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**CITY OF WATER VALLEY**  
**AUDITED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**





**CITY OF WATER VALLEY, MISSISSIPPI**  
General Purpose Financial Statements  
Year Ended September 30, 2015

\*\*\*\*\*

Public Officials

Larry Hart  
Mayor

Vivian Snider  
City Clerk

Members of the City Council

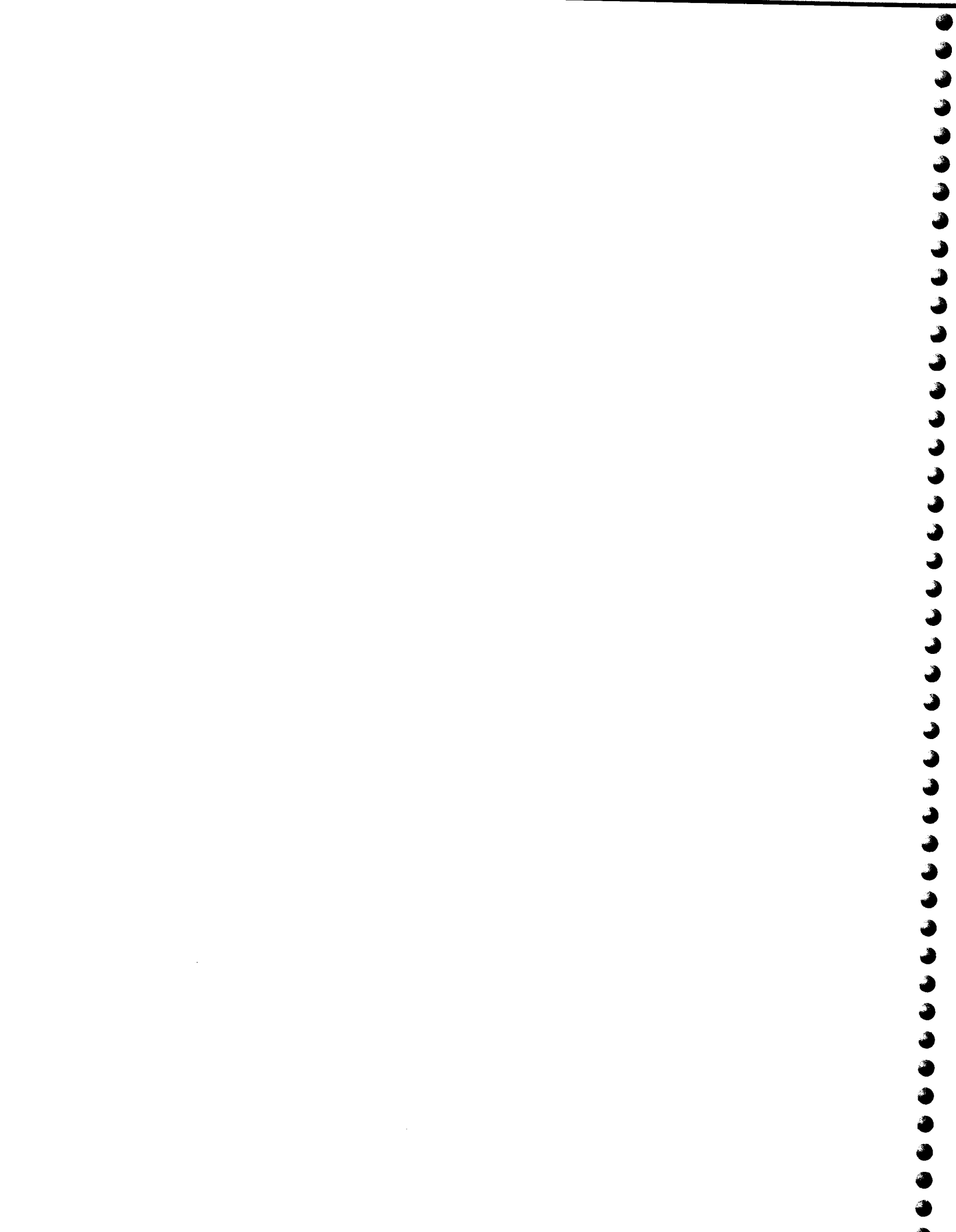
Donald Gray

Fred E. White

Bobby Cox

Larry Bell

Phillip Tallant

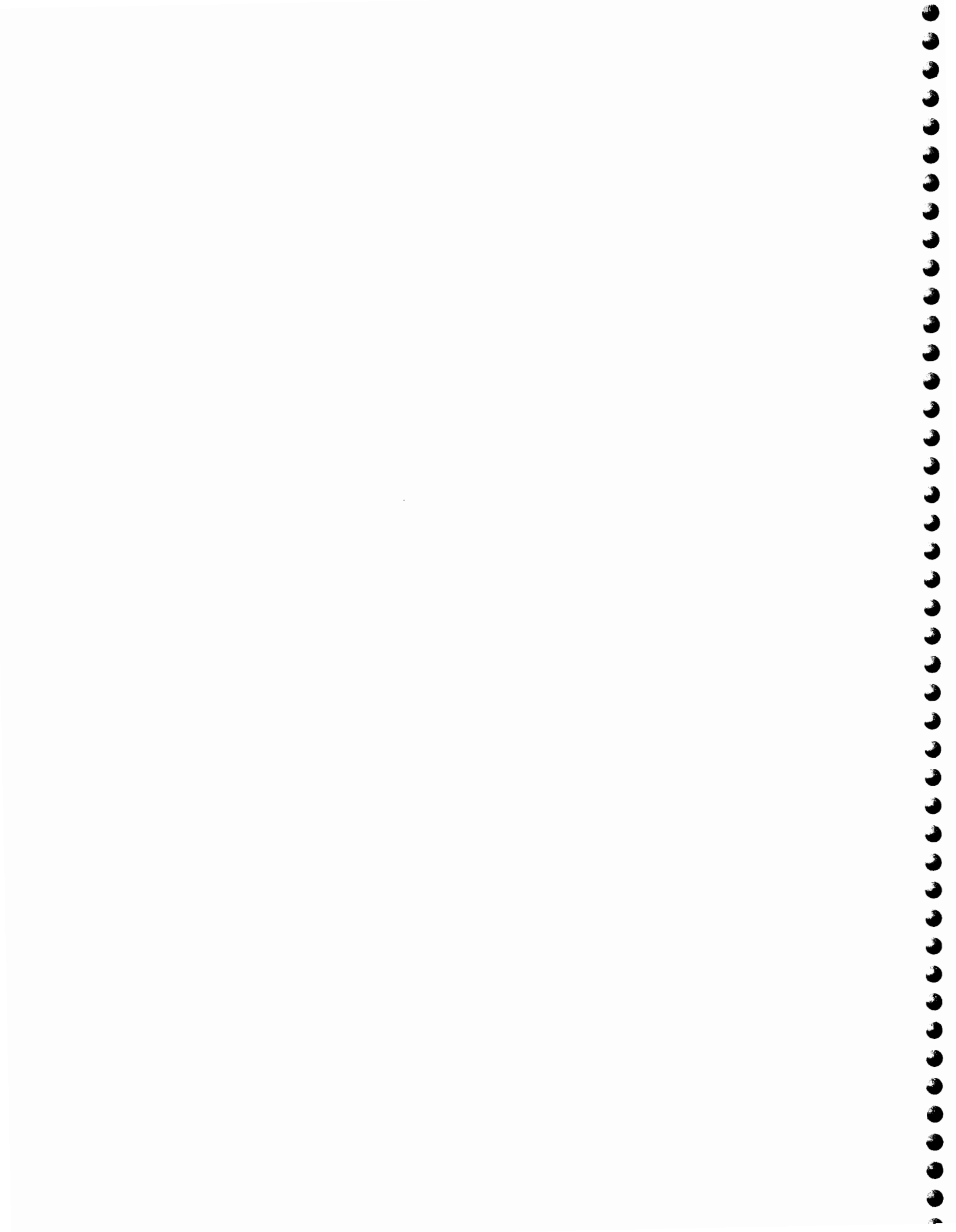


# CITY OF WATER VALLEY

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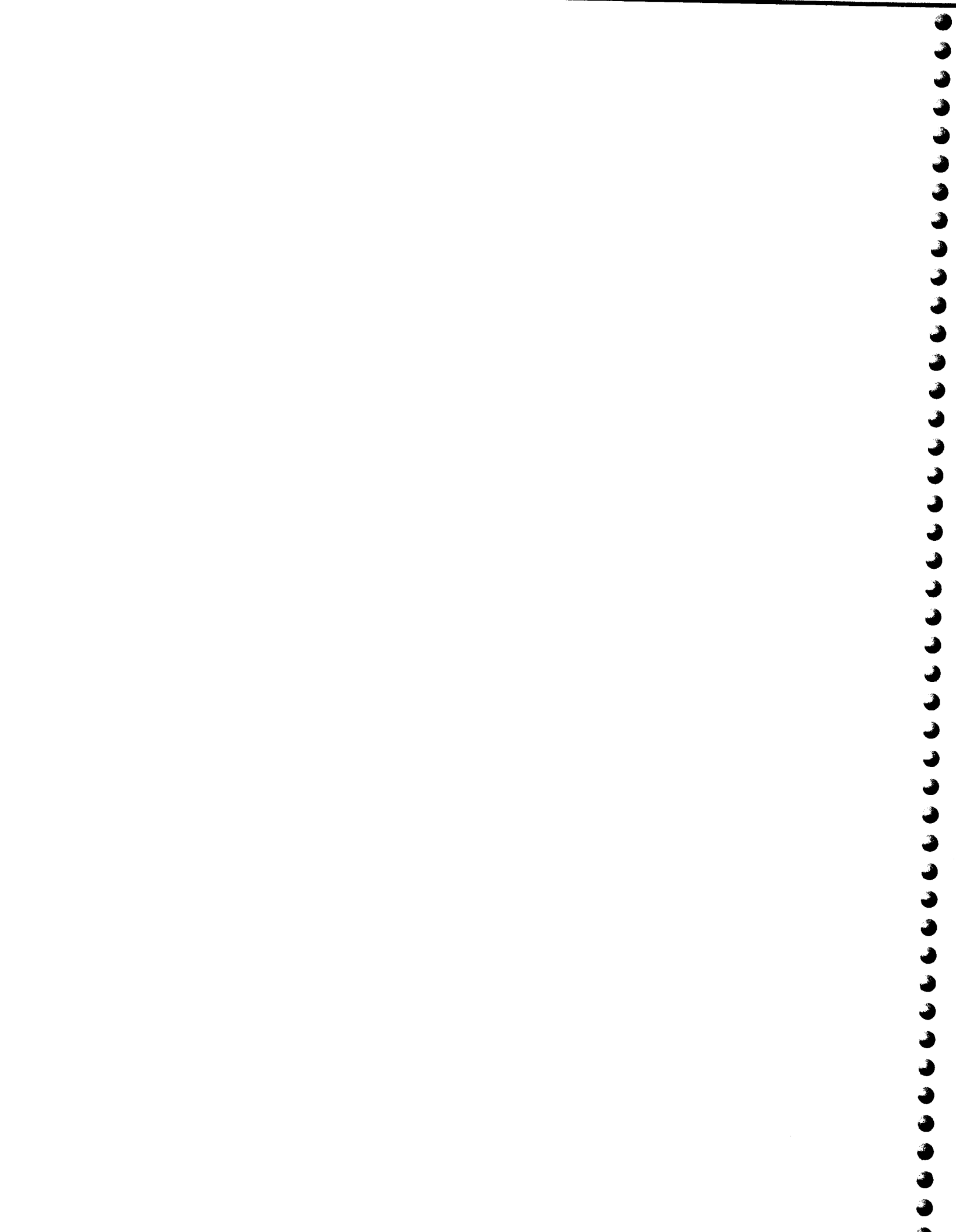
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**INDEPENDENT AUDITORS' REPORT**





# RONNIE S. WINDHAM, CPA, PLLC

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

Member  
American Institute of  
Certified Public Accountants

Member  
Mississippi State Society of  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Water Valley, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Water Valley, Mississippi as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

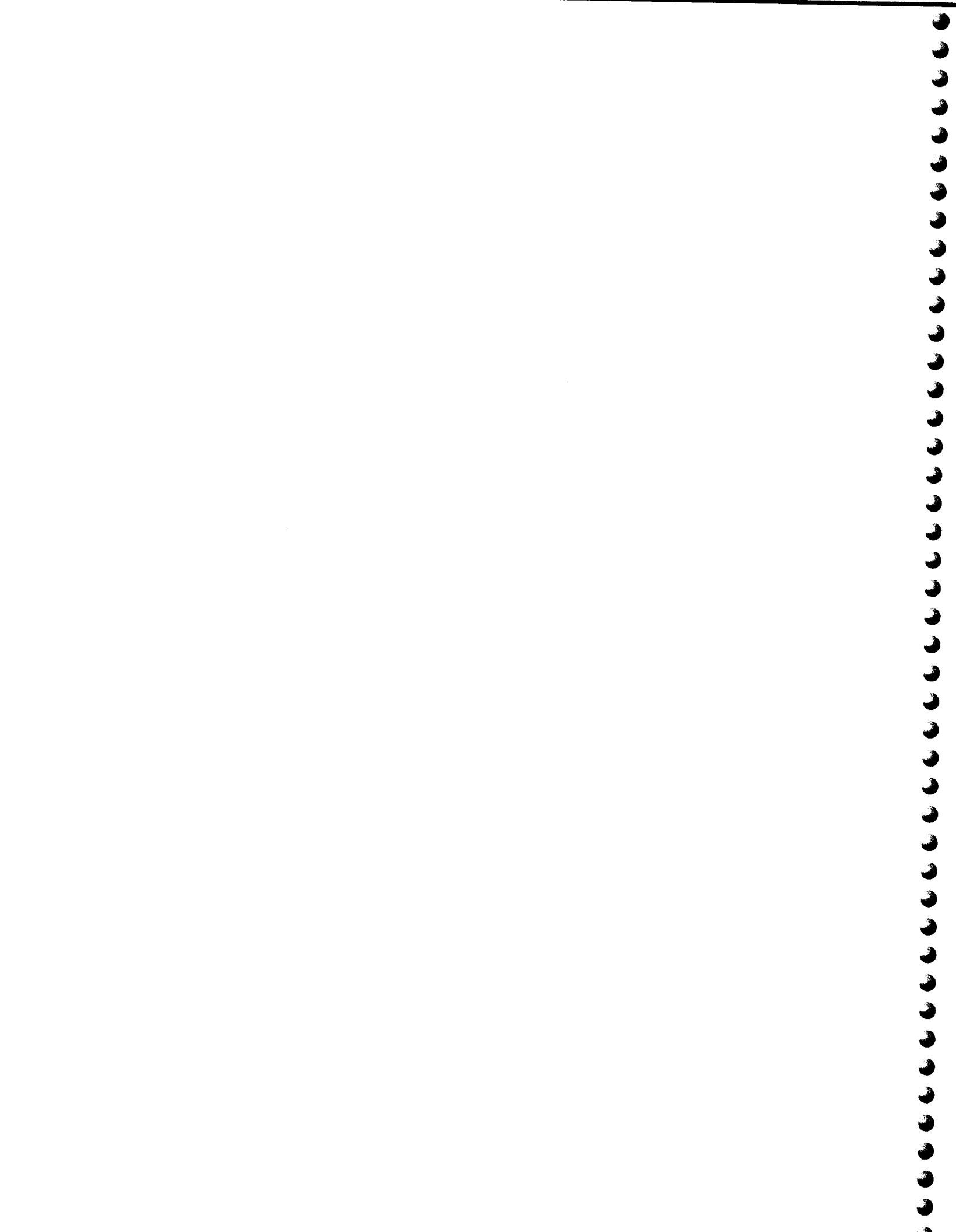
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Water Valley, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

*Required Supplementary Information*



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-12 and 44-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Water Valley Mississippi's basic financial statements. The introductory section and combining fund financial statements, section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

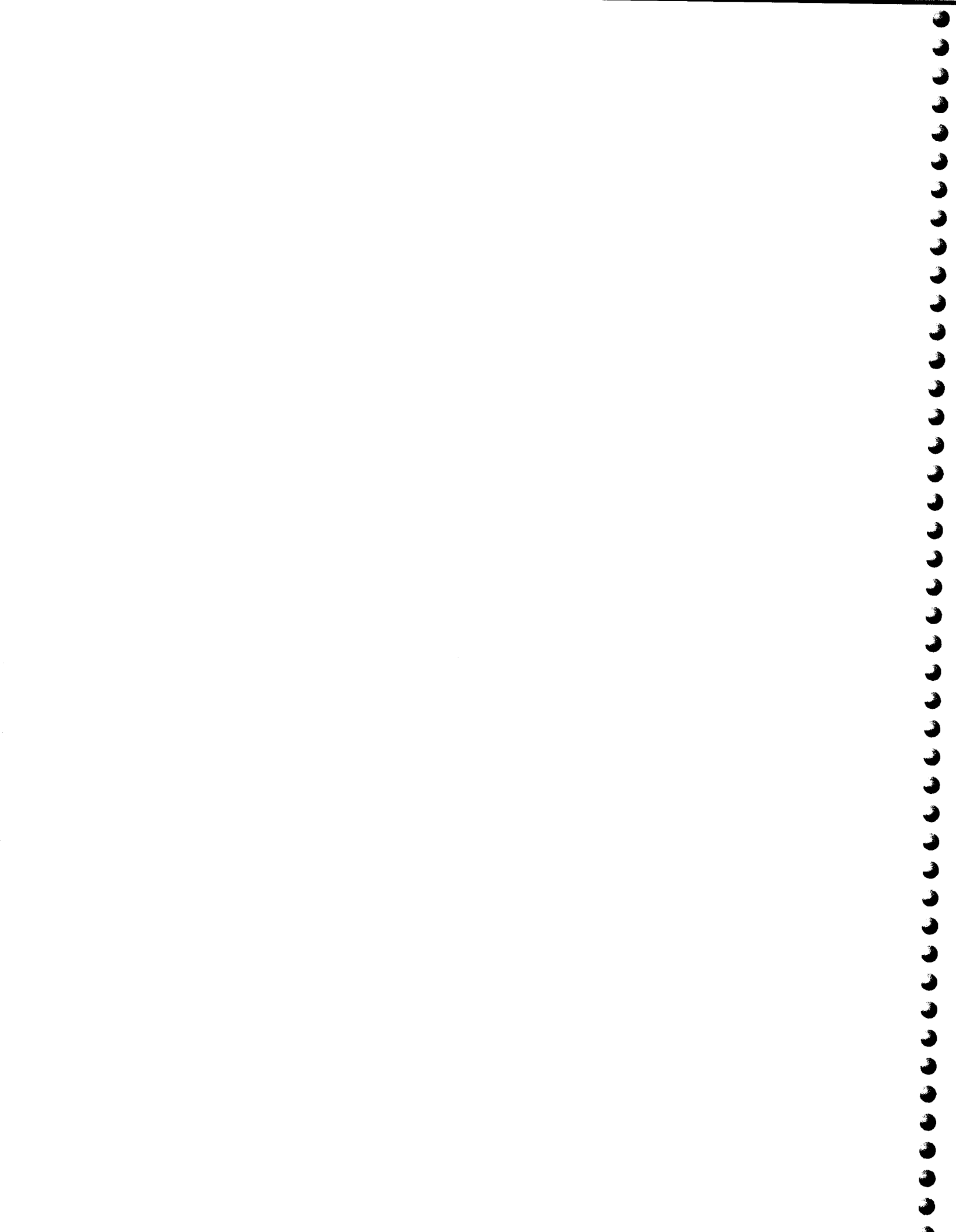
The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of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

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

*Ronnie S. Windham, CPA*

Ronnie S. Windham, CPA PLLC  
Oxford, MS 38655  
October 5, 2016





**FINANCIAL SECTION**





## **MANAGEMENT DISCUSSION AND ANALYSIS**



**CITY OF WATER VALLEY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
UNAUDITED**

This Discussion and Analysis of The City of Water Valley, Mississippi's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2015 were as follows:

Total net position decreased from 2014 \$2,635,832 due to pension liability recognition.

