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STEVE ROSENTHAL, MAYOR

101 Front Street • P.O. Box 269

Indianola, Mississippi 38751

Office: 662.887.1825

Fax: 662.887.6009

Cell: 662.207.0684

mayor@indianolams.gov

November 13, 2018

Office of the State Auditor

P.O. Box 956

Jackson, MS 39205

Re: Annual Municipal Audit

Dear Auditor White,

Accompanying this letter is a copy of the annual audit of the City of Indianola, Mississippi, for the fiscal year ended September 30, 2016. A Separate management letter was not written to the City in connection with this audit.

Sincerely,



Mayor

DEC 05 2018

*The Crown of the Delta*

**CITY OF INDIANOLA**  
**AUDITED FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2016**

**CUNNINGHAM CPAs, PLLC**  
**Certified Public Accountants**

# CITY OF INDIANOLA

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**CITY OF INDIANOLA**

**INDEPENDENT AUDITOR'S REPORT**

**CUNNINGHAM CPAs, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
202 CHURCH STREET  
BELZONI, MISSISSIPPI 39038

MAIL: P. O. BOX 675  
(662) 247-2416

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Board of Aldermen  
City of Indianola, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Indianola as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Indianola's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Indianola, as of September 30, 2016, 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 6-15 and 60-63 and the City's proportionate share of the net pension liability and the City's contributions on pages 64 and 65 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 Indianola's basic financial statements. The accompanying Schedule of Surety Bonds of Municipal Officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Surety Bonds of Municipal Officials is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2018, on our consideration of the City of Indianola's internal control over financial reporting and on our tests of

its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Indianola's internal control over financial reporting and compliance.

  
CUNNINGHAM CPAS, PLLC  
Certified Public Accountants  
Belzoni, Mississippi

July 26, 2018



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CITY OF INDIANOLA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2016**

The discussion and analysis of the City of Indianola's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2016. It should be read in conjunction with the accompanying basic financial statements.

For the management discussion and analysis of the Indianola Tourism Commission, please see their audited financial statements for the year ended September 30, 2016. This report may be obtained by contacting the Indianola Tourism Commission at P.O. Box 1132, Indianola, MS 38751.

**FINANCIAL HIGHLIGHTS**

- ◆ Total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$10,537,574.
- ◆ Total net position decreased by \$294,670 from the prior year, including a prior period adjustment of \$(152,500).
- ◆ The City of Indianola's governmental funds reported combined ending fund balances of \$3,580,354, an increase of \$455,671 in comparison with the prior fiscal year, including a prior period adjustment.
- ◆ Fund balance increased in the General Fund by \$690,660, which includes transfers from the Water and Sewer Fund of \$293,850. The Water and Sewer Fund's net position decreased \$214,344, which includes a transfer to the General Fund of \$293,850.
- ◆ Long-term debt decreased \$815,241 during the current fiscal year due to normal debt retirements, net of bond discounts and premiums. The liability for compensated absences increased \$12,262.
- ◆ Capital assets decreased \$597,714 for governmental activities and \$627,110 for the business-type activities. Depreciation expense was \$711,300 for the governmental activities and \$771,722 for the business-type activities.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the City of Indianola's basic financial statements. The City of Indianola's basic financial statements are comprised of four components: government-wide financial statements, fund financial statements, notes to the financial statements and required supplementary information.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Indianola's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the City's net position changed during the most

recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- ◆ Governmental Activities--Most of the City's basic services are reported here, including police, fire, street, culture and recreation, and general administration. Taxes and intergovernmental revenues finance most of these activities.
- ◆ Business-type Activities--The City charges fees to customers to help it cover all or most of the cost of services it provides. The City's water and sewer; garbage collection and disposal; and mosquito and vector control program activities are reported here.

The Indianola Tourism Commission is a discretely presented component unit and is shown in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government.

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds--not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds--governmental and proprietary--utilize different accounting approaches.

- ◆ Governmental funds--The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for Major Funds. The City reports only one Major Fund, the General Fund. Data from the other governmental funds are combined into a single, aggregated nonmajor fund presentation.

- ◆ Proprietary funds--The City charges customers for the services it provides. These services are generally reported in proprietary or enterprise funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's

enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. (The City has no internal service funds.)

The Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Information is reported separately for Major Funds, which include the City's Water and Sewer Fund and Refuse Collection Fund. Data from the only other proprietary fund is reported as a nonmajor fund presentation. (The Mosquito Fund is the only non-major enterprise fund).

## **The City as Trustee**

### **Reporting the City's Fiduciary Responsibilities**

The City is the trustee or fiduciary of amounts held on behalf of others. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. The activities of these funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's budget process and pension standards. A budgetary comparison statement has been provided for the General Fund.

## **THE CITY AS A WHOLE--Government-wide Financial Analysis**

**Net Position** – Net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$10,537,574 as of September 30, 2016. The largest portion of the City's net position reflects its investment in capital assets (e.g. roads, land, buildings, equipment, etc.) less related outstanding debt used to acquire such assets. The City uses these capital assets to provide services to its citizens. The City's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt and capital assets, and the depreciation of capital assets. The implementation of GASB 68 relating to pensions in fiscal year 2015 had a huge negative impact on the City's net position.

