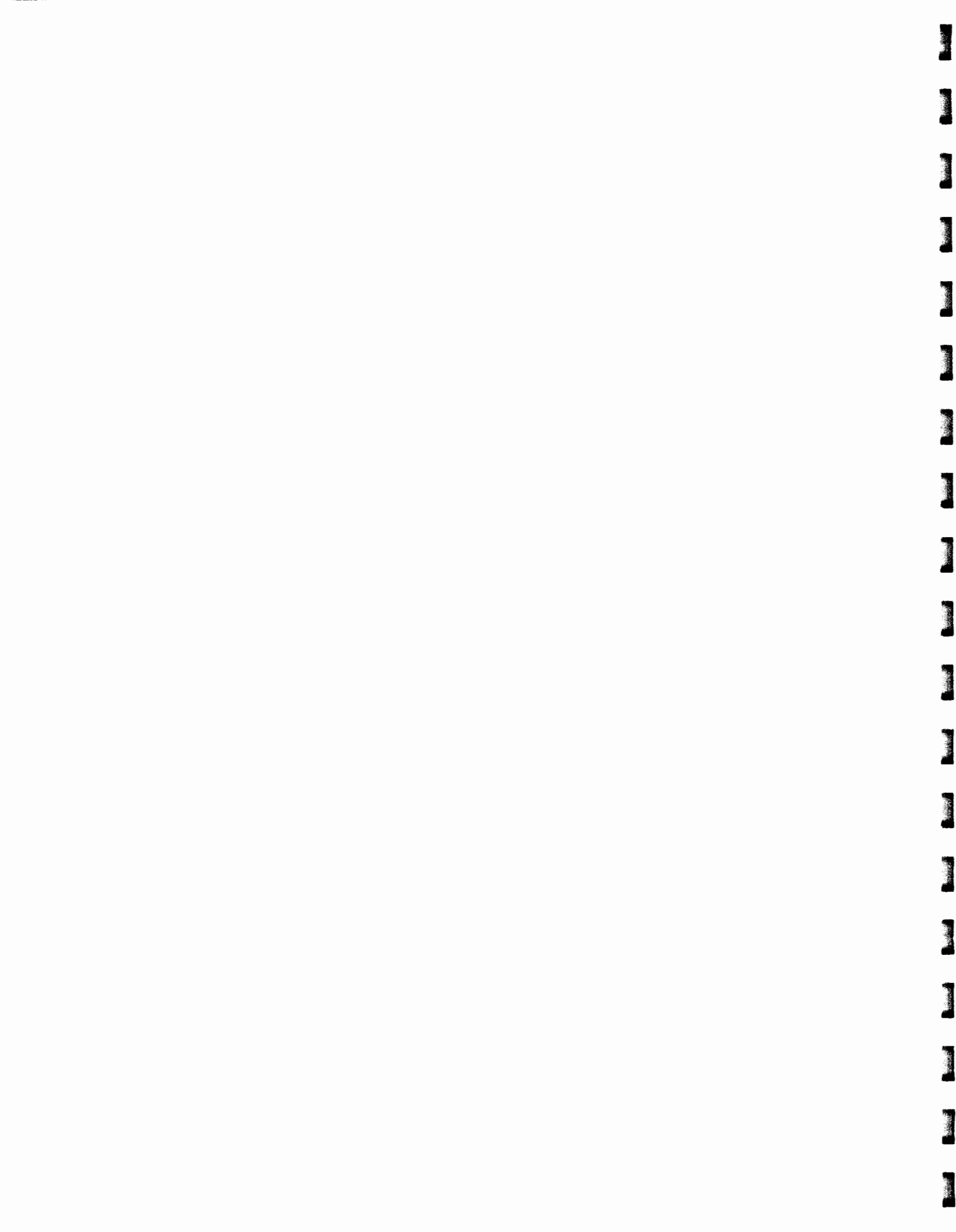
(2) Budget Amendments and Revisions.

The budget is adopted by the board of aldermen and filed with the taxing authority. Amendments can be made on the approval of the board of aldermen. By statute, final budget revisions must be approved on or before the date established by the State of Mississippi. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.



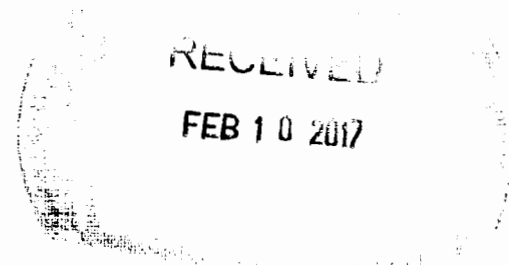
OTHER INFORMATION





**CITY OF OKOLONA  
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>EMPLOYEE</u>	<u>POSITION</u>	<u>SURETY BOND #</u>	<u>AMOUNT OF BOND</u>
Louise Floyd Cole	Mayor	105935250	\$ 50,000
David Kenneth McVay	Councilman - Ward 1	105935253	50,000
Bennett Moore	Councilman - Ward 2	105935254	50,000
Eldridge Lowe	Councilman - Ward 3	105935251	50,000
Regina Pickens	Councilwoman - Ward 4	105935252	50,000
Mary L. Gates	Councilwoman - Ward 5	105935255	50,000
Anthony Floyd	Councilman - Ward 6	105935256	50,000
Kim Collins	City Clerk	70369944	50,000
Rebecca Moore	Deputy/Court Clerk	70725795	50,000
Krystal Robinson	Deputy Clerk	71514258	25,000
Constance Cunningham	Deputy Clerk	71513485	25,000
Clementine Anderson	Deputy Clerk	71513145	25,000
Willie C. Moore	Police Chief	105861980	50,000