Total assets of governmental activities increased from 2014 \$235,621.

Total liabilities increased from 2014 \$3,682,351 due to pension liability recognition.

In total, cash increased from 2014 \$120,738.

Additions to capital assets increased \$293,541 from 2014..

**Using this Annual Financial Report**

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

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

**Reporting the City of Water Valley as a Whole**

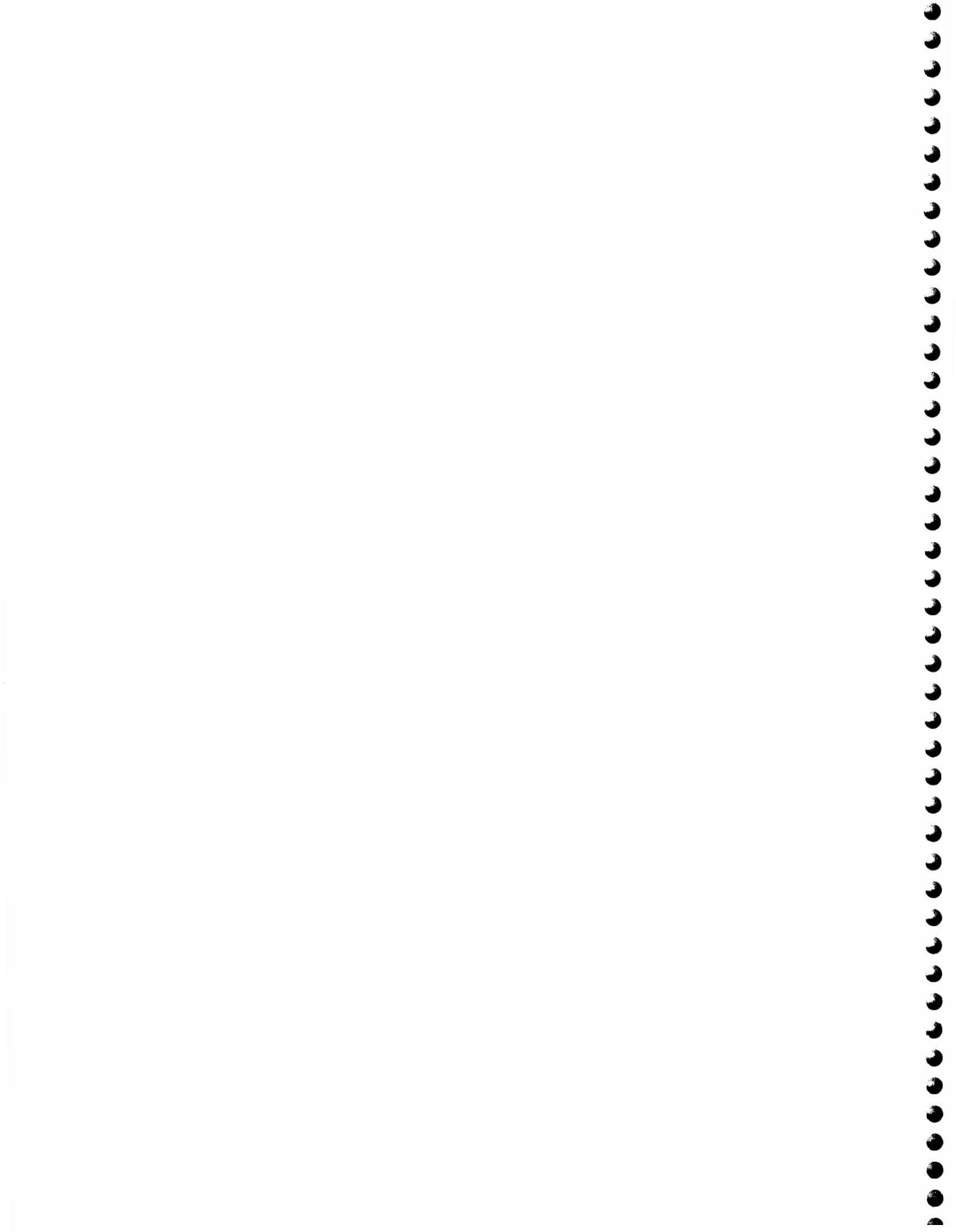
***Statement of Net Position and the Statement of Activities***

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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



**CITY OF WATER VALLEY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
UNAUDITED**

**Reporting the City of Water Valley's Most Significant Funds**

***Fund Financial Statements***

The analysis of the City's major funds begins on page 5. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Water Valley, the City's major funds are the General, Industrial Special, Industrial Building, and Airport.

***Governmental Funds***

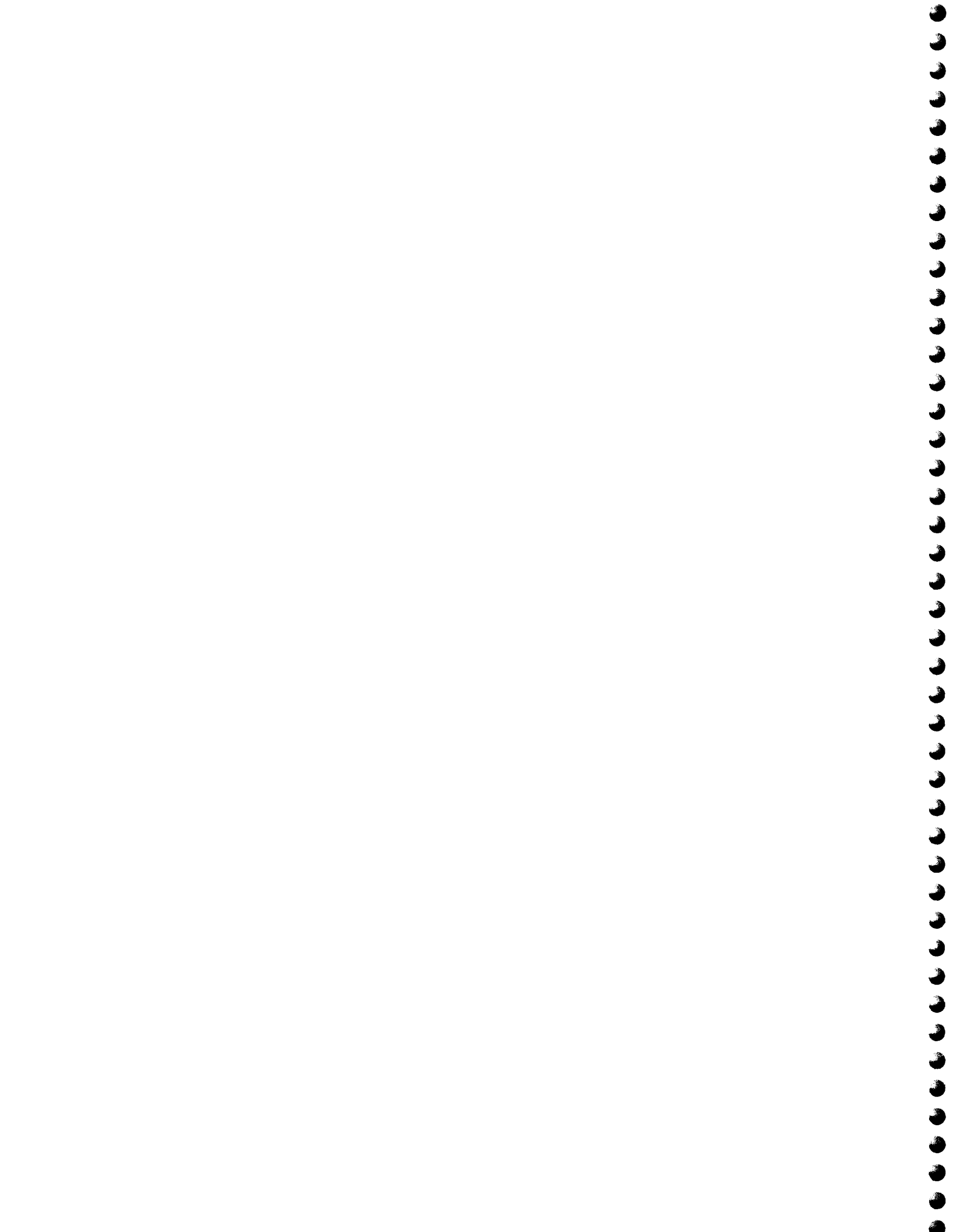
All of the City's governmental type activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting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

***Proprietary Funds***

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

**The City of Water Valley as a Whole**

Recall that the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2015.



**CITY OF WATER VALLEY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
UNAUDITED**

**The City of Water Valley as a Whole (Continued)**

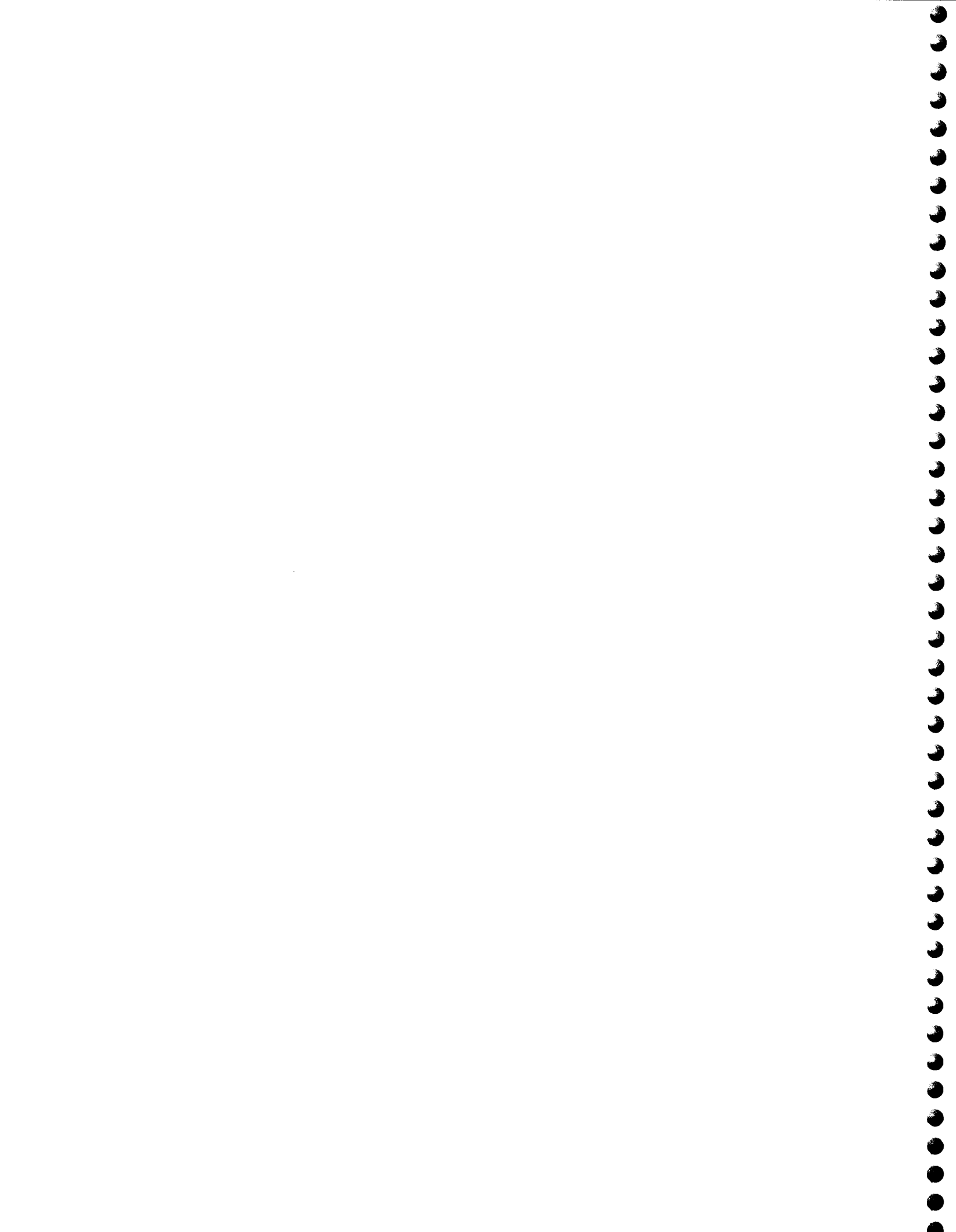
	Net Position	
	Governmental Activities	Business-type Activities
Assets:		
Current and other assets	\$ 2,163,369	\$ 714,724
Capital Assets, Net	3,099,069	3,433,206
Total Assets	<u>\$ 5,262,438</u>	<u>\$ 4,147,930</u>
Liabilities:		
Current and other liabilities	356,968	102,621
Net Pension Liability	2,403,197	600,799
Deferred Inflows of Resources	690,078	
Long-term liabilities:		
Due Within One Year	71,135	37,918
Due in more than one year	179,600	30,610
Total Liabilities	<u>\$ 3,700,978</u>	<u>\$ 771,948</u>
Net Position:		
Invested in Capital Assets Net of Debt	2,848,334	2,891,959
Restricted:		
Capital Projects	481,653	94,042
Other Purposes		26,625
Debt	0	0
Unrestricted	(1,768,527)	363,357
Total Net Position	<u>\$1,561,460</u>	<u>\$3,375,983</u>

Total assets for governmental activities increased \$235,621 from 2014. Total assets for business-type activities decreased \$285,508 from 2014.

Net position of the City's governmental activities decreased by \$2,635,832 from 2014 and net position for business-type activities decreased \$855,871 from 2014.

The table on the next page shows the Changes in Net Position for the year ended September 30, 2015 as compared to Changes in Net Position for the year ended September 30, 2014.



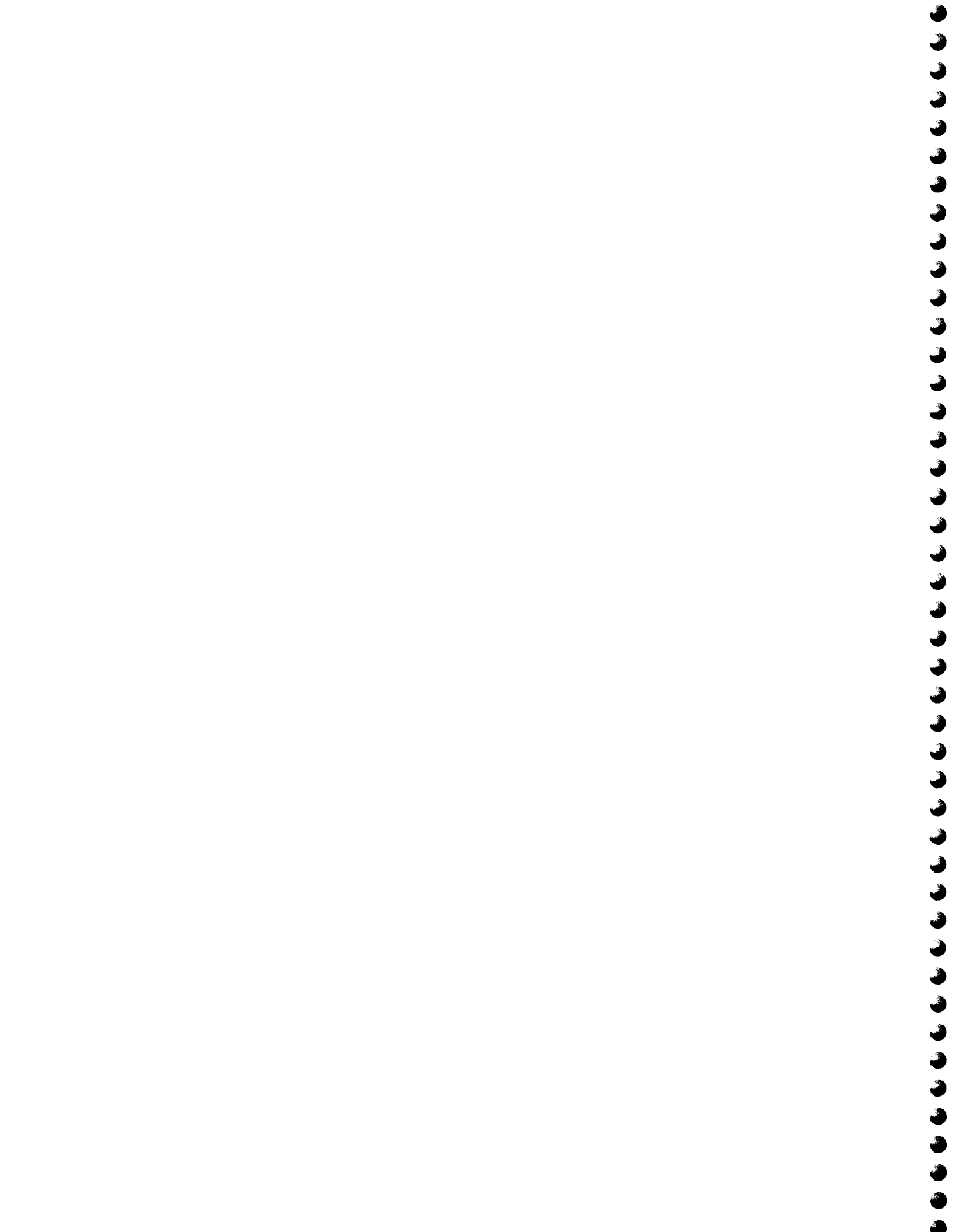


**CITY OF WATER VALLEY, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**  
**UNAUDITED**

	2015	2014
Governmental Activities:		
Revenues:		
Program Revenues:		
Charges for services	\$ 67,823	\$ 57,592
Operating grants and contributions	0	
Capital Grant and contributions	50,260	212,900
Total Program Revenues	118,083	270,492
General Revenues:		
Property taxes	631,540	593,726
Other taxes and licenses	634,903	595,063
Fines and forfeitures	83,876	87,588
Grants and contributions not restricted to specific programs	631,648	\$ 603,144
Investment and other revenues	241,655	231,666
Total General Revenues	2,223,622	2,113,202
Total Revenues	\$ 2,341,705	\$ 2,383,694
Program Expenses:		
General government	602,543	739,245
Public Safety	752,949	694,126
Fire	436,691	364,841
Streets	669,836	855,539
Parks and Recreation	286,876	277,815
Interest	3,581	3,656
Total Program Expenses	2,752,476	2,935,222
Increase ( decrease) in Net Position	\$ (410,771)	\$ (551,528)
Business-Type Activities:		
Revenues:		
Program Revenues:		
Charges for services	1,365,249	1,249,893
Operating grants and contributions	0	235,722
Total Program Revenues	1,365,249	1,485,615
General Revenues:		
Investment and other revenues	1,402	147,054
Total Revenues	1,366,651	1,632,669
Program Expenses:		
Water and Sewer	1,479,032	1,315,261
Solid Waste	271,732	308,901
Total Program Expenses	1,750,764	1,624,162
Increase (decrease) in Net Position	\$ (384,113)	\$ 8,507

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**CITY OF WATER VALLEY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
UNAUDITED**

***Governmental Activities***

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City property tax accounted for \$631,540 or 26.97% of gross revenue; revenues from charges for services and grants and contributions accounted for \$270,492 or 11.50% of gross revenue; and state sales and gas taxes accounted for \$634,903 or 27.11% of gross revenue. The City property tax millage rate remained at 37.00 mills. The City's major expense activity is public safety which includes police and fire. These expenses totaled \$1,189,640 or 43.22% of total governmental activity expenses.