Table 1 provides a summary of the City's net position for fiscal year 2016 with comparative figures for 2015.

Table 1  
Statement of Net Position  
9/30/2016

	Governmental Activities			
	2016	2015	Increase (Decrease)	Percentage Change
Current assets	\$ 6,362,093	\$ 5,684,107	\$ 677,986	11.93%
Capital assets	9,677,784	10,275,498	(597,714)	-5.82%
Total assets	16,039,877	15,959,605	80,272	0.50%
Deferred outflows of resources	1,446,592	1,135,815	310,777	27.36%
Long-term debt	7,142,044	7,275,387	(133,343)	-1.83%
Current and other debt	303,318	311,195	(7,877)	-2.53%
Total liabilities	7,445,362	7,586,582	(141,220)	-1.86%
Deferred inflows of resources	3,046,615	2,392,402	654,213	27.35%
Net position:				
Net investment in capital assets	9,472,465	9,642,493	(170,028)	-1.76%
Restricted	854,365	1,000,227	(145,862)	-14.58%
Unrestricted	(3,332,338)	(3,526,284)	193,946	-5.50%
Total net position	\$ 6,994,492	\$ 7,116,436	\$ (121,944)	-1.71%
	Business-type Activities			
	2016	2015	Increase (Decrease)	
Current assets	\$ 2,733,419	\$ 2,530,176	\$ 203,243	8.03%
Restricted assets	537,600	534,194	3,406	0.64%
Capital assets	5,811,378	6,438,488	(627,110)	-9.74%
Total assets	9,082,397	9,502,858	(420,461)	-4.42%
Deferred outflows of resources	406,497	399,128	7,369	1.85%
Long-term debt	5,507,900	5,862,103	(354,203)	-6.04%
Current and other debt	370,170	297,300	72,870	24.51%
Total liabilities	5,878,070	6,159,403	(281,333)	-4.57%
Deferred inflows of resources	67,742	26,775	40,967	153.00%
Net position:				
Net investment in capital assets	1,309,300	1,573,703	(264,403)	-16.80%
Restricted	326,013	323,513	2,500	0.77%
Unrestricted	1,907,769	1,818,592	89,177	4.90%
Total net position	\$ 3,543,082	\$ 3,715,808	\$ (172,726)	-4.65%

Table 1  
Statement of Net Position  
9/30/2016

	Total Net Activities		Increase (Decrease)	
	2016	2015		
Current and other assets	\$ 9,095,512	\$ 8,214,283	\$ 881,229	10.73%
Restricted assets	537,600	534,194	3,406	0.64%
Capital Assets	15,489,162	16,713,986	(1,224,824)	-7.33%
Total assets	25,122,274	25,462,463	(340,189)	-1.34%
Deferred outflows of resources	1,853,089	1,534,943	318,146	20.73%
Long-term debt	12,649,944	13,137,490	(487,546)	-3.71%
Current and other debt	673,488	608,495	64,993	10.68%
Total liabilities	13,323,432	13,745,985	(422,553)	-3.07%
Deferred inflows of resources	3,114,357	2,419,177	695,180	28.74%
Net position:				
Net investment in capital assets	10,781,765	11,216,196	(434,431)	-3.87%
Restricted	1,180,378	1,323,740	(143,362)	-10.83%
Unrestricted	(1,424,569)	(1,707,692)	283,123	-16.58%
Total net position	\$ 10,537,574	\$ 10,832,244	\$ (294,670)	-2.72%

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

	2016	2015
Total unrestricted net position (deficit)	\$ (1,424,569)	\$ (1,707,692)
Less unrestricted deficit in net position resulting from recognition of GASB 68 and 71	(6,571,882)	(6,181,357)
Unrestricted net position, excluding the net pension liability effect	\$ 5,147,313	\$ 4,473,665

- ◆ The implementation of GASB 68 and 71 resulted in the recognition of a net pension liability in the amount of \$6,571,882 (net of related deferred inflows and outflows).
- ◆ Capital assets decreased \$1,224,824, primarily due to current year depreciation expense of \$1,483,022.
- ◆ Long-term debt was reduced by \$815,241 due to normal debt retirements.

Change in Net Position – The City's total revenues for the fiscal year ended September 30, 2016 were \$8,566,562. The total cost for all services provided was \$8,708,732. The decrease in net position was \$142,170.

Table 2 shows the changes in net position for the year ended September 30, 2016, with comparative figures for 2015.