**CITY OF OKOLONA  
SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS  
TO FUND COLLECTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Assessed Valuation in Millage:**

	<b><u>Municipal</u></b>	
Realty	\$ 6,628,584	
Personal	2,628,983	
Personal - auto	1,319,831	
Personal - mobile home	64,008	
Utilities	<u>401,090</u>	
Total Municipal at <u>53.70</u> Mills	<u>11,042,496</u>	\$ 592,982

**Collections Adjustments:**

Add: Prior year tax collection	42,390	
Penalties and interest	<u>11,111</u>	53,501
Less: Homestead exemptions	(54,572)	
Special real and personal exemptions	(20,360)	
Refunded taxes and adjustments	(42,652)	
Cost of collections (counties)	<u>(3,699)</u>	<u>(121,283)</u>

**Total to be Accounted for** **\$ 525,200**

**Collection Credits to Funds:**

	<b><u>Taxes</u></b>	<b><u>Homestead</u></b>	<b><u>Total</u></b>
Municipal General Fund	\$ 358,211	50,027	408,238
Fire Protection Fund	8,613	1,213	9,826
Recreation Fund	17,227	2,425	19,652
Street Improvement Bond Fund	80,978		80,978
Total	<u>\$ 465,029</u>	<u>53,665</u>	<u>518,694</u>

**Balance Represented By:**

Unpaid property taxes	3,680	
Unaccounted for	2,826	<u>6,506</u>

**Total Accounted For** **\$ 525,200**



COMPLIANCE SECTION





**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Staggars, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
R. Steve Sinclair, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA

Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, Jr., CPA  
Perry C. Rackley, Jr., CPA

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

Honorable Mayor and Board of Aldermen  
City of Okolona, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Okolona, Mississippi as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Okolona, Mississippi's basic financial statements, and have issued our report thereon dated August 29, 2016.

**Internal Control Over Financial Reporting**

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

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

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. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2015-01 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Okolona, 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*.





### **City of Okolona, Mississippi's Response to Findings**

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

### **Purpose of this Report**

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

Okolona, Mississippi  
August 29, 2016

*Watkins Ward and Stafford, PLLC*



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS





**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Aldermen  
City of Okolona, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Okolona, Mississippi as of and for the year ended September 30, 2015, which collectively comprise City of Okolona, Mississippi's basic financial statements and have issued our report thereon dated August 29, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of procedures performed to test compliance with certain state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the city's board of aldermen and management, the Office of the State Auditor of Mississippi, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Okolona, Mississippi  
August 29, 2016

*Watkins Ward and Stafford, PLLC*



SCHEDULE OF FINDINGS AND RESPONSES

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FEB 10 2017





CITY OF OKOLONA  
Schedule of Findings and Responses  
For the Year Ended September 30, 2015

**Section I: Summary of Auditors' Results**

Financial Statements:

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditors' report issued on the financial statements:                           | Unmodified    |
| 2. | Noncompliance material to financial statements noted?                                  | No            |
| 3. | Internal control over financial reporting:   |               |
| a. | Material weaknesses identified?  | Yes           |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None reported |

FEB 10 2017



CITY OF OKOLONA  
Schedule of Findings and Responses  
For the Year Ended September 30, 2015

**Section II: Financial Statement Findings**

**Material Weakness**

**2015-01**

**Condition**

Thirty-nine adjustments were made to the accounting records subsequent to the start of the auditing process. Audit adjustments are indicative of a deficiency in the internal controls over financial reporting.

**Criteria**

The financial statements are the responsibility of the City of Okolona; therefore, all adjustments should be completed before preparation of the financial statements.

**Cause of Condition**

The adjustments were necessary to correct account coding and misclassifications and to record additional receivables, liabilities and depreciation.

**Effect of Condition**

The City of Okolona's net revenues over expenditures decreased by \$210,044 as a result of these audit entries.

**Recommendation**

We recommend that the City of Okolona implement policies and procedures to insure the correct account coding of all expenditures and journal entries. We also recommend that all receivables, payables and depreciation be recorded prior to the start of the audit.

**Response**

Management will review all journal entries and coding of expenditures as necessary to insure proper recording. Management will prepare a year-end closing checklist to determine all necessary adjustments are made prior to closing the books.