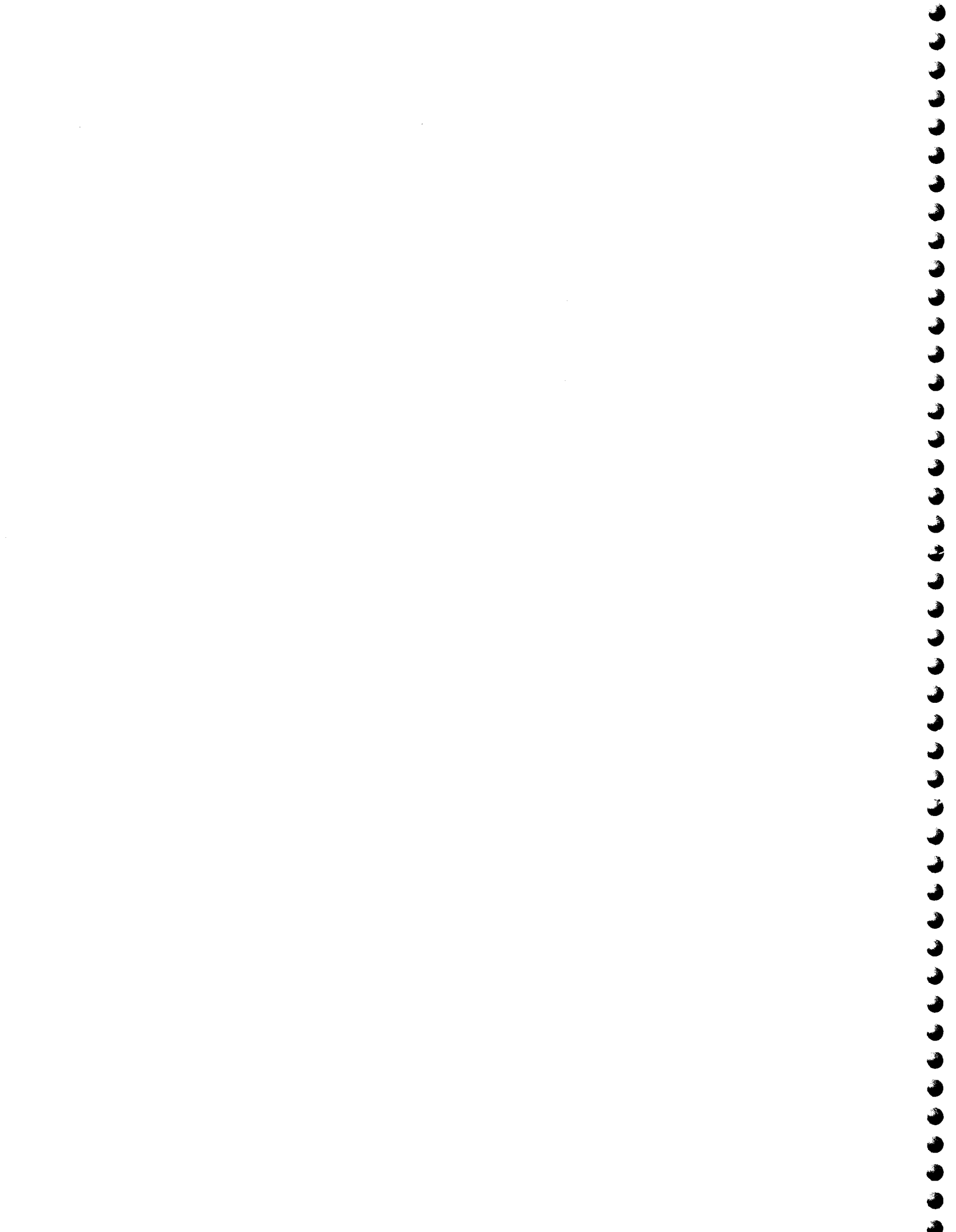
***Business-type Activities***

Charges for services fund our Business-type activities. Our proprietary funds include the Water and Sewer Fund and the Solid Waste Fund. Total charges for services revenues increased \$115,356 or 4.69% from 2014. Operating expenses increased \$118,083 or 5.04% from 2014.

***The City's Funds***

Information about the City's major governmental funds begins on page 10. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,341,705. This was an decrease from the prior year. The total revenues in the General Fund increased by \$229,945 or 9.82% from 2014. Total expenses for the General Fund decreased \$104,526 or 4.14% from 2013. General government increased \$10,086 or 2.69%. Public safety increased \$122,494 or 12.657% and Streets increased \$175,383 or 42.9%. Total expenditures exceeded total revenues in the General Fund by \$325,669 in 2015 as compared to revenues exceeding total expenditures by \$391,266 in 2014.

Information about the City's proprietary funds begins on page 22. These funds are accounted for using the accrual basis of accounting. The basis of accounting for these funds is the same as for the city as a whole and the results of operations are discussed above under "Business-type Activities."



**CITY OF WATER VALLEY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
UNAUDITED**

**Capital Assets and Long-Term Obligations**

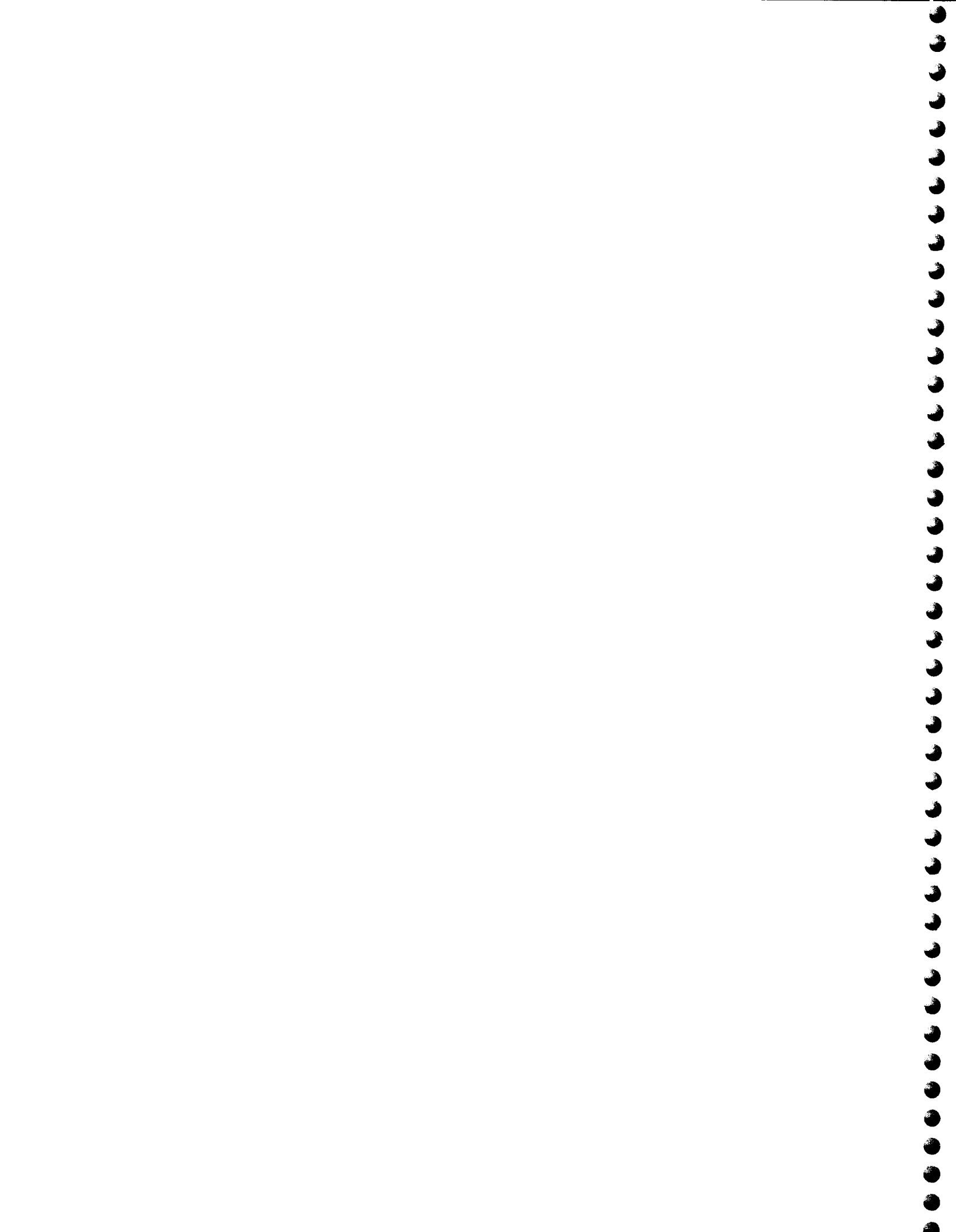
***Capital Assets***

Capital Assets at September 30, 2015 as compared to 2014:

	2015	2014
<b>Governmental Activities:</b>		
Land	\$ -	\$ -
Buildings	1,075,305	1,075,305
Vehicles	293,684	293,684
Machinery and equipment	1,038,685	845,842
Infrastructure	7,792,314	7,792,314
Construction in progress	0	0
<b>Total Governmental Activities</b>	<b>10,199,988</b>	<b>10,007,145</b>
<b>Business-type Activities:</b>		
Land	0	0
Buildings	0	0
Water and Sewer system	9,817,030	9,817,030
Machinery and Equipment	1,600,747	1,500,049
Vehicles	116,401	116,401
Construction in progress	0	0
<b>Total Business-type Activities</b>	<b>11,534,178</b>	<b>11,433,480</b>
<b>Total</b>	<b>\$ 21,734,166</b>	<b>\$ 21,440,625</b>

***Long-Term Obligations***

At September 30, 2015, the City of Water Valley had \$359,870 in total outstanding long-term obligations of the City.



**CITY OF WATER VALLEY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
UNAUDITED**

**Long-Term Obligations at Year End**

	2015	2014
<b>Governmental Activities:</b>		
General obligations bond	\$ -	\$ -
Leases Payable	250,735	166,986
Compensated absences	34,995	38,157
Total Governmental Activities	<u>285,730</u>	<u>205,143</u>
<b>Business-type Activities:</b>		
Revenue bonds	0	0
Leases Payable	68,528	116,846
Compensated absences	5,612	7,963
Total Business-type activities	<u>74,140</u>	<u>124,809</u>
<b>Total Long-Term Obligations</b>	<u><u>\$ 359,870</u></u>	<u><u>\$ 329,952</u></u>

**Current Financial Related Activities**

***Property Tax Revenues***

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

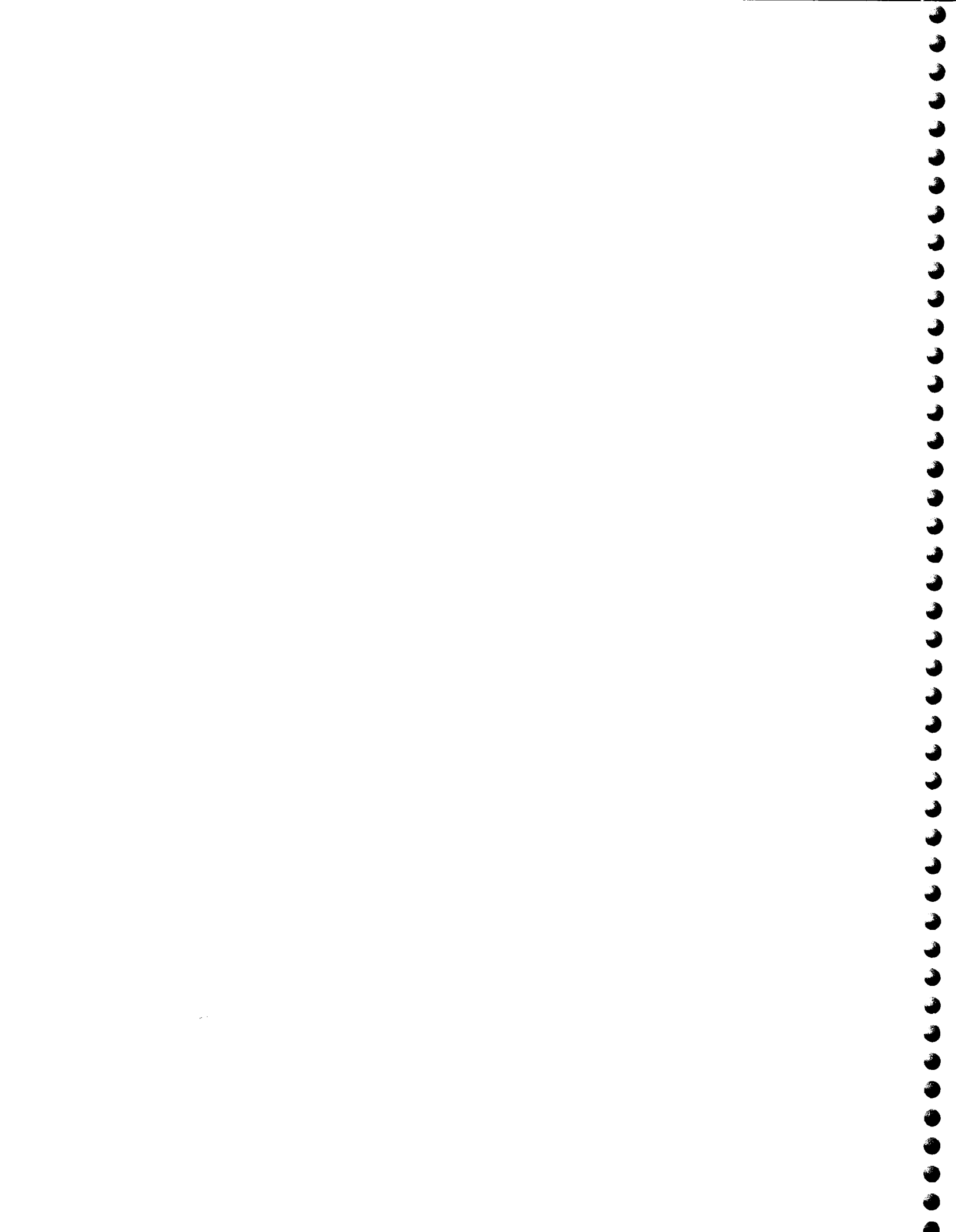
**Contacting the City's Finance Department**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Vivian Snider, City Clerk at 662-473-2431.

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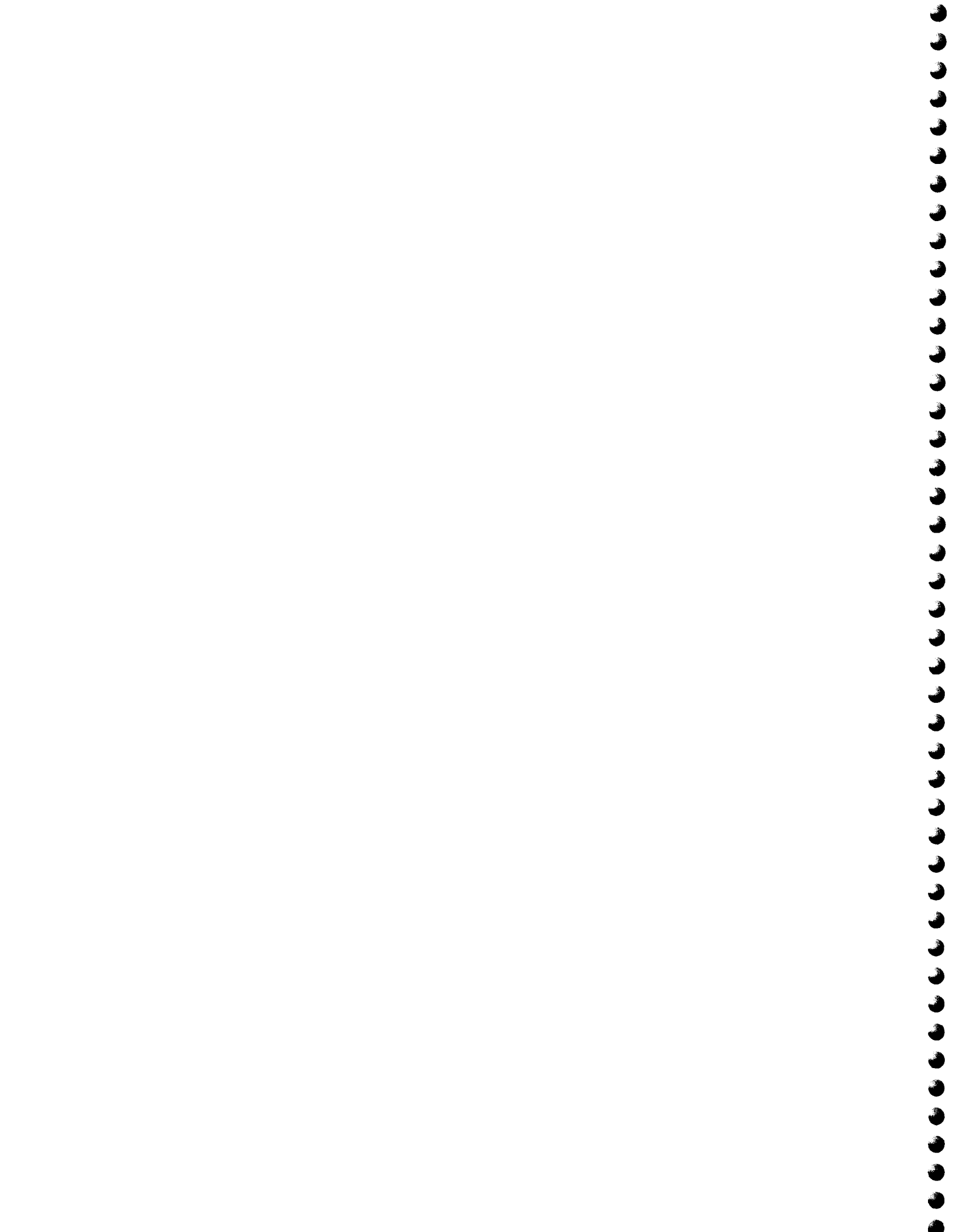