Table 2  
Changes in Net Position  
Year Ended September 30, 2016

	Governmental Activities		Increase	Percentage
	2016	2015	(Decrease)	Change
Program revenues:				
Charges for services	\$ 319,444	\$ 256,084	\$ 63,360	24.74%
Operating grants and contributions	93,064	127,834	(34,770)	-27.20%
Capital grants and contributions	45,289	309,811	(264,522)	-85.38%
General revenues:				
Property taxes	2,808,807	2,436,502	372,305	15.28%
Other	2,807,017	2,807,229	(212)	-0.01%
Total revenues	6,073,621	5,937,460	136,161	2.29%
Expenses:				
General government	1,091,394	1,131,636	(40,242)	-3.56%
Public safety	2,760,136	2,878,757	(118,621)	-4.12%
Public works	1,665,653	1,660,687	4,966	0.30%
Health and welfare	230,445	273,751	(43,306)	-15.82%
Culture and recreation	399,574	392,382	7,192	1.83%
Interest on long-term debt	10,565	19,155	(8,590)	-44.84%
Airport	114,868	114,868	-	0.00%
Total expenses	6,272,635	6,471,236	(198,601)	-3.07%
Increase (decrease) in net position				
before transfers	(199,014)	(533,776)	334,762	-62.72%
Transfers	229,570	297,246	(67,676)	-22.77%
Increase (decrease) in net position	30,556	(236,530)	267,086	-112.92%
Net position - beginning of year	7,116,436	12,641,840	(5,525,404)	-43.71%
Prior period adjustments	(152,500)	(5,288,874)	5,136,374	-97.12%
Net position - beginning, as restated	6,963,936	7,352,966	(389,030)	-5.29%
Net position - end of year	\$ 6,994,492	\$ 7,116,436	\$ (121,944)	-1.71%

	Business-type Activities			
	2016	2015	Increase (Decrease)	Percentage Change
Program revenues:				
Charges for services	\$ 2,442,793	\$ 2,699,120	\$ (256,327)	-9.50%
Capital grants and contributions	51,000	-	51,000	n/a
Other revenues	(852)	-	(852)	n/a
Total revenues	2,492,941	2,699,120	(206,179)	-7.64%
Expenses:				
Water and sewer department	1,626,794	1,617,684	9,110	0.56%
Garbage fund	578,458	563,875	14,583	2.59%
Mosquito fund	42,589	47,476	(4,887)	-10.29%
Interest/fees on long-term debt	188,256	198,956	(10,700)	-5.38%
Total expenses	2,436,097	2,427,991	8,106	0.33%

Table 2  
Changes in Net Position  
Year Ended September 30, 2016

	2016	2015	Increase (Decrease)	Percentage Change
Increase (decrease) in net position before transfers	56,844	271,129	(214,285)	-79.03%
Transfers	(229,570)	(297,246)	67,676	-22.77%
Increase (decrease) in net position	(172,726)	(26,117)	(146,609)	561.35%
Net position - beginning of year	3,715,808	4,323,062	(607,254)	-14.05%
Prior period adjustments	-	(581,137)	581,137	-100.00%
Net position - beginning, as restated	3,715,808	3,741,925	(26,117)	-0.70%
Net position - end of year	<u>\$ 3,543,082</u>	<u>\$ 3,715,808</u>	<u>\$ (172,726)</u>	-4.65%

Total Governmental and Business-type Activities

	2016	2015	Increase (Decrease)	
Program revenues:				
Charges for services	\$ 2,762,237	\$ 2,955,204	\$ (192,967)	-6.53%
Operating grants and contributions	93,064	127,834	(34,770)	-27.20%
Capital grants and contributions	96,289	309,811	(213,522)	-68.92%
General revenues:				
Property taxes	2,808,807	2,436,502	372,305	15.28%
Other	2,806,165	2,807,229	(1,064)	-0.04%
Total revenues	<u>8,566,562</u>	<u>8,636,580</u>	<u>(70,018)</u>	-0.81%
Expenses:				
General government	1,091,394	1,131,636	(40,242)	-3.56%
Public safety	2,760,136	2,878,757	(118,621)	-4.12%
Public works	1,665,653	1,660,687	4,966	0.30%
Health and welfare	230,445	273,751	(43,306)	-15.82%
Culture and recreation	399,574	392,382	7,192	1.83%
Interest on long-term debt	10,565	19,155	(8,590)	-44.84%
Airport	114,868	114,868	-	0.00%
Water and sewer department	1,626,794	1,617,684	9,110	0.56%
Garbage fund	578,458	563,875	14,583	2.59%
Mosquito fund	42,589	47,476	(4,887)	-10.29%
Interest on long-term debt-business-type	188,256	198,956	(10,700)	-5.38%
Total expenses	<u>8,708,732</u>	<u>8,899,227</u>	<u>(190,495)</u>	-2.14%
Increase (decrease) in net position	(142,170)	(262,647)	120,477	-45.87%
Net position - beginning of year	10,832,244	16,964,902	(6,132,658)	-36.15%
Prior period adjustment	(152,500)	(5,870,011)	5,717,511	-97.40%
Net position - beginning, as restated	10,679,744	11,094,891	(415,147)	-3.74%
Net position - end of year	<u>\$ 10,537,574</u>	<u>\$ 10,832,244</u>	<u>\$ (294,670)</u>	-2.72%



### Governmental Activities

Revenues from governmental activities increased \$136,161, or 2.29% during 2016 and expenses decreased \$198,601 or -3.07%. The prior period adjustment shown in 2015 of a negative \$5,288,874 is the result of implementing GASB 68 and represents the 10/1/14 net pension liability in excess of deferred outflows of resources related to pensions. The 2016 prior period adjustment includes a tax settlement (payment) of \$142,000.