## **BASIC FINANCIAL STATEMENTS**

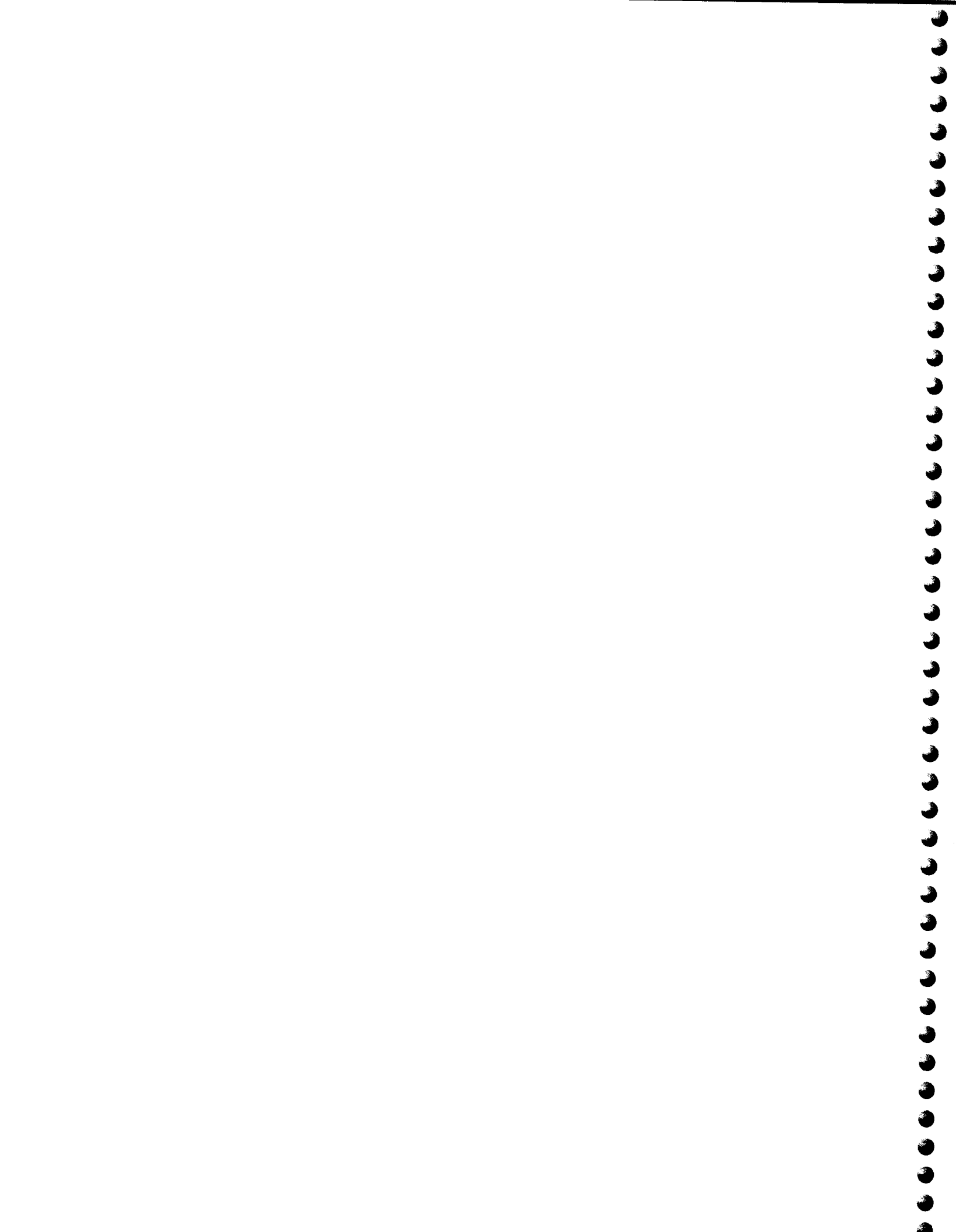
The basic financial statements include integrated sets of financial statements as required by the GASB.  
The sets of statements include:

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

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



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**CITY OF WATER VALLEY**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND OTHER DEBITS</b>			
Cash and cash equivalents	\$ 932,682	\$ 196,395	\$ 1,129,077
Receivables, net of allowance for uncollectibles	889,993	106,778	996,771
Due from other funds	13,295	209,034	222,329
Inventory, at cost	0	0	0
Restricted Assets	0	0	0
Cash Bond Reserves	0	94,042	94,042
Customer deposits	0	26,625	26,625
Capital assets, net	3,099,069	3,433,206	6,532,275
<b>Total Assets</b>	<b>\$ 4,935,039</b>	<b>\$ 4,066,080</b>	<b>\$ 9,001,119</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensionas	327,399	81,850	409,249
<b>LIABILITIES AND OTHER CREDITS</b>			
Accounts Payable	\$ 20,414	\$ 45,268	\$ 65,682
Other payables	67,654	20,826	88,480
Due to other Funds	194,051	0	194,051
Customer deposits	0	20,950	20,950
Employer Contributions Payable	39,854	9,964	49,818
Compensated absences	34,995	5,613	40,608
Capital related debt due within one year	71,135	37,918	109,053
Noncurrent liabilities:		0	0
Net Pension Liability	2,403,197	600,799	3,003,996
Capital related debt due in more than one year	179,600	30,610	210,210
<b>Total Liabilities</b>	<b>\$ 3,010,900</b>	<b>\$ 771,948</b>	<b>\$ 3,782,848</b>
Noncurrent liabilities:			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Tax for Future Reporting Period	690,078		690,078
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	\$ 2,848,334	\$ 2,891,959	\$ 5,740,293
Restricted for:			
Capital Projects	481,653	94,042	575,695
Other Purposes	0	26,625	26,625
Restricted for debt covenants			0
Unrestricted	(1,768,527)	363,357	(1,405,170)
<b>Total Net Position</b>	<b>\$ 1,561,460</b>	<b>\$ 3,375,983</b>	<b>\$ 4,937,443</b>
<b>Total Liabilities and Net Position</b>	<b>5,262,438</b>	<b>4,147,931</b>	<b>9,410,369</b>

The notes to the financial statements are an integral part of this statement

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**CITY OF WATER VALLEY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

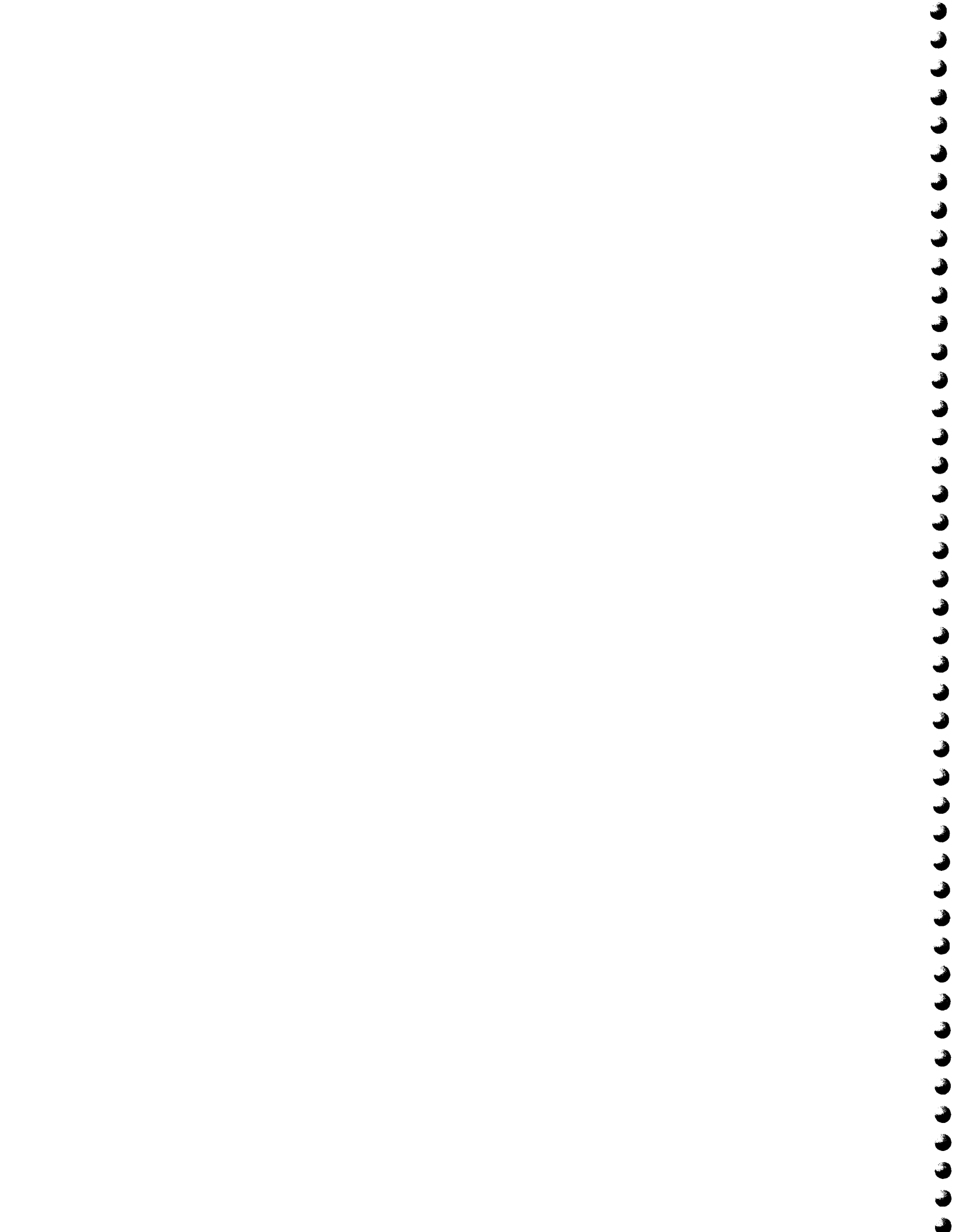
Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 602,543	\$ 42,539	\$ 0	\$ 50,260	\$ 509,744	\$	\$ 509,744
Public safety	752,949	600			752,349		752,349
Fire	436,691				436,691		436,691
Streets	669,836	4,891			664,945		664,945
Parks and recreation	286,876	19,793			267,083		267,083
Interest on long-term debt	3,581				3,581		3,581
Total governmental activities	\$ 2,752,476	\$ 67,823	\$ 0	\$ 50,260	\$ 2,634,393	\$ 0	\$ 2,634,393
Business-type activities:							
Water and Sewer	1,334,829	1,004,843	0	0		(329,986)	(329,986)
Sanitation	271,732	360,406				88,674	88,674
Total business-type activities	\$ 1,606,561	\$ 1,365,249	\$ 0	\$ 0	\$ 0	\$ (241,312)	\$ (241,312)
Total	\$ 4,359,037	\$ 1,433,072	\$ 0	\$ 50,260	\$ 2,634,393	\$ (241,312)	\$ 2,393,081
General revenues:							
Taxes:							
Taxes levied for general purpose					\$ 631,540	\$	\$ 631,540
Sales taxes and gas taxes					559,053		559,053
Franchise taxes and licenses					75,850		75,850
Fines and Forfeitures					83,876		83,876
Grants and contributions not restricted to specific programs							
Homestead Exemption Reimbursement					66,423		66,423
Other Intergovernmental revenues and grants					565,225		565,225
Investment Earnings					3,353	1,402	4,755
Miscellaneous					94,100		94,100
Transfers in					233,534	905,515	1,139,049
Transfers out					(89,332)	(1,049,718)	(1,139,050)
Total General Revenues and Transfers					\$ 2,223,622	\$ (142,801)	\$ 2,080,821
Change in net position					(410,771)	(384,113)	(312,260)
Net position- beginning as adjusted					1,972,230	3,760,096	5,732,326
Net position- ending					\$ 1,561,459	\$ 3,375,983	\$ 4,937,442

The notes to the financial statements are an integral part of this statement





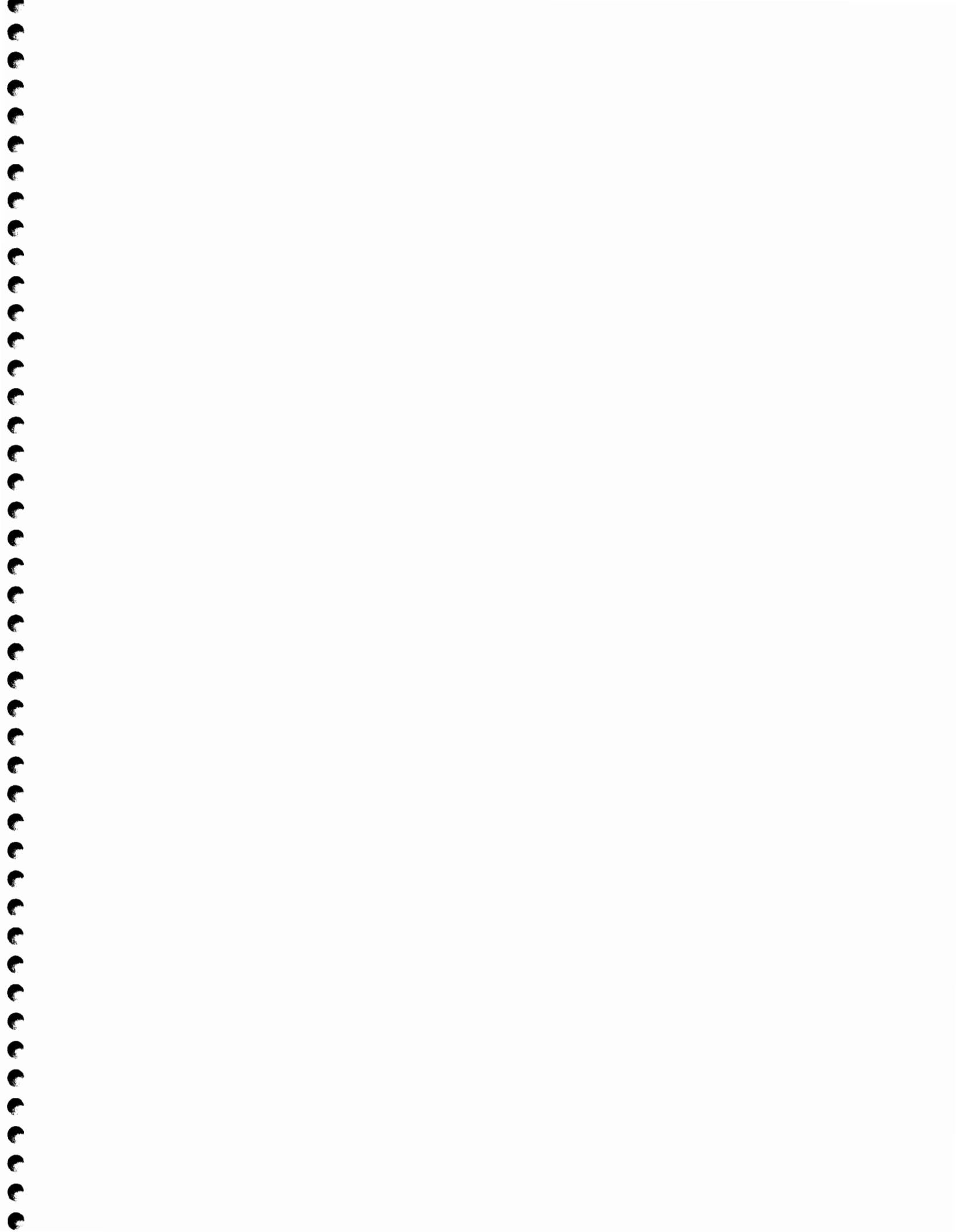
## **FUND FINANCIAL STATEMENTS**



**CITY OF WATER VALLEY**  
**BALANCE SHEET- GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2015**

	General Fund	Airport	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND OTHER DEBITS</b>				
Cash and cash equivalents	\$ 419,298	\$ 309	\$ 513,074	\$ 932,681
Taxes Receivable	643,498	0	46,580	690,078
Fines Receivable	231,158	0		231,158
allowance for uncollectibles	(129,613)			(129,613)
Due from other governments	98,370			98,370
Due from other funds	537	0	12,757	13,294
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets and Other Debits	\$ <u>1,263,248</u>	\$ <u>309</u>	<u>572,411</u>	\$ <u>1,835,968</u>
<b>LIABILITIES AND OTHER CREDITS</b>				
Accounts Payable	\$ 20,281	\$ 0	133	\$ 20,414
Other Payables	99,993	0	7,618	107,611
Due to Other Funds	193,947		1	193,948
Accrued Leave	33,933		1,061	34,994
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	\$ <u>348,154</u>	\$ <u>0</u>	<u>8,813</u>	\$ <u>356,967</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows-Property Taxes	<u>643,498</u>	<u>          </u>	<u>46,580</u>	<u>690,078</u>
<b>FUND BALANCES</b>				
Restricted				
Unassigned:				0
General fund	271,596			271,596
Capital projects funds	<u>          </u>	<u>309</u>	<u>517,018</u>	<u>517,327</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	\$ <u>271,596</u>	\$ <u>309</u>	<u>517,018</u>	\$ <u>788,923</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>				
	\$ <u>1,263,248</u>	\$ <u>309</u>	<u>572,411</u>	\$ <u>1,835,968</u>

*The notes to the financial statements are an integral part of this statement*



**CITY OF WATER VALLEY**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE**  
**SHEET TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

Total Fund Balance- Governmental Funds	\$ 788,924
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the government funds	3,099,069
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(250,735)
Net pension obligations are not due in the current period	(2,403,197)
Deferred outflows and inflows of pension resources are not applicable to the current period	327,399
Total Net Position-Governmental Activities	<u>\$ 1,561,460</u>

*The notes to the financial statements are an integral part of this statement*



**CITY OF WATER VALLEY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES-GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Major Funds

	General Fund	Airport	Total Non-Major Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property taxes	591,074		44,949	636,023
Sales and Gas Tax	519,864			519,864
Unrestricted intergovernmental	662,664		3,689	666,353
Grants	0		50,260	50,260
Charge for services	30,123		37,800	67,923
Franchise Tax and Permits	75,850			75,850
Fines	83,876			83,876
Miscellaneous	74,421	2	22,929	97,352
<b>TOTAL REVENUES</b>	<b>2,037,872</b>	<b>2</b>	<b>159,627</b>	<b>2,197,501</b>
<b>EXPENDITURES</b>				
General governmental	392,416		75,403	467,819
Public safety	721,123		4,954	726,077
Fire	369,903		20,007	389,910
Streets	407,978		0	407,978
Parks and recreation	252,596		5,918	258,514
Capital Outlay	158,793		34,050	192,843
Debt services				0
Principal	57,151		0	57,151
Interest	3,581		0	3,581
Other		0		0
<b>TOTAL EXPENDITURES</b>	<b>2,363,541</b>	<b>0</b>	<b>140,332</b>	<b>2,503,873</b>
Excess (deficiency) of revenues over expenditures	(325,669)	2	19,295	(306,372)
<b>Other financing sources (uses):</b>				
Transfers in	194,642	0	38,892	233,534
Transfers out	(23,592)		(65,440)	(89,032)
Proceeds from debt	140,900		0	140,900
Sales of Capital Assets	0			0
<b>Total other financing sources (uses):</b>	<b>311,950</b>	<b>0</b>	<b>(26,548)</b>	<b>285,402</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(13,719)	2	(7,253)	(20,970)
<b>Fund Balances - Beginning,</b>	<b>285,316</b>	<b>307</b>	<b>524,271</b>	<b>809,894</b>
<b>Fund Balances - Ending</b>	<b>271,597</b>	<b>309</b>	<b>517,018</b>	<b>788,924</b>

*The notes to the financial statements are an integral part of this statement*





**CITY OF WATER VALLEY**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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

Net change in fund balances- total government funds	\$ (20,970)
---	-------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reports as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(306,051)
--	-----------