### Business-type Activities

Revenues from business-type activities decreased \$206,179 or -7.64% in 2016 while overall expenditures for business-type activities increased \$8,106 or .33%. The prior period adjustment shown in 2015 of a negative \$581,137 is the result of implementing GASB 68 and represents the 10/1/14 net pension liability in excess of deferred outflows of resources related to pensions.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2016, the City had approximately \$15.5 million invested in a broad range of capital assets, including equipment, buildings, streets, and water and sewer improvements as shown in Table 3 below:

Table 3  
Capital Assets  
September 30, 2016  
(with comparative figures for FY 2015)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 697,712	\$ 697,712	\$ 55,665	\$ 55,665	\$ 753,377	\$ 753,377
Buildings	1,327,344	1,327,344	70,000	70,000	1,397,344	1,397,344
Machinery and equipment	3,579,400	3,532,162	837,679	826,116	4,417,079	4,358,278
Improvements other than buildings	122,912	122,912	-	-	122,912	122,912
Infrastructure	10,314,278	10,314,278	-	-	10,314,278	10,314,278
Water and sewer system	-	-	14,393,921	14,337,558	14,393,921	14,337,558
Construction in progress	146,312	116,036	65,570	-	211,882	116,036
Subtotal	16,187,958	16,110,444	15,422,835	15,289,339	31,610,793	31,399,783
Accumulated depreciation	(6,510,174)	(5,834,946)	(9,611,457)	(8,850,851)	(16,121,631)	(14,685,797)
Capital assets, net	<u>\$ 9,677,784</u>	<u>\$ 10,275,498</u>	<u>\$ 5,811,378</u>	<u>\$ 6,438,488</u>	<u>\$ 15,489,162</u>	<u>\$ 16,713,986</u>

Additional information on the City's net capital assets, including commitments under construction in progress contracts, can be found in Note 4 included in this report.

### **Debt**

At year-end, the City had \$5,186,432 in long-term debt (before adjustments for net premiums and discounts) compared to \$5,991,439 at the end of the prior fiscal year, a net decrease of \$805,007. This decrease results from a combination of scheduled debt retirements and new debt obligations issued. The liability for compensated absences payable increased \$12,262 from the prior year.

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Table 3  
Outstanding Debt  
September 30, 2016  
(with comparative figures for FY 2015)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ -	\$ 235,000	\$ 3,095,000	\$ 3,365,000	\$ 3,095,000	\$ 3,600,000
State revolving fund loan	67,011	114,700	-	-	67,011	114,700
Certificates of indebtedness	19,918	39,383	-	-	19,918	39,383
Capital lease obligations payable	118,390	243,505	-	-	118,390	243,505
Compensated absences	190,665	180,847	15,448	13,004	206,113	193,851
Revenue bonds payable	-	-	1,680,000	1,800,000	1,680,000	1,800,000
Subtotal	395,984	813,435	4,790,448	5,178,004	5,186,432	5,991,439
Less:						
Net premiums (discounts)	-	417	(24,446)	(26,891)	(24,446)	(26,474)
Capital assets, net	\$ 395,984	\$ 813,852	\$ 4,766,002	\$ 5,151,113	\$ 5,161,986	\$ 5,964,965

Additional information on the City's long-term debt can be found in Note 5 included in this report.

## THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The combined fund balances of the City's governmental funds increased \$455,671 for the current fiscal year, net of prior period adjustments of \$(142,000), and the total fund balance was \$3,580,354. Of this amount \$2,738,919 or 76% constitutes unassigned fund balance, which is generally available for spending at the City's discretion. The remaining fund balance of \$841,435 or 24% is either nonspendable, restricted, committed, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed, or assigned.

The increase of \$455,671 in the combined fund balances of the City's governmental funds was mostly attributable to changes in the individual funds as follows:

- ◆ The General Fund increased \$690,660, including a prior period adjustment of (\$82,363). Included in the General Fund's change in fund balance are net transfers in (transfers in less transfers out) of \$210,494.
- ◆ Non-major funds (which include Special Revenue, Capital Projects and Debt Service Funds) decreased \$234,989, including a prior period adjustment of (\$59,637). This decrease primarily results from the final payment on the 2011 G.O. Refunding Bond of \$237,938 in excess of the one mill levy for debt service which generated \$60,689 in property tax revenues. The prior period adjustment of (\$59,637) resulted from reclassifying fund equity to the General Fund.

The General Fund is the primary operating fund of the City. The fund balance of the General Fund is \$3,096,731, of which \$19,216 is nonspendable (in the form of advances and inventory) and \$338,596 is

restricted, leaving \$2,738,919 unassigned.

**Proprietary funds.** The focus of the City's proprietary (enterprise) funds is to provide the same type of information in the government-wide financial statements, but in more detail.

Net position of the enterprise funds decreased \$172,726. The Water and Sewer Fund's (a Major Fund) net position decreased \$214,344, including a transfer to the General Fund of \$293,850. The Refuse Collection Fund's (also a Major Fund) net position increased \$12,956, including a transfer from the General Fund of \$64,280. Other factors concerning the finances of the City's proprietary funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

During the fiscal year ending September 30, 2016, the City amended the General Fund budget as needed.

For fiscal year 2016, actual revenues on a budgetary basis were \$6,114,192 as compared to the budgeted amount of \$6,159,822 and actual expenditures on a budgetary basis were \$5,490,196 as compared to the budgeted amount of \$5,495,358

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The annual budget is developed to provide efficient, effective and economic uses of the City's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City's Mayor and Aldermen set the direction of the City, allocate its resources and establish its priorities.