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas, in the governmental funds proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decreases financial resources. This is the amount by which the proceeds from the sale of assets exceeds the gain on the sale of assets.	0
---	---

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount that debt proceeds exceeded debt payments in the current period.	(140,900)
proceeds of debt	57,151
repayment of principal	

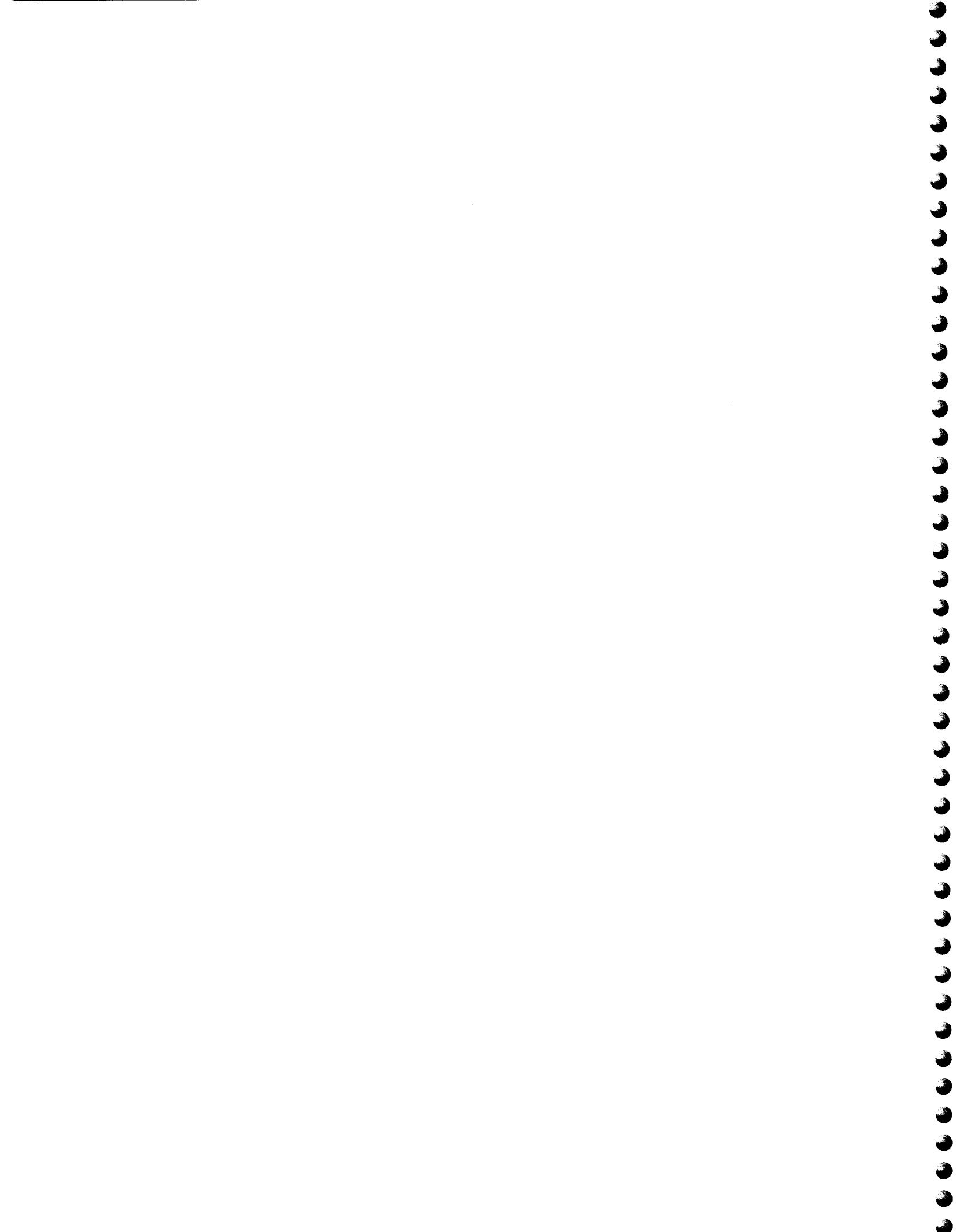
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required in the Statement of Activities using the full-accrual basis of accounting.	2,100
--	-------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	0
--	---

This is the amount of decrease in compensated absences.	(2,101)
---	---------

Change in Net Position of Governmental Activities	<u>\$ (410,771)</u>
---	---------------------

*The notes to the financial statements are an integral part of this statement*



**CITY OF WATER VALLEY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2015**

	Water and Sewer Fund Current	Solid Waste Fund Current	Totals Current Year
<b>ASSETS</b>			
Cash and cash equivalents	\$ 185,888	\$ 10,507	\$ 196,395
Customer receivables, net of allowance	76,398	30,380	106,778
Unbilled Income			0
Due from other funds	7,987	201,047	209,034
Other receivables	0		0
Inventory, at cost			0
Prepays			0
Restricted Assets			0
Cash Bond Reserves	94,042		94,042
Customer deposits	26,625		26,625
Capital assets, net	3,371,280	61,926	3,433,206
Capitalized interest and bond costs (net)			0
Total Assets	<u>\$ 3,762,220</u>	<u>\$ 303,860</u>	<u>\$ 4,066,080</u>
<b>DEFERRED OUTFLOWS of RESOURCES</b>			
Deferred Outflows Related to Pensions	65,480	16,370	81,850
<b>LIABILITIES</b>			
Accounts Payable	\$ 45,268	\$ 0	\$ 45,268
Due to other funds	0		0
Other payable	12,434	8,392	20,826
Customer deposits	20,950		20,950
Employer Contribution Payable	7,971	1,993	9,964
Compensated absences	4,699	914	5,613
Capital related debt due within one year	7,916	30,002	37,918
Noncurrent liabilities:			
Net Pension liability	480,639	120,160	600,799
Capital related debt due in more than one year	0	30,610	30,610
Total Liabilities	<u>\$ 579,877</u>	<u>\$ 192,071</u>	<u>\$ 771,948</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,890,641	1,318	2,891,959
Restricted for debt covenants	0		0
Unrestricted	357,183	126,841	484,024
Total Net Position	<u>\$ 3,247,824</u>	<u>\$ 128,159</u>	<u>\$ 3,375,983</u>
 Total Liabilities and Net Position	 <u>3,827,701</u>	 <u>320,230</u>	 <u>4,147,931</u>

*The notes to the financial statements are an integral part of this statement*

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**CITY OF WATER VALLEY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR YEAR ENDED SEPTEMBER 30, 2015**

	Water and Sewer Fund Current	Solid Waste Fund Current Year	Totals Current Year
Operating revenues:			
Charges for services	\$ 551,930	\$ 360,406	\$ 912,336
Tap fees	7,377		7,377
Other Operating Revenues	95,401		95,401
Sewer treatment charges	350,135		350,135
	<u>\$ 1,004,843</u>	<u>\$ 360,406</u>	<u>\$ 1,365,249</u>
Operating expenses:			
Personnel services	329,213	84,933	414,146
Supplies and material	209,945	10,765	220,710
Other services and charges	305,813	117,021	422,834
Capital repairs	58,231	33,419	91,650
Depreciation	429,568	23,768	453,336
	<u></u>	<u></u>	<u></u>
Total operating expenses	<u>\$ 1,332,770</u>	<u>\$ 269,906</u>	<u>\$ 1,602,676</u>
Operating income (loss)	<u>\$ (327,927)</u>	<u>\$ 90,500</u>	<u>\$ (237,427)</u>
Other sources (uses)			
Intergovernmental	0		0
Investment earnings	(1,334)	(68)	(1,402)
Interest expense	2,059	1,826	3,885
Operating transfers in	(905,515)	0	(905,515)
Operating transfers out	955,075	94,643	1,049,718
	<u>\$ 50,285</u>	<u>\$ 96,401</u>	<u>\$ 146,686</u>
Change in net position	(378,212)	(5,901)	(384,113)
Total net position - beginning as adjusted	<u>3,626,036</u>	<u>134,060</u>	<u>3,760,096</u>
Total net position - ending	<u><u>\$ 3,247,824</u></u>	<u><u>\$ 128,159</u></u>	<u><u>\$ 3,375,983</u></u>

*The notes to the financial statements are an integral part of this statement*

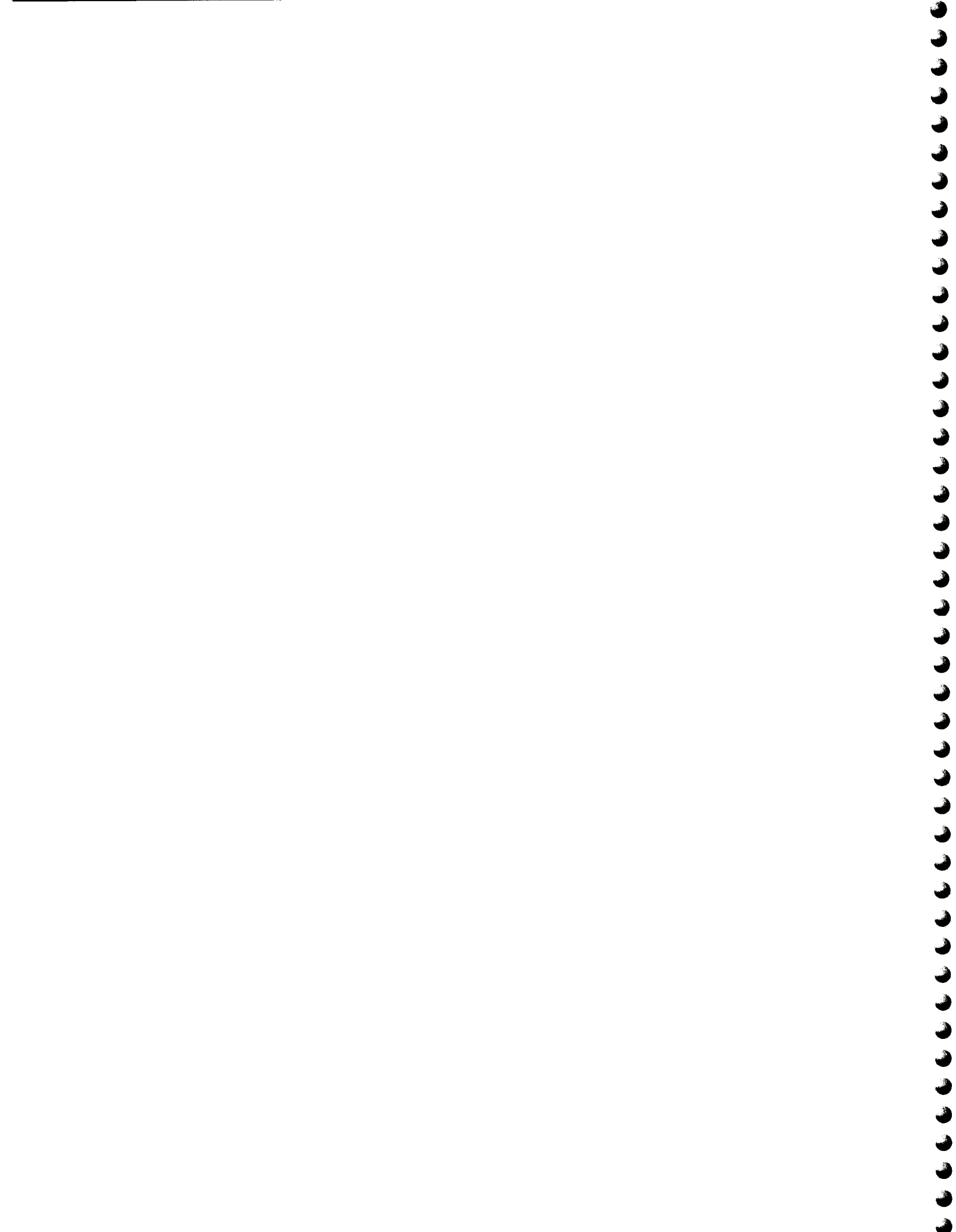


**CITY OF WATER VALLEY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR YEAR ENDED SEPTEMBER 30, 2015**

	Water and Sewer Fund	Solid Waste Fund	Totals
Cash flow from operating activities:			
Cash received from customers (excluding deposit)	\$ 1,005,823	\$ 360,507	\$ 1,366,330
Cash paid to suppliers	(561,637)	(161,205)	(722,842)
Cash paid to employees	(287,994)	(73,428)	(361,422)
Net cash provided (used) by operating activities	<u>\$ 156,192</u>	<u>\$ 125,874</u>	<u>\$ 282,066</u>
Cash flow from non-capital financing activities:			
Operating transfers out	(955,075)	(94,645)	(1,049,720)
Operating transfers in	905,515	0	905,515
Net cash provided by non-capital financing activities	<u>\$ (49,560)</u>	<u>\$ (94,645)</u>	<u>\$ (144,205)</u>
Cash flow from capital and related financing activities:			
Grants Received	0		0
Loans made	0	0	0
Principal paid on notes	(18,913)	(29,405)	(48,318)
Interest paid	<u>\$ (2,059)</u>	<u>\$ (1,826)</u>	<u>\$ (3,885)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (20,972)</u>	<u>\$ (31,231)</u>	<u>\$ (52,203)</u>
Cash flow from investing activities:			
Purchase of fixed assets	(100,698)	0	(100,698)
Interest received	1,334	68	1,402
Net cash provided (used) by investing activities	<u>\$ (99,364)</u>	<u>\$ 68</u>	<u>\$ (99,296)</u>
Net increase (decrease) in cash for the year	(13,704)	66	(13,638)
Cash and restricted cash - October 1, 2014	<u>320,259</u>	<u>10,441</u>	<u>330,700</u>
Cash and restricted cash - September 30, 2015	<u>\$ 306,555</u>	<u>\$ 10,507</u>	<u>\$ 317,062</u>

*The notes to the financial statements are an integral part of this statement*





**CITY OF WATER VALLEY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR YEAR ENDED SEPTEMBER 30, 2015**

Reconciliation of Operating Income to Net Cash Provided by Operating Activities			Totals
Income (loss) from operations	\$ (327,927)	\$ 90,500	\$ (237,427)
Adjustment to reconcile operating income to net cash provided by operating income activities:			
Depreciation	429,568	23,768	453,336
Other nonoperating revenue			
(Increase) decrease in accounts receivable	3,301	101	3,402
(Increase) decrease in due from other funds	(4,863)	0	(4,863)
(Increase) decrease in deferred outflows	(65,480)	(16,370)	(81,850)
Increase (decrease) in other liabilities	(1,962)	74	(1,888)
Increase (decrease) in accounts payable	20,323	1,993	22,316
Increase (decrease) in net pension liability	103,232	25,808	129,040
Net Cash provided by operating activities	<u>\$ 156,192</u>	<u>\$ 125,874</u>	<u>\$ 363,916</u>
Other Required Disclosures:			
Interest expense	<u>\$ 2,059</u>	<u>\$ 1,826</u>	<u>\$ 3,885</u>

*The notes to the financial statements are an integral part of this statement*



**CITY OF WATER VALLEY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**SEPTEMBER 30, 2015**

	Total Fiduciary Funds
ASSETS	
Cash	38,889
Interfund Receivables	0
	<u>\$ 38,889</u>
Total Assets	
LIABILITIES AND NET POSITION	
Interfund Payables	10,244
Payables to others	28,645
Total Liabilities	<u>\$ 38,889</u>
NET POSITION	
Unassigned	0
Total net position	<u>\$ -</u>

*The notes to the financial statements are an integral part of this statement*



**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**A. Reporting Entity**

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

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

**B. Basic Financial Statements - Government-Wide Statements**

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

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

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

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**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**C. Basic Financial Statements – Fund Financial Statements**

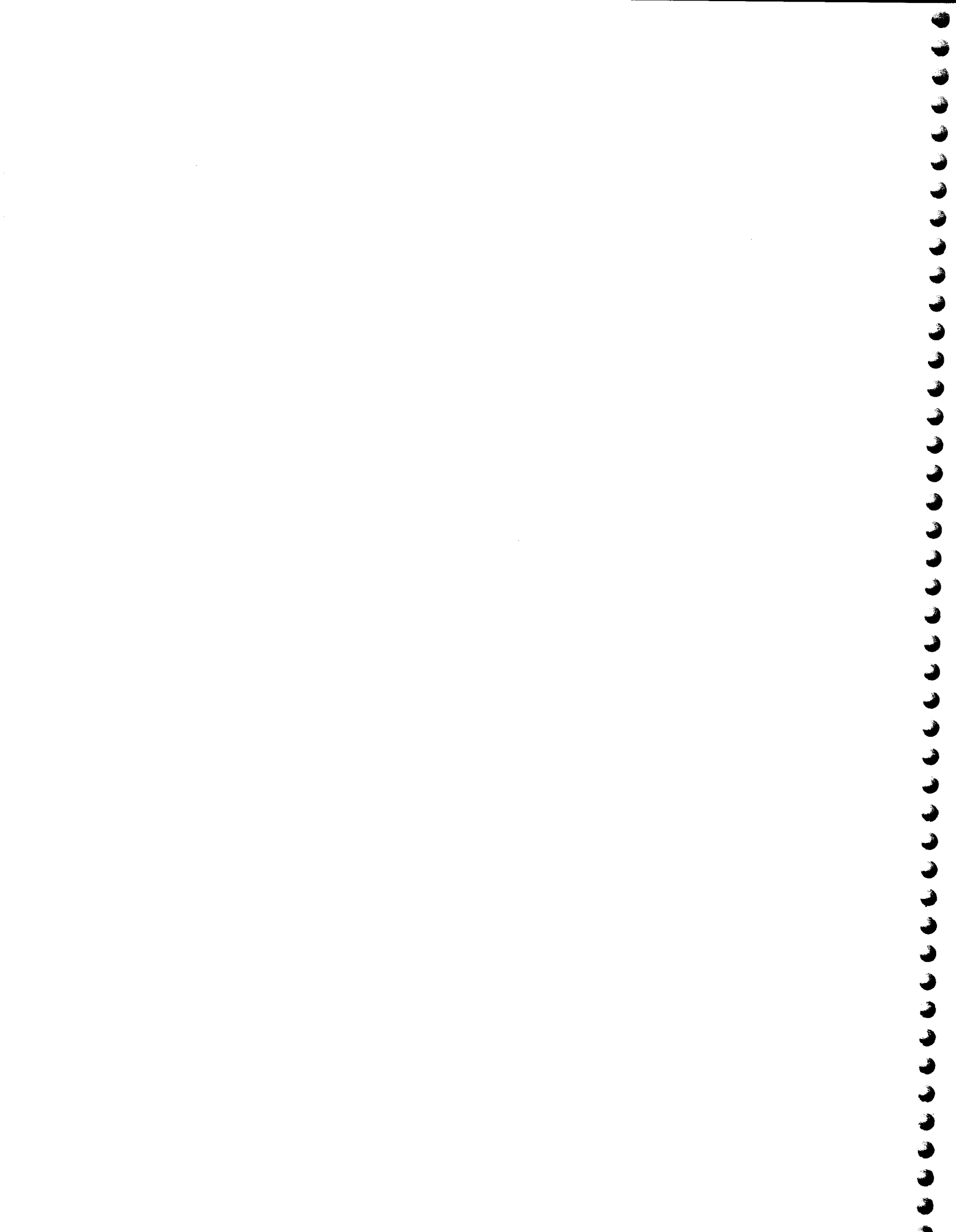
The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported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