In considering the City budget for fiscal year 2017, the City's Mayor and Aldermen considered the following factors:

- ◆ Property tax revenues are budgeted to be \$2,791,919 in fiscal year 2017. The tax levy for FY17 includes 47.49 mills for the general fund (an increase of 1 mill) and 0 mills for the debt service fund.
- ◆ Other general fund revenues are projected to be \$3,358,006, which when added to property taxes of \$2,791,919 yields total revenues of \$6,149,925. General Fund expenditures are projected to be \$6,515,188, including other uses of \$83,655.
- ◆ Enterprise Fund operating revenues, including garbage and mosquito fees of \$545,000 and \$87,800, respectively, are projected to be \$2,677,050 (no change from the prior year). Operating expenditures are budgeted at \$1,931,382 plus other uses of \$848,739 for total expenditures of \$2,780,121.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at the City of Indianola, P.O. Box 269, Indianola, MS 38751.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF INDIANOLA**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

	Governmental Activities	Business-type Activities	Total	Component Unit Indianola Tourism Comm.
<b>ASSETS</b>				
Cash on hand and in bank	\$ 3,350,165	\$ 2,498,524	\$ 5,848,689	\$ 5,871
Accounts receivable (net of uncollectibles):				
Property taxes	2,425,820	-	2,425,820	-
Intergovernmental and local	566,524	-	566,524	98,665
Utility billings	-	231,460	231,460	-
Other receivables	1,246	3,435	4,681	-
Due from agency funds	4,491	-	4,491	-
Restricted assets (utility funds):				
Debt reserve funds	-	362,105	362,105	-
Customer deposits	-	175,495	175,495	-
Inventory	13,847	-	13,847	-
Capital assets, net of accumulated depreciation	9,677,784	5,811,378	15,489,162	-
Total assets	16,039,877	9,082,397	25,122,274	104,536
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	-	248,476	248,476	-
Deferred outflows - pensions	1,446,592	158,021	1,604,613	-
Total deferred outflows of resources	1,446,592	406,497	1,853,089	-
<b>LIABILITIES</b>				
Accounts payable	94,015	143,326	237,341	225
Accrued wages and benefits	127,533	13,627	141,160	-
Due to Indianola Tourism Commission	64,433	-	64,433	-
Accrued interest payable	484	37,722	38,206	-
Due to vendors	5,344	-	5,344	-
Judicial assessments payable	9,532	-	9,532	-
Due to school district	1,780	-	1,780	-
Customer deposits	-	175,495	175,495	-
Other payables	197	-	197	-
Long-term liabilities, due within one year:				
Capital related liabilities	159,056	397,555	556,611	-

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

**CITY OF INDIANOLA**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

	Governmental Activities	Business-type Activities	Total	Component Unit Indianola Tourism Comm.
<b>LIABILITIES</b>				
Long-term liabilities, due beyond one year:				
Capital related liabilities	46,263	4,352,999	4,399,262	-
Compensated absences payable	190,665	15,448	206,113	-
Net pension liability	6,746,060	741,898	7,487,958	-
Total liabilities	7,445,362	5,878,070	13,323,432	225
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property taxes	2,425,820	-	2,425,820	-
Deferred inflows - pensions	620,795	67,742	688,537	-
Total deferred inflows of resources	3,046,615	67,742	3,114,357	-
<b>NET POSITION</b>				
Net investment in capital assets	9,472,465	1,309,300	10,781,765	-
Restricted - expendable:				
Fire department training and capital outlay	338,596	-	338,596	-
Unemployment benefits	15,000	1,630	16,630	-
Debt service	121,959	324,383	446,342	-
Capital projects and park	378,810	-	378,810	-
Unrestricted	(3,332,338)	1,907,769	(1,424,569)	104,311
Total net position	\$ 6,994,492	\$ 3,543,082	\$ 10,537,574	\$ 104,311

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

**CITY OF INDIANOLA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Indianola Tourism Commission
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
<i>Governmental activities:</i>								
General government	\$ 1,091,394	\$ 46,919	\$ 32,215	\$ 15,720	\$ (996,540)	\$ -	\$ (996,540)	\$ -
Public safety	2,760,136	234,433	24,249	16,500	(2,484,954)	-	(2,484,954)	-
Public works	1,665,653	-	3,000	13,069	(1,649,584)	-	(1,649,584)	-
Health and welfare	230,445	23,275	-	-	(207,170)	-	(207,170)	-
Culture and recreation	399,574	14,817	33,600	-	(351,157)	-	(351,157)	-
Municipal airport	114,868	-	-	-	(114,868)	-	(114,868)	-
Interest/fees on long-term debt	10,565	-	-	-	(10,565)	-	(10,565)	-
Total governmental activities	6,272,635	319,444	93,064	45,289	(5,814,838)	-	(5,814,838)	-
<i>Business-type activities:</i>								
Water and sewer	1,626,794	1,844,408	-	51,000	-	268,614	268,614	-
Solid waste (garbage)	578,458	527,134	-	-	-	(51,324)	(51,324)	-
Mosquito	42,589	71,251	-	-	-	28,662	28,662	-
Interest/fees on long-term debt	188,256	-	-	-	-	(188,256)	(188,256)	-
Total business-type activities	2,436,097	2,442,793	-	51,000	-	57,696	57,696	-
Total primary government	\$ 8,708,732	\$ 2,762,237	\$ 93,064	\$ 96,289	(5,814,838)	57,696	(5,757,142)	-
<b>Component Unit:</b>								
Indianola Tourism Commission	\$ 419,281	\$ -	\$ -	\$ -				(419,281)
General revenues:								
Property taxes					2,808,807	-	2,808,807	-
Homestead exemption reimbursement					155,621	-	155,621	-
Franchise taxes					260,896	-	260,896	-
Sales and tourism taxes					1,990,309	-	1,990,309	415,921
Other intergovernmental revenues					352,522	-	352,522	-