**1. Governmental Funds**

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

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





**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Funds**

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

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

**3. Fiduciary Funds**

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

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

**D. Basis of Accounting**

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

**1. Accrual**

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

**2. Modified Accrual**

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



**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Financial Statement Amounts**

**1. Cash and Cash Equivalents**

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

**2. Inventory**

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

**3. Receivables**

In the government-wide statements, receivables consist of all revenue earned at year-end and not received. Allowances for uncollectible accounts receivable are based upon estimates by management. Major receivable balances for the governmental activities include sales tax, property taxes, grants, and police fines. Business-type activities report utilities earnings as their major receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

**4. Interfund Transactions and Balances**

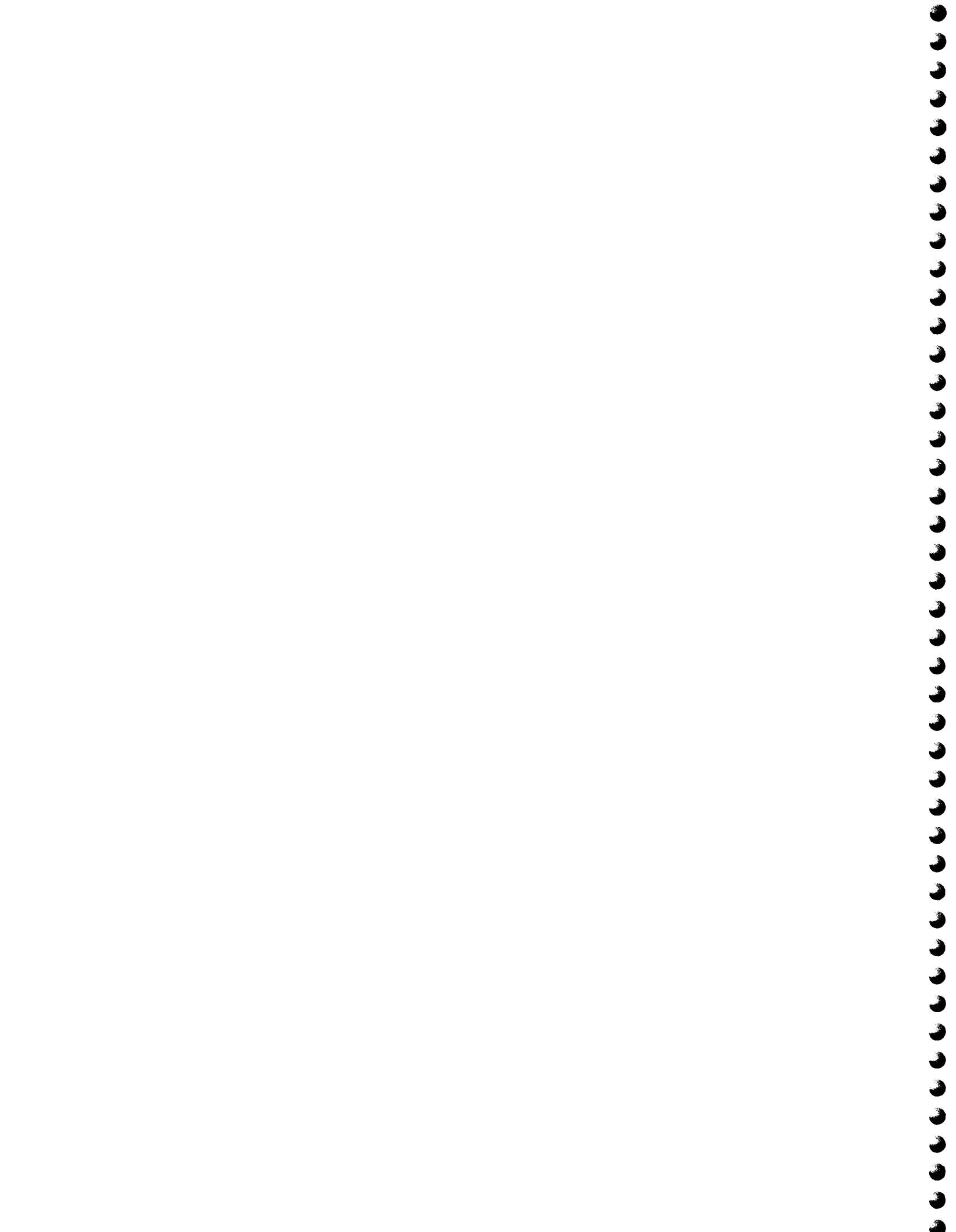
During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**5. Capital Assets**

Capital outlays are reported and recorded as expenditures of the Governmental Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Depreciation is recorded on capital assets on a government-wide basis. Capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. As permitted by GASB Statement No. 34, the City has elected to not report public domain (infrastructure) capital assets acquired prior to October 1, 2003.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.



**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capitalization thresholds (dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

	Capitalization Threshold	Estimated Useful Life
Land	(-)	N/A
Infrastructure	(-)	20/50 Years
Buildings	50,000	40 Years
Improvements other than buildings	25,000	20 Years
Mobile equipment	5,000	5/10 Years
Furniture and equipment	5,000	3/7 Years
Utility Systems	(-)	30/50 Years

**6. Deferred Outflows/ Inflows of Revenue**

In addition to assets, the statements 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. At this time, the City has no transactions that meet the definition of deferred outflows of resources.

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 resource (revenue) until that time. The City has two types of items that qualify for reporting in this category.

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

Unavailable revenue-fines-When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.



**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**7. Long-term liabilities**

Long-term liabilities are the unmatured principal bonds, loans, notes or other forms of noncurrent or long-term general obligations indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

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

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

**8. Revenues**

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

**9. Expenditures**

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

**10. Compensated Absences**

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

**11. Inter-fund Activity**

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





**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**12. Basis of Budgeting**

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

**13. Net Position**

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

- a. Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- b. Restricted – this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- c. Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**14. Fund Balance**

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

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

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

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**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

The City does not have any assigned assets.

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

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

**15. Use of Estimates**

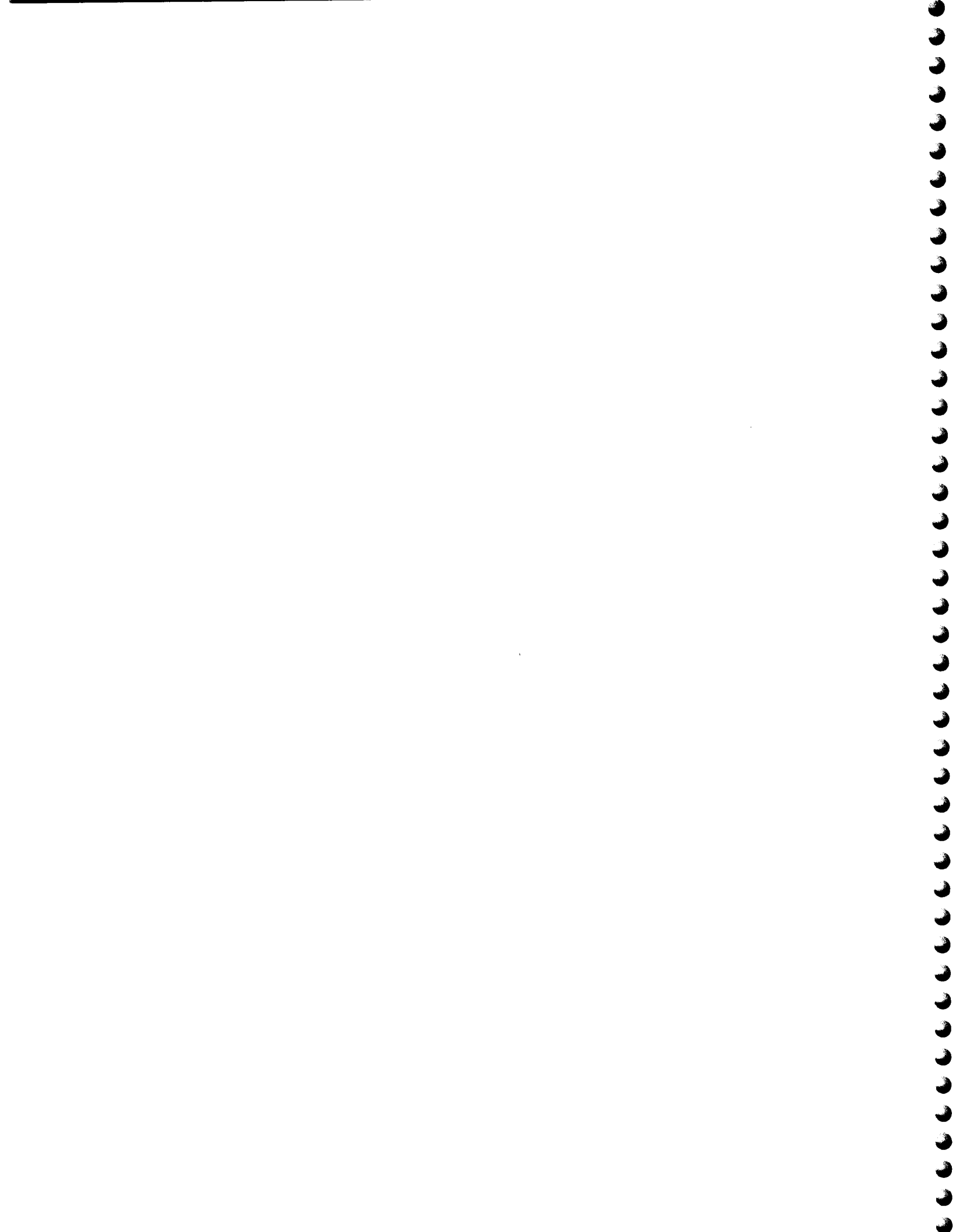
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements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

**NOTE 2: CASH AND CASH EQUIVALENTS**

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

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

As of September 30, 2015, the carrying amount of the City's deposits was \$1,288,633 and the bank balances totaled \$1,301,531. Of the bank balances, \$250,000 was insured by the FDIC and \$1,038,633 was covered by pooled and/or pledged collateral.



**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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

At September 30, 2015, accounts receivable were as follows:

	Governmental Activities	Business-type Activities	Total
Taxes receivable	\$690,078		\$ 690,078
Fine forfeits	101,545		101,545
Due from other governments	98,370	0	98,370
Water, sewer, garbage, electric	0	106,778	106,778
Net accounts receivable	<u>\$889,993</u>	<u>\$ 106,778</u>	<u>\$996,771</u>



**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015 was as follows:

	<u>Beginning Balance</u> 10/01/2014	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u> 09/30/2015
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land	\$	\$	\$	\$
Depreciable assets:				
Buildings	1,107,305	0	0	1,075,305
Vehicles	293,684	0	0	293,684
Machinery and equipment	845,842	192,843	0	1,038,685
Infrastructure	7,792,314	0	0	7,792,314
Totals at historical cost	10,007,145	192,843	0	10,199,988
Less accumulated depreciation for:				
Buildings	326,442	47,589	0	374,031
Vehicles	425,810	132,938	0	558,748
Machinery and equipment	753,930	18,136	0	772,066
Infrastructure	5,095,842	300,231	0	5,396,073
Total accumulated depreciation	6,602,024	498,894	0	7,100,918
Governmental activities capital assets, net	3,405,121	-306,051	0	3,099,070
	<u>Beginning Balance</u> 10/1/2014	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u> 9/30/2015
<b>Business-type Activities:</b>				
Non-depreciable assets:				
Land	\$ 0	\$ 0	\$ 0	\$ 0
Depreciable assets:				
Water and Sewer system	9,817,030	9,0	0	9,817,030
Machinery and equipment	1,500,049	100,698	0	1,600,747
Vehicles	116,401	0	0	116,401
Construction in Progress	0	0	0	0
Totals at historical cost	11,433,480	100,698	0	11,534,178
Less accumulated depreciation for:				
Water and sewer system	7,015,968	357,582	0	7,373,550
Machinery and equipment	513,397	91,633	0	605,030
Vehicles	118,270	4,121	0	122,391
Total accumulated depreciation	7,647,635	453,336	0	8,100,971
Business-type activities capital assets, net	3,785,845	-352,638	0	3,433,207

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





**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 4: CAPITAL ASSETS (Continued)**

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

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

Depreciation expenses were charged to governmental functions as follows:

	GOVERNMENTAL		PROPRIETARY
General government	\$ 34,303	Water & Sewer system	357,582
Public property	90,896	Equipment	91,633
Public safety	111,838	Vehicles	4,121
Streets	<u>261,858</u>		<u>0</u>
Total depreciation expense	\$ 498,895	Total Depreciation expense	\$ 453,336



**CITY OF WATER VALLEY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 5: LONG TERM DEBT**

<u>Date Issued</u>	<u>Definition and Purpose</u>	<u>Beginning Balance Oct. 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance Sept. 30, 2015</u>	<u>Due in One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>						
	<b>GO BONDS</b>					
	<b>CAPITAL LEASES:</b>					
3/1/2011						
	Knuckleboom, 3.00%, 5 years	34,933		23,093	11,840	10,073
7/13/2011						
	Police Car, 2.76%, 5 years	8,576		4,631	3,945	3,945
4/5/2012						
	Police Car, 2.63%, 5 years	12,672		4,815	7,857	4,943
3/14/2013						
	Police Car. 3.750%, 4 years	16,728	-	4,440	12,288	4,649
6/19/2014						
	Police Car. 2.100%, 4 years	21,542	-	5,457	16,085	5,573
6/2/2014						
	580SN Backhoe 2.000%, 5 years	72,535	-	14,715	57,820	15,012
7/1/2015						
	Street Sweeper, 2.25%, 5 years		140,900		140,900	26,940
	<b>Total</b>	<u>166,986</u>	<u>140,900</u>	<u>57,151</u>	<u>250,735</u>	<u>71,135</u>
	<b>Compensated Absences</b>	<u>37,096</u>	<u>0</u>	<u>2,101</u>	<u>34,995</u>	
	<b>Total Governmental Activities Long Term Debt</b>	<u>\$204,082</u>	<u>\$140,900</u>	<u>\$59,252</u>	<u>\$285,730</u>	<u>\$71,135</u>



**CITY OF WATER VALLEY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 5: LONG TERM DEBT-(Continued)**

<u>Date Issued</u>	<u>Definition and Purpose</u>	<u>Beginning Balance Oct. 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance Sept. 30, 2015</u>	<u>Due in One Year</u>
<b>BUSINESS TYPE ACTIVITIES</b>						
	<b>CAPITAL LEASES:</b>					
9/27/2012	2012 Hydro Excavation Trailer, 1.480%, 4 years	13,755		13,755	-	0
3/14/2013	2013 Chevrolet C2500 Truck, 1.950%, 4 yrs	13,074	-	5,158	7,916	5,259
5/10/2013	Garbage Truck, 2.28%, 4 years	90,017	-	29,405	60,612	30,002
	<b>TOTAL</b>	116,846	0	48,318	68,528	35,261
	Compensated Absences	7,962	0	2,350	5,612	
	<b>Total Business-Type Activities Long Term Debt</b>	<u>\$124,808</u>	<u>\$0</u>	<u>\$50,668</u>	<u>\$74,140</u>	<u>\$35,261</u>

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**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 5: LONG-TERM DEBT (Continued)**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2015, are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	71,135	5,247	35,261	1,336	112,979
2017	58,100	3,717	33,268	636	95,721
2018	51,383	2,443	0	0	53,826
2019	40,668	1,409	0	0	42,077
2020	29,448	663	0	0	30,111
Total	<u>\$250,734</u>	<u>\$13,479</u>	<u>\$68,529</u>	<u>\$1,972</u>	<u>\$334,714</u>

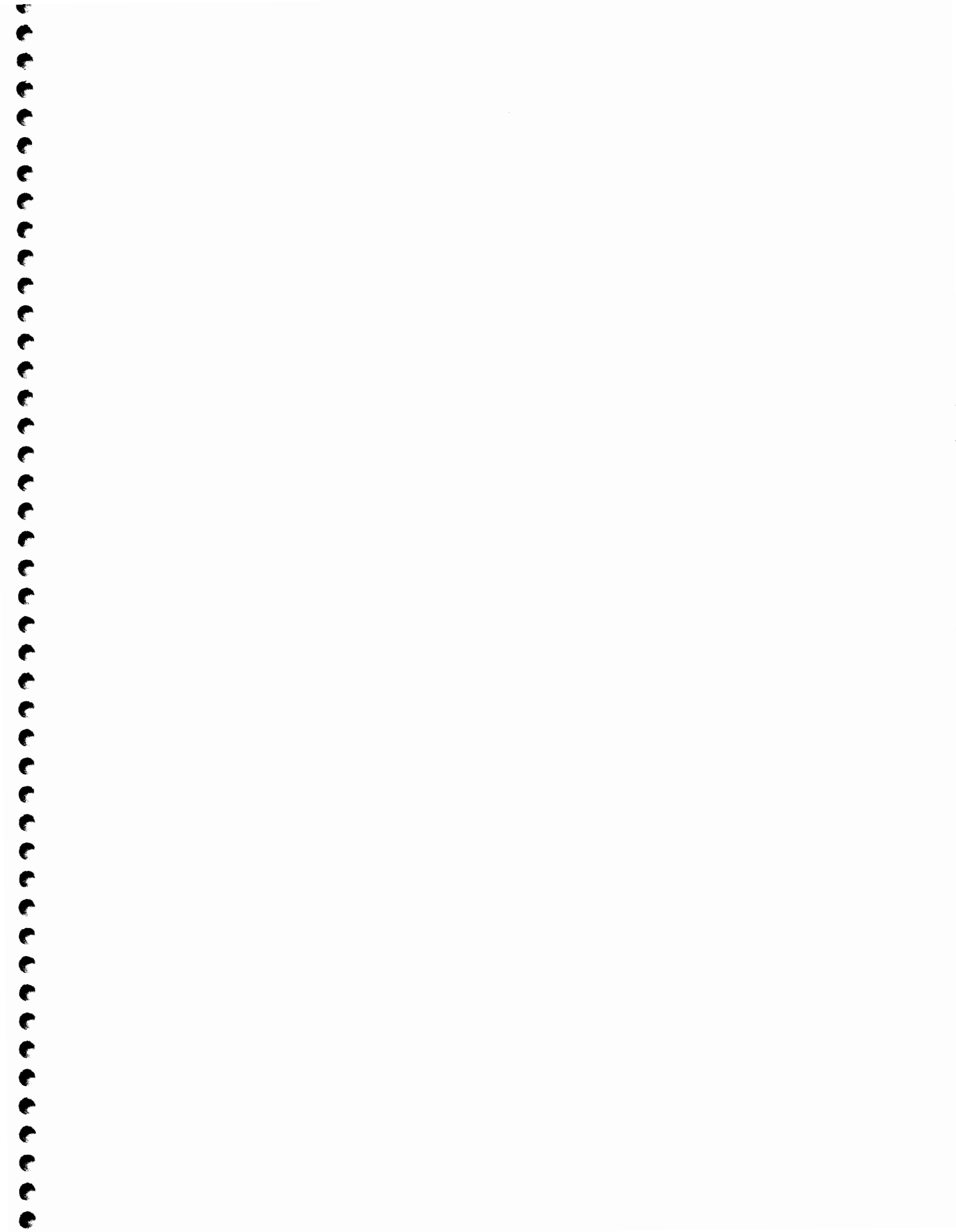
**NOTE 6: DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

**Plan description.** The City of Water Valley contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit public employee retirement system. 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 Employee's 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's 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 2, 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 of creditable service for employees 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.