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

**CITY OF INDIANOLA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Indianola Tourism Commission
					Governmental Activities	Business-type Activities	Total	
General revenues:								
Unrestricted interest income					21,338	-	21,338	-
Other income					22,312	-	22,312	-
Gain (loss) on disposal of assets					4,019	(852)	3,167	-
Transfers					229,570	(229,570)	-	-
Total general revenues and transfers					5,845,394	(230,422)	5,614,972	415,921
Change in net position					30,556	(172,726)	(142,170)	(3,360)
Net position, beginning					7,116,436	3,715,808	10,832,244	107,671
Prior period adjustments					(152,500)	-	(152,500)	-
Net position, beginning-as restated					6,963,936	3,715,808	10,679,744	107,671
Net position, ending					<u>\$ 6,994,492</u>	<u>\$ 3,543,082</u>	<u>\$ 10,537,574</u>	<u>\$ 104,311</u>

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



**CITY OF INDIANOLA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2016**

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Non-major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 2,868,382	\$ 481,783	\$ 3,350,165
Receivables:			
Property taxes	2,459,001	666	2,459,667
Other receivables	72,465	13,069	85,534
Intergovernmental	381,431	64,433	445,864
Other receivables	1,279	1,246	2,525
Advances to (from) other funds	5,369	-	5,369
Inventory	13,847	-	13,847
Total assets	<u>\$ 5,801,774</u>	<u>\$ 561,197</u>	<u>\$ 6,362,971</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 94,015	\$ -	\$ 94,015
Accrued wages and benefits	127,533	-	127,533
Due to Indianola Tourism Commission	-	64,433	64,433
Due to vendors	5,344	-	5,344
Judicial assessments payable	9,532	-	9,532
Due to school district	1,780	-	1,780
Other payables	197	-	197
Due to agency fund	431	-	431
Advance from other funds	375	72	447
Total liabilities	<u>239,207</u>	<u>64,505</u>	<u>303,712</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property taxes	2,425,820	-	2,425,820
Deferred revenues/grants	40,016	13,069	53,085
Total deferred inflows of resources	<u>2,465,836</u>	<u>13,069</u>	<u>2,478,905</u>

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

**CITY OF INDIANOLA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2016**

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Non-major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>FUND BALANCE</b>			
Nonspendable:			
Advances	5,369	-	5,369
Inventory	13,847	-	13,847
Restricted:			
Fire protection rebate funds	338,596	-	338,596
Debt service fund	-	121,959	121,959
Unemployment benefits	-	15,000	15,000
Committed:			
None	-	-	-
Assigned:			
Capital projects and parks	-	346,664	346,664
Unassigned:			
General fund	2,738,919	-	2,738,919
Total fund balances	<u>3,096,731</u>	<u>483,623</u>	<u>3,580,354</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 5,801,774</u>	 <u>\$ 561,197</u>	 <u>\$ 6,362,971</u>

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

**CITY OF INDIANOLA**  
**RECONCILIATION OF THE BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**As of September 30, 2016**

Total fund balance per balance sheet	\$	3,580,354
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Amounts reported for governmental activities in the statement of net position are different because:

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

Land	\$	697,712	
Construction in progress		146,312	
Buildings		1,327,344	
Improvements other than buildings		122,912	
Mobile equipment		2,608,690	
Computer equipment and software		292,363	
Furniture and equipment		678,347	
Infrastructure		10,314,278	
Accumulated depreciation		<u>(6,510,174)</u>	9,677,784

2. Federal and state grants and reimbursements and property taxes are reported in the statement of net position at the time they are earned, without regard to the timeliness of remittance by the payer.		53,085
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3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Notes payable	(86,929)		
Capital lease obligations payable	(118,390)		
Compensated absences payable	(190,665)		
Accrued interest payable	(484)		
Net pension liability	<u>(6,746,060)</u>		(7,142,528)

4. Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions	1,446,592		
Deferred inflows related to pensions	<u>(620,795)</u>		<u>825,797</u>

Net position of governmental activities	\$	<u><u>6,994,492</u></u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF INDIANOLA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2016**