**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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 become 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. A 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.

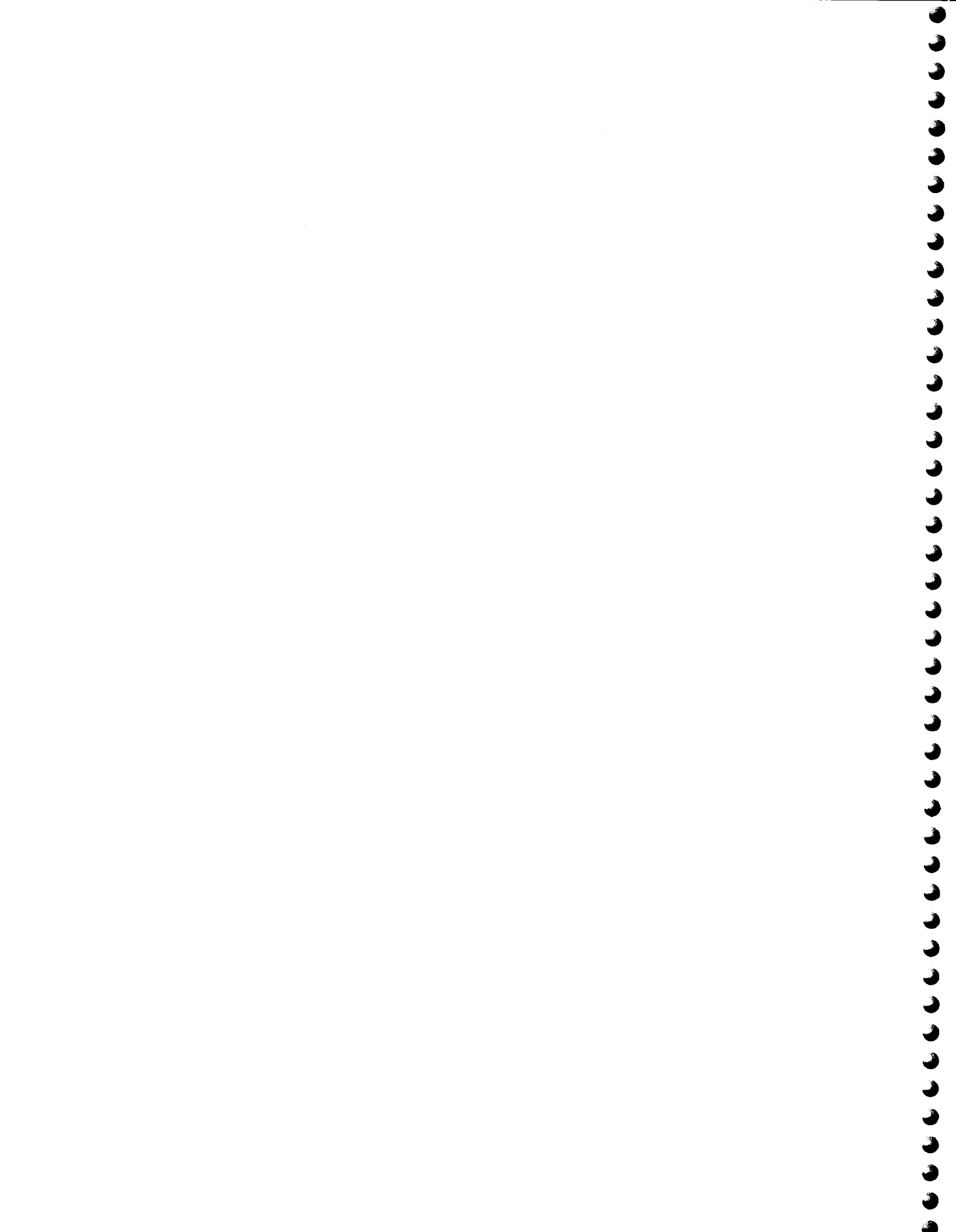
**Contributions.** PERS members are required to contribute 9.00% of their annual covered salary that City of Water Valley is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2015, 2014, and 2013 were \$188,704, \$188,167 and \$178,754.

**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 \$3,003,996 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 61.7%.

For the fiscal year ended September 30, 2015, the City recognized pension expenses of \$288,772. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of <u>Resources</u></b>	<b>Deferred Inflows of <u>Resources</u></b>
Differences between expected and actual Experience	\$ 69,789	
Changes in assumptions	208,961	
Net difference between projected and actual Earning on plan investments	80,681	
Contributions subsequent to the measurement date	<u>49,818</u>	
Total	\$409,249	



**City of Water Valley, Mississippi**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended September 30, 2015**

Contributions subsequent to the measurement date of \$49,818 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 ended September 30:

2016	\$ 102,455
2017	102,455
2018	102,455
2019	<u>52,637</u>
Total	360,002

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	3.00 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

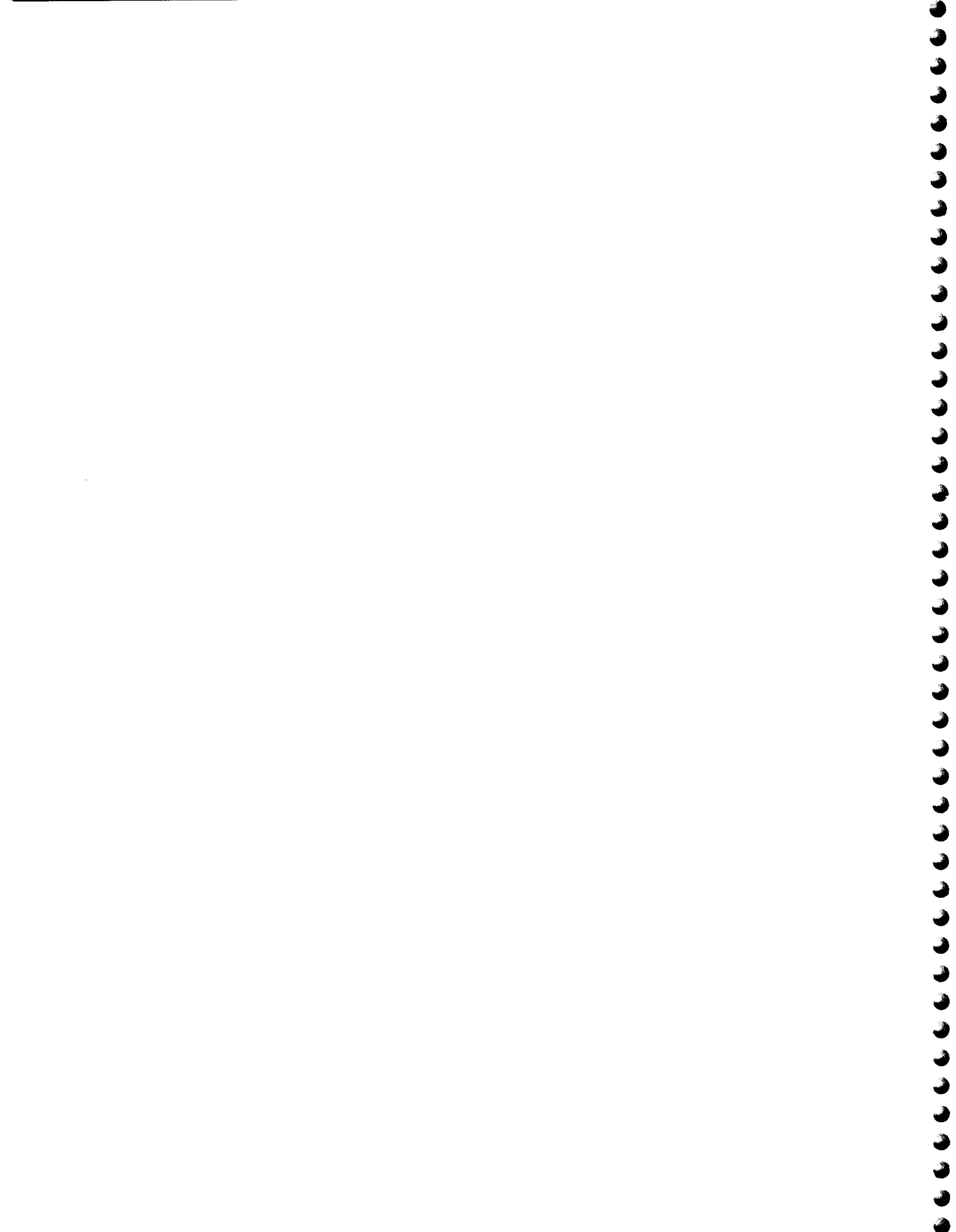
Mortality rates were based on the RP-2014 Health Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year.

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.

The long-term expected rate of return on pension plan investments were 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 weighing 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Broad	34.00%	5.20%
International Equity	19.00%	5.00%
Emerging Markets Equity	8.00%	5.45%
Fixed Income	20.00%	0.25%
Real Assets	10.00%	4.00%
Private Equity	8.00%	6.15%
Cash	<u>1.00%</u>	-0.50%
Total	100.00%	

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 the employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions,



**City of Water Valley, Mississippi**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended September 30, 2015**

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 8 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 (7 percent) or 1-percentage point higher (9 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 3,959,189	\$ 3,003,937	\$ 2,207,894

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

**NOTE 7: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule as of September 30, 2015, represents interfund receivables and payables:

	Receivables	Payables
Government Funds	\$ -	\$ 180,756
Proprietary Funds	209,034	-
Agency Funds	-	28,535
<b>Total</b>	<b>\$ 209,034</b>	<b>\$ 209,034</b>

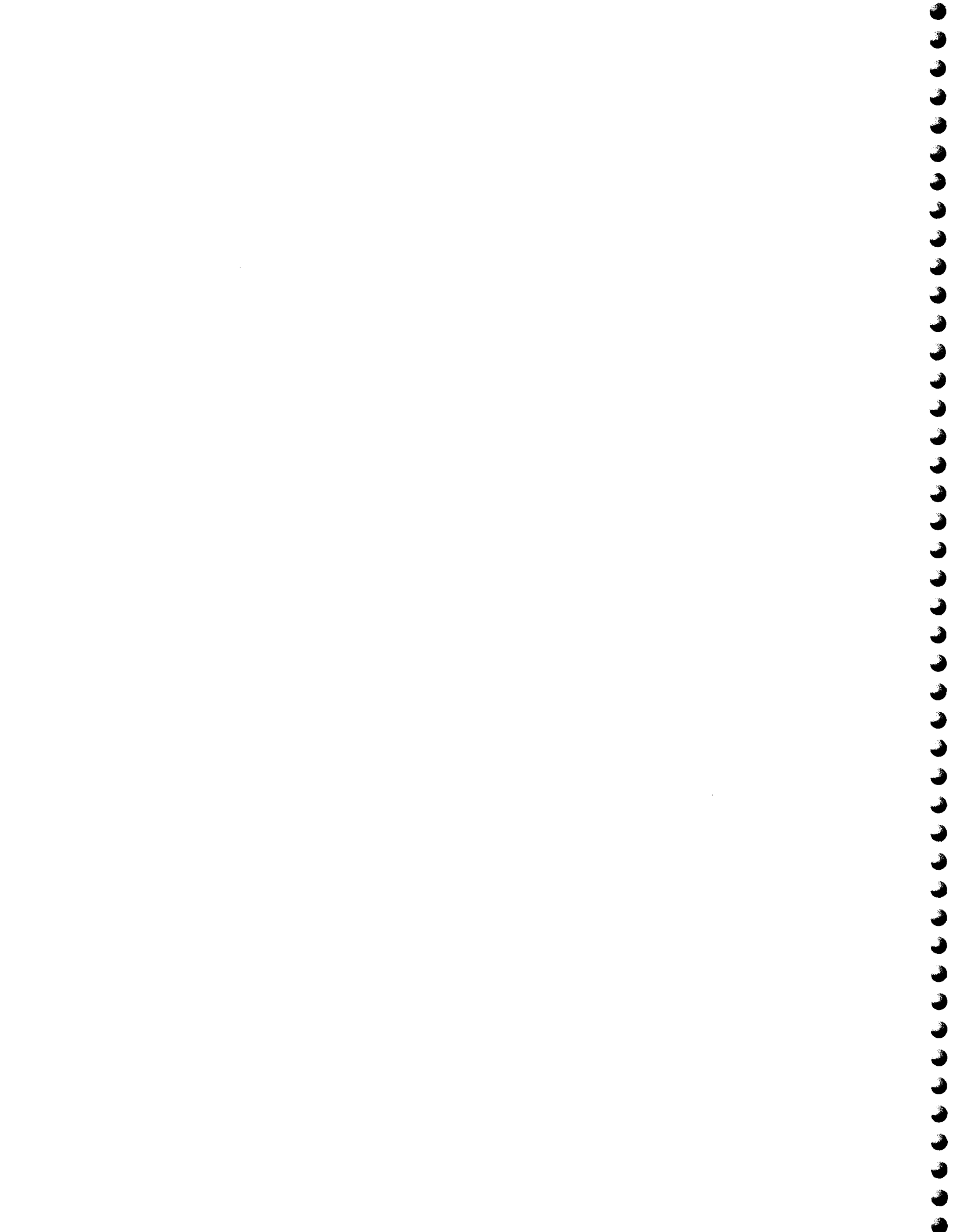
**NOTE 8: RISK MANAGEMENT**

The City of Water Valley has entered into a joint and several relationships with other public entities in the Mississippi Municipal Worker's Compensation Group and the Mississippi Municipal Liability Group. Each member shares responsibility for premium contribution based on payroll and their own loss experience as well as assessments needed for fund inadequacies. They also share the benefit of fund surplus in the form of dividends when applicable. The City of Water Valley is a member of the Mississippi Municipal Association Unemployment Compensation Group Account with unemployment Compensation Control Systems, Inc., of Mississippi as its agent.

**NOTE 9: PROPERTY TAX**

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

The Mayor and Board of Aldermen, each year at a meeting in September, levy property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year.



**City of Water Valley, Mississippi**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended September 30, 2015**

Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year.

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

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

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

Delinquent taxes are not recorded as assets.

**NOTE 10: COMMITMENTS AND CONTINGENCIES**

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

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

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





**City of Water Valley, Mississippi**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended September 30, 2015**

**NOTE 11: PRIOR PERIOD ADJUSTMENT**

Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Pension Adjustment (GASB) 68 Implementation)	<u>(2,358,713)</u>
Net prior period adjustment	<u>\$(2,358,793)</u>

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

<u>Explanation</u>	<u>Amount</u>
Pension adjustment (GASB 68 Implementation	<u>\$ (471,759)</u>
Net prior period adjustment	<u>\$ (471,759)</u>

**NOTE 12: SUBSEQUENT EVENTS**

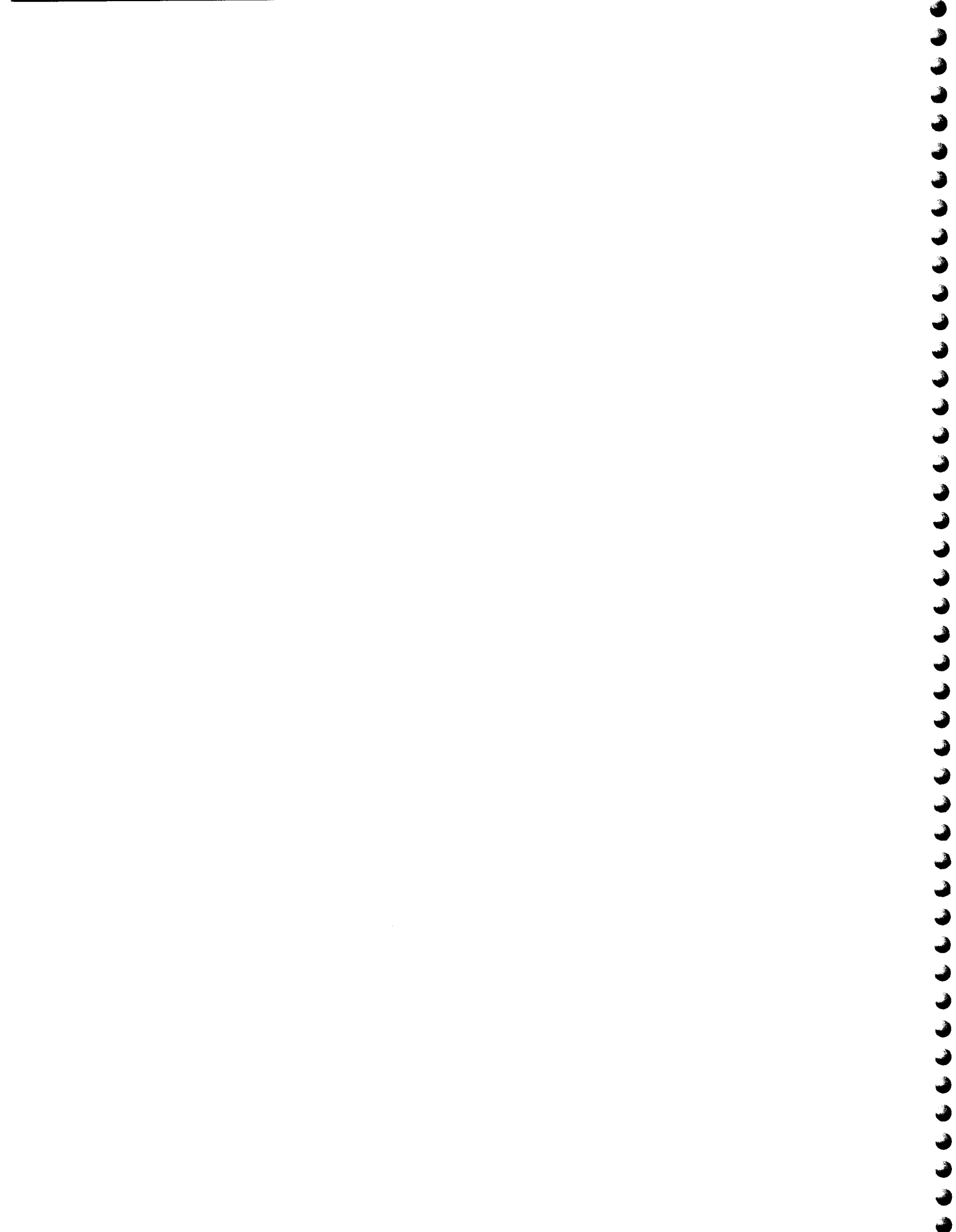
Subsequent events have been evaluated through October 5, 2016, which is the date the financial statements were issued.