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Non-major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 2,687,172	\$ 57,412	\$ 2,744,584
Penalties and interest	64,223	-	64,223
Franchise taxes	260,896	-	260,896
Licenses and permits	44,128	-	44,128
Intergovernmental:			
Sales taxes	1,990,309	-	1,990,309
Homestead reimbursement	152,344	3,277	155,621
Payments in lieu of taxes - Grand Gulf	86,405	-	86,405
Road district taxes	164,665	-	164,665
Federal, state & county grants & shared revenues	260,570	-	260,570
Fines and forfeitures	212,464	-	212,464
Interest	15,691	5,647	21,338
Other	101,570	-	101,570
Total revenues	<u>6,040,437</u>	<u>66,336</u>	<u>6,106,773</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,049,957	-	1,049,957
Public safety	2,527,851	-	2,527,851
Public works	1,264,318	-	1,264,318
Public health	215,688	-	215,688
Culture and recreation	355,868	-	355,868
Debt service:			
Principal	67,154	235,000	302,154
Interest	5,100	2,938	8,038
Paying agent's fees	-	3,750	3,750
Construction-street and sidewalk projects	-	19,076	19,076
Total expenditures	<u>5,485,936</u>	<u>260,764</u>	<u>5,746,700</u>
Excess of revenues over (under) expenditures	<u>554,501</u>	<u>(194,428)</u>	<u>360,073</u>

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

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**CITY OF INDIANOLA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2016**

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Non-major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	293,850	19,076	312,926
Transfers out	(83,356)	-	(83,356)
Proceeds from sale of capital assets	8,028	-	8,028
Total other financing sources (uses)	<u>218,522</u>	<u>19,076</u>	<u>237,598</u>
Net change in fund balances	773,023	(175,352)	597,671
<b>FUND BALANCES</b>			
Beginning of year	2,406,071	718,612	3,124,683
Prior period adjustments	(82,363)	(59,637)	(142,000)
Beginning-as restated	<u>2,323,708</u>	<u>658,975</u>	<u>2,982,683</u>
End of year	<u>\$ 3,096,731</u>	<u>\$ 483,623</u>	<u>\$ 3,580,354</u>

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

**CITY OF INDIANOLA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2016**

Net change in fund balances - total governmental funds		\$ 597,671
Amounts reported for governmental activities in the Statement of Activities are different because:		
1. Some revenues reported in the Statement of Activities do not provide current financial resources and are, therefore, not reported as revenues in governmental funds - decrease in deferred revenues:		(37,171)
2. Governmental funds report capital outlays as expenditures while governmental activities report capital outlays as assets and allocate the cost of those assets over their estimated useful lives as depreciation expense:		
Capital outlay	117,595	
Depreciation expense	<u>(711,300)</u>	(593,705)
3. Other transactions involving capital assets that increase or decrease net position in the Statement of Activities include the book value of assets disposed of:		(4,009)
4. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities:		
Accretion of premium on refunding bond	417	
Payments of debt principal	427,269	
Accrued interest payable	<u>769</u>	428,455
5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include the change in compensated absences:		(9,818)
6. The Statement of Activities reports an expense equal to the City's proportionate share of the collective net pension expense for the cost-sharing pension plan. However, in the governmental funds, the cost-sharing expenses are measured by the amount of current contributions made to the plan. The amount by which the expenditures exceeded current contributions is:		<u>(350,867)</u>
Change in net position of governmental activities		<u>\$ 30,556</u>

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

**CITY OF INDIANOLA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**September 30, 2016**

	<b>Major Funds</b>		<b>Non-Major</b>	<b>Total</b>
	<b>Water &amp; Sewer Fund</b>	<b>Refuse Collection</b>	<b>Other Fund</b>	<b>Enterprise Funds</b>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,184,973	\$ 41,225	\$ 64,024	\$ 1,290,222
Investment (6-month CD)	1,208,302	-	-	1,208,302
Accounts receivable:				
Utility billings, net of doubtful accounts	174,655	48,731	8,074	231,460
Other receivables	3,435	-	-	3,435
Total current assets	<u>2,571,365</u>	<u>89,956</u>	<u>72,098</u>	<u>2,733,419</u>
<b>Restricted assets:</b>				
Cash and cash equivalents:				
Debt reserve funds	362,105	-	-	362,105
Cash - customer deposits	175,495	-	-	175,495
Total restricted assets	<u>537,600</u>	<u>-</u>	<u>-</u>	<u>537,600</u>
<b>Noncurrent assets:</b>				
Capital assets, net of accum. depreciation	<u>5,798,919</u>	<u>-</u>	<u>12,459</u>	<u>5,811,378</u>
Total noncurrent assets	<u>5,798,919</u>	<u>-</u>	<u>12,459</u>	<u>5,811,378</u>
Total assets	<u>8,907,884</u>	<u>89,956</u>	<u>84,557</u>	<u>9,082,397</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pensions	151,529	-	6,492	158,021
Deferred amount on refunding	248,476	-	-	248,476
Total deferred outflows of resources	<u>400,005</u>	<u>-</u>	<u>6,492</u>	<u>406,497</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	91,551	48,183	3,592	143,326
Accrued wages and benefits	12,207	-	1,420	13,627
Accrued interest	37,722	-	-	37,722
Current portion of long-term debt	400,000	-	-	400,000
Bond premium (discount) - current portion	(2,445)	-	-	(2,445)
Total current liabilities	<u>539,035</u>	<u>48,183</u>	<u>5,012</u>	<u>592,230</u>