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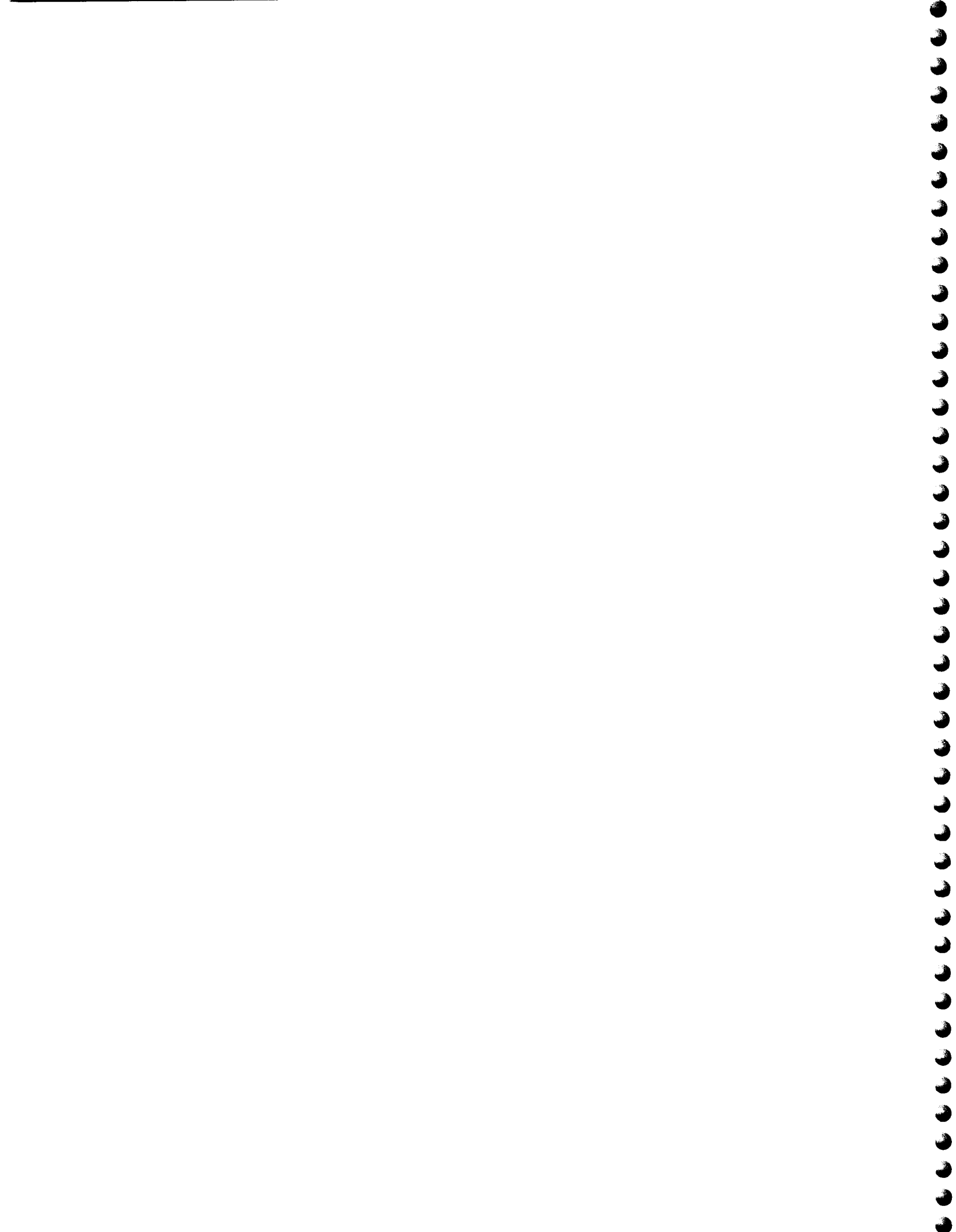
**REQUIRED SUPPLEMENTAL INFORMATION**



**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS:</b>				
Ad Valorem Taxes:				
Real & Personal	636,311	610,274	626,068	15,794
Licenses & Permits	12,000	12,000	13,915	1,915
Franchise Tax	79,000	79,000	61,935	(17,065)
State of Mississippi:				
Sales Tax and Shared Revenue	475,000	475,000	505,529	30,529
In Lieu - TVA	26,000	26,000	26,945	945
Yalobusha County:				
Grants From Local Units	40,000	40,000	47,498	7,498
Federal Payments in lieu of Tax				
Fine & Forfeitures	85,000	85,000	73,041	(11,959)
Charge for Services				
General Government	2,500	2,500	3,063	563
Public Safety	600	600	600	-
Highways and Streets	3,000	3,000	4,891	1,891
Culture and Recreation	10,000	10,000	11,650	1,650
Other	2,000	2,000	2,845	845
Other Revenue	916,000	968,000	726,431	(241,569)
<b>Total Receipts</b>	<b>2,287,411</b>	<b>2,313,374</b>	<b>2,104,411</b>	<b>(208,963)</b>
<b>EXPENDITURES:</b>				
General Government:				
Personnel Services	215,000	215,000	191,471	23,529
Supplies	154,300	161,300	147,619	13,681
Other Services & Charges	14,400	16,100	9,558	6,542
Transfers	25,000	31,300	38,508	(7,208)
Capital Outlay	6,300	-	-	-
<b>Total</b>	<b>415,000</b>	<b>423,700</b>	<b>387,156</b>	<b>36,544</b>
Public Safety:				
Police Department				
Personnel Services	556,900	556,900	449,401	107,499
Supplies	182,900	186,300	166,026	20,274
Other Services & Charges	43,800	43,800	30,687	13,113
Transfers	-	-	-	-
Capital Outlay	28,000	28,000	21,941	6,059
<b>Total</b>	<b>811,600</b>	<b>815,000</b>	<b>668,055</b>	<b>146,945</b>

*The notes to the financial statements are an integral part of this statement*



**CITY OF WATER VALLEY, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL -continued**  
**GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fire Department:				
Personnel Services	336,500	336,500	296,845	39,655
Supplies	3,500	37,800	26,634	11,166
Contractual Services	35,400	3,500	1,949	1,551
Other Fire Protection	2,400	-	-	-
Capital Outlay	20,000	20,000	-	20,000
Total	397,800	397,800	325,428	72,372
Municipal Fire Protection:	-	2,400	676	1,724
	397,800	400,200	326,104	74,096
Public Works:				
Street Department:				
Personnel Services	291,000	302,000	243,176	58,824
Supplies	50,100	279,500	79,038	200,462
Other Services & Charges	251,400	73,100	43,785	29,315
Transfers	-	-	-	-
Capital Outlay	62,900	62,900	47,388	15,512
Total	655,400	717,500	413,387	304,113
Total Public Works	655,400	717,500	413,387	304,113
Park & Recreational:				
Cemetery:				
Personnel Services	110,000	200,000	159,500	40,500
Supplies	12,200	53,900	56,300	(2,400)
Other Services & Charges	44,000	12,700	11,126	1,574
Transfers	-	-	-	-
Capital Outlay	16,000	16,000	8,948	7,052
Total	182,200	282,600	235,874	46,726
Total Expenditures	2,462,000	2,639,000	2,030,576	608,424
Excess (Deficiency) of Revenue Over (Under) Expenditures	(174,589)	(325,626)	73,835	(817,387)

*The notes to the financial statements are an integral part of this statement*





**CITY OF WATER VALLEY, MISSISSIPPI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**A. BUDGETARY INFORMATION**

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

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

**B. BASIS OF PRESENTATION**

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

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

**C. BUDGET/GAAP RECONCILIATION**

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

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

	General Fund
Budget (Cash Basis)	(73,835)
Increase (Decrease)	
Net Adjustments for Revenue Accruals	28,103
Net Adjustments for Expenditure Accruals	(521,584)
GAAP Basis	<u><u>\$ (319,645)</u></u>



**CITY OF WATER VALLEY, MISSISSIPPI**  
**Required Supplementary Information**  
**Schedule of the City's Proportionate Share of the Net Pension Liability PERS**  
**Last 10 Fiscal Year**

	<u><b>2015</b></u>
City's Proportion of the net pension liability	.0192%
City's proportionate share of the net pension liability	3,003,937
City's covered employee payroll	1,126,657
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	266.62%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

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

1. The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.
2. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE9/30/15, and until a full 10 years trend is compiled, the City has only presented information for the years in which the information is available.



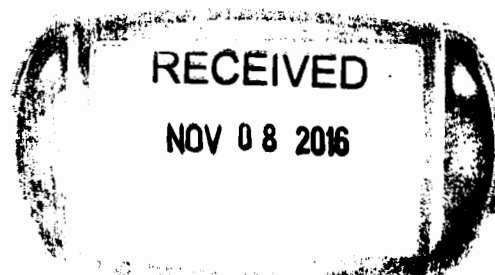
**CITY OF WATER VALLEY, MISSISSIPPI**  
**Required Supplementary Information**  
**Schedule of City's Contributions**  
**PERS**  
**Last 10 years**

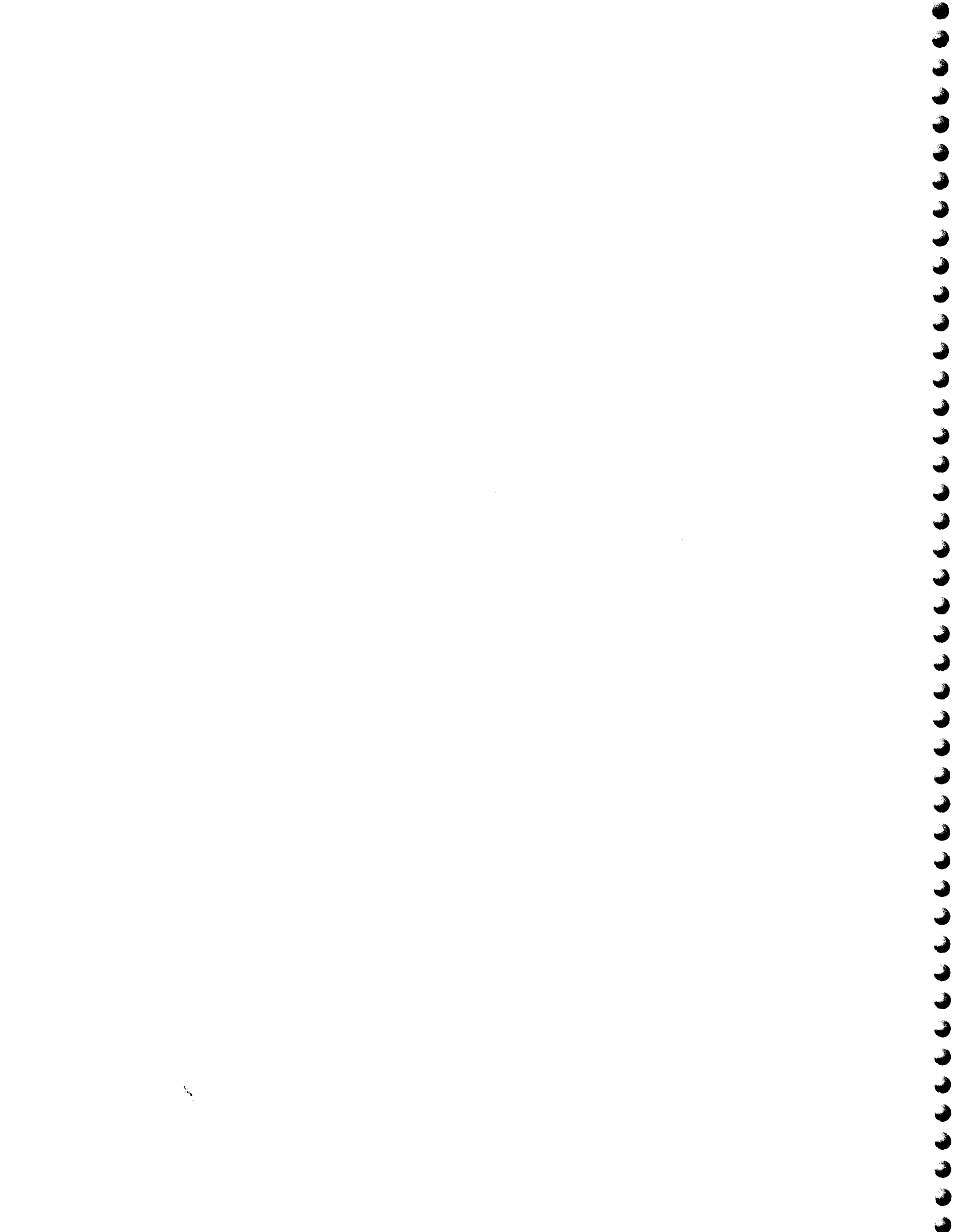
	<u><b>2015</b></u>
Contractually required contribution	\$ 177,449
Contributions in relation to the contractually required contributions	188,704
Contribution deficiency (excess)	<u>(11,255)</u>
 City's covered employee payroll	 \$ 1,204,284
Contributions as a percentage of covered-employee payroll	15.67%

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

1. 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 the information is available.

*See accompanying notes to financial statements*





**OTHER SUPPLEMENTAL INFORMATION**





**CITY OF WATER VALLEY  
SCHEDULE OF LONG TERM DEBT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b>GOVERNMENTAL ACTIVITIES</b>		<b>Beginning Balance</b>			<b>Ending Balance</b>	
<u>Date Issued</u>	<u>Definition and Purpose</u>	<u>Oct. 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Sept. 30, 2015</u>	<u>Due in One Year</u>
	<b>GO BONDS</b>					
	<b>CAPITAL LEASES:</b>					
3/1/2011	Knuckleboom, 3.00%, 5 years	34,933		23,093	11,840	10,073
7/13/2011	Police Car, 2.76%, 5 years	8,576		4,631	3,945	3,945
4/5/2012	Police Car, 2.63%, 5 years	12,672		4,815	7,857	4,943
3/14/2013	Police Car, 3.750%, 4 years	16,728	-	4,440	12,288	4,649
6/19/2014	Police Car, 2.100%, 4 years	21,542	-	5,457	16,085	5,573
6/2/2014	580SN Backhoe 2.000%, 5 years	72,535	-	14,715	57,820	15,012
7/1/2015	Street Sweeper, 2.25%, 5 years		140,900		140,900	26,940
	<b>Total Governmental Long Term Debt</b>	<b>166,986</b>	<b>140,900</b>	<b>57,151</b>	<b>250,735</b>	<b>71,135</b>

<b>BUSINESS TYPE ACTIVITIES</b>		<b>Beginning Balance</b>			<b>Ending Balance</b>	
<u>Date Issued</u>	<u>Definition and Purpose</u>	<u>Oct. 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Sept. 30, 2015</u>	<u>Due in One Year</u>
	<b>CAPITAL LEASES:</b>					
9/27/2012	2012 Hydro Excavation Trailer, 1.480%, 4 y	13,755		13,755	-	0
3/14/2013	2013 Chevrolet C2500 Truck, 1.950%, 4 yrs	13,074	-	5,158	7,916	5,259
5/10/2013	Garbage Truck, 2.28%, 4 years	90,017	-	29,405	60,612	30,002
	<b>Total Business-Type Long Term Debt</b>	<b>116,846</b>	<b>0</b>	<b>48,318</b>	<b>68,528</b>	<b>35,261</b>

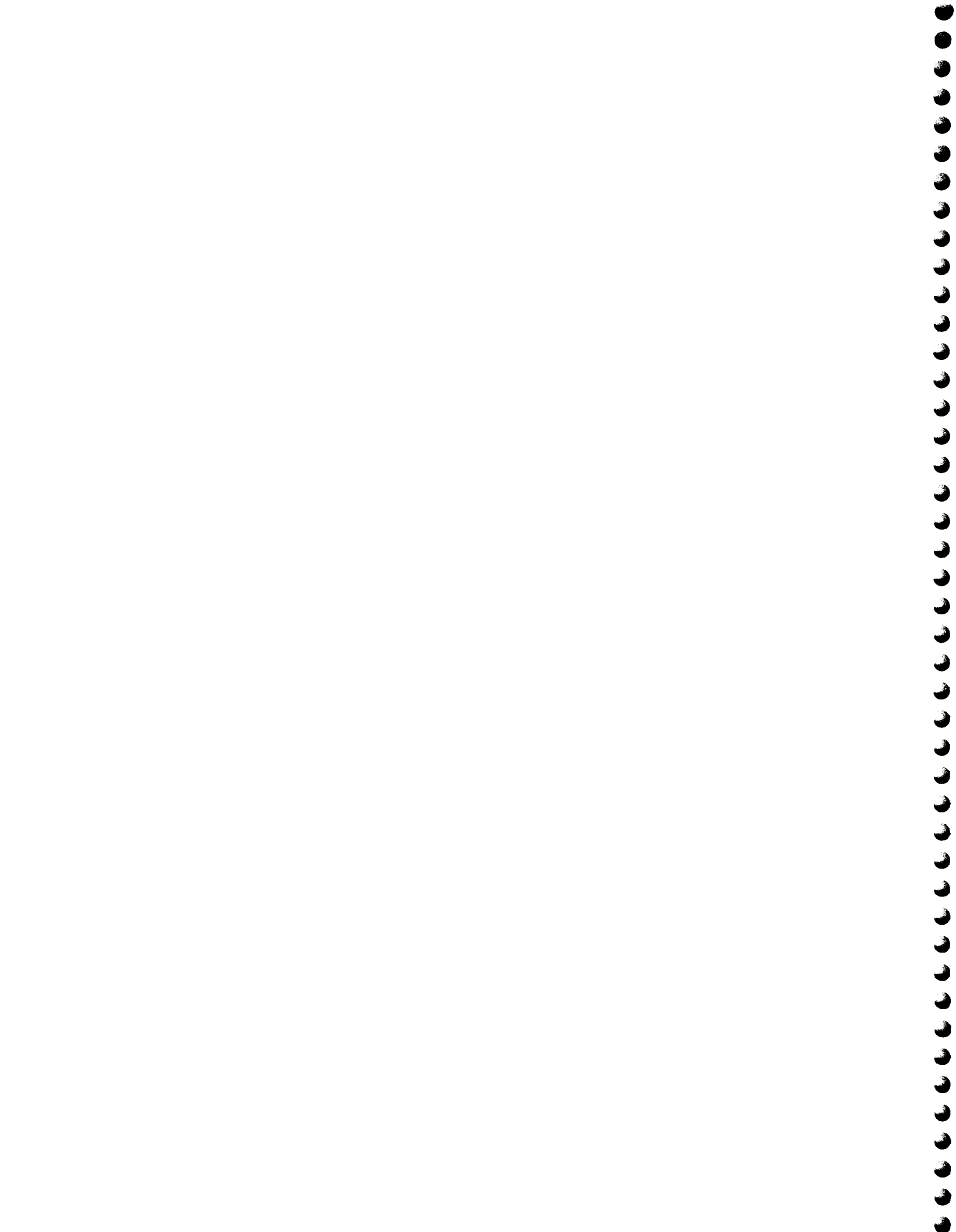


**CITY OF WATER VALLEY, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS**  
**SEPTEMBER 30, 2015**

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



**COMPLIANCE SECTION**



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





# RSW RONNIE S. WINDHAM, CPA, PLLC

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Member  
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Certified Public Accountants

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

Honorable Mayor and City Council  
City of Water Valley, Mississippi

We have audited the financial statements of City of Water Valley, Mississippi as of and for the year ended September 30, 2015, and have issued our report thereon dated October 5, 2016.

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

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

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

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

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

This report is intended solely for the use of the City Board, management, and the Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

 , CPA

RONNIE S. WINDHAM, CPA, PLLC  
Oxford, Mississippi  
October 5, 2016

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**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***

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

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To the Mayor and Council  
City of Water Valley  
Water Valley, MS 38965

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Water Valley, 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 Water Valley, Mississippi's basic financial statements, and have issued our report thereon dated October 5, 2016.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the City of Water Valley, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such



an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



Ronnie S. Windham, CPA PLLC  
Oxford, MS  
October 5, 2016