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

**CITY OF INDIANOLA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**September 30, 2016**

	<b>Major Funds</b>		<b>Non-Major</b>	<b>Total</b>
	<b>Water &amp; Sewer Fund</b>	<b>Refuse Collection</b>	<b>Other Fund</b>	<b>Enterprise Funds</b>
<b>LIABILITIES</b>				
<b>Liabilities payable from restricted assets:</b>				
Customer deposits	175,495	-	-	175,495
Total liab. payable from restricted assets	175,495	-	-	175,495
<b>Noncurrent liabilities:</b>				
Bonds payable	4,375,000	-	-	4,375,000
Bond premium (discount) - noncurrent portion	(22,001)	-	-	(22,001)
Net pension liability	714,861	-	27,037	741,898
Compensated absences payable	15,448	-	-	15,448
Total noncurrent liabilities	5,083,308	-	27,037	5,110,345
Total liabilities	5,797,838	48,183	32,049	5,878,070
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	65,351	-	2,391	67,742
Total deferred inflows of resources	65,351	-	2,391	67,742
<b>NET POSITION</b>				
Net investment in capital assets	1,296,841	-	12,459	1,309,300
Restricted:				
Restricted for retirement of bonds	324,383	-	-	324,383
Restricted for unemployment benefits	1,630	-	-	1,630
Unrestricted	1,821,846	41,773	44,150	1,907,769
Total net position	\$ 3,444,700	\$ 41,773	\$ 56,609	3,543,082

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



**CITY OF INDIANOLA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION - PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2016**

	<u>Major Funds</u>		<u>Non-Major</u>	<u>Total</u>
	<u>Water &amp; Sewer</u>	<u>Refuse</u>	<u>Other</u>	<u>Enterprise</u>
	<u>Fund</u>	<u>Collection</u>	<u>Fund</u>	<u>Funds</u>
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Water	\$ 1,032,201	\$ -	\$ -	\$ 1,032,201
Sewer	700,039	-	-	700,039
Refuse collection fees	-	527,134	-	527,134
Mosquito service fees	-	-	71,251	71,251
Late charges, penalties, taps, etc.	84,015	-	-	84,015
Rent income	24,200	-	-	24,200
Total operating revenues	<u>1,840,455</u>	<u>527,134</u>	<u>71,251</u>	<u>2,438,840</u>
<b>OPERATING EXPENSES</b>				
Personnel	408,424	-	15,548	423,972
Supplies	129,504	-	21,204	150,708
Contractual and other services	319,772	-	3,209	322,981
Solid waste disposal	-	578,458	-	578,458
Depreciation	769,094	-	2,628	771,722
Total operating expenses	<u>1,626,794</u>	<u>578,458</u>	<u>42,589</u>	<u>2,247,841</u>
Operating income (loss)	<u>213,661</u>	<u>(51,324)</u>	<u>28,662</u>	<u>190,999</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	3,953	-	-	3,953
Interest expense	(184,256)	-	-	(184,256)
Paying agent and other fees	(4,000)	-	-	(4,000)
Gain (loss) on sale of equipment	(852)	-	-	(852)
Total nonoperating revenues (expenses)	<u>(185,155)</u>	<u>-</u>	<u>-</u>	<u>(185,155)</u>
Income (loss) before contributions and transfers	28,506	(51,324)	28,662	5,844
Capital contribution	51,000	-	-	51,000
Transfers in	-	64,280	-	64,280
Transfers out	<u>(293,850)</u>	<u>-</u>	<u>-</u>	<u>(293,850)</u>
Change in net position	(214,344)	12,956	28,662	(172,726)
<b>NET POSITION</b>				
Beginning of year	<u>3,659,044</u>	<u>28,817</u>	<u>27,947</u>	<u>3,715,808</u>
NET POSITION, end of year	<u>\$ 3,444,700</u>	<u>\$ 41,773</u>	<u>\$ 56,609</u>	<u>\$ 3,543,082</u>

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

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**CITY OF INDIANOLA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2016**

	<b>Major Fund</b>		<b>Non-Major</b>	<b>Total</b>
	<b>Water &amp; Sewer</b>	<b>Refuse</b>	<b>Fund</b>	<b>Enterprise</b>
	<b>Fund</b>	<b>Collection</b>		<b>Funds</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 1,861,914	\$ 526,836	\$ 71,055	2,459,805
Payments to suppliers	(446,993)	(578,416)	(20,821)	(1,046,230)
Payments to employees	(365,405)	-	(13,948)	(379,353)
Net cash provided (used) by operating activities	1,049,516	(51,580)	36,286	1,034,222
<b>Cash flows from noncapital financing activities:</b>				
Interfund loans received/(repaid)	-	-	-	-
Transfers (to)/from other funds	(293,850)	64,280	-	(229,570)
Net cash provided (used) by noncapital financing activities	(293,850)	64,280	-	(229,570)
<b>Cash flows from capital and related financing activities:</b>				
Principal payments on capital debt	(390,000)	-	-	(390,000)
Interest paid on capital debt	(158,989)	-	-	(158,989)
Fees paid on capital debt	(4,000)	-	-	(4,000)
Proceeds from disposition of capital assets	383	-	-	383
Acquisition and construction of capital assets	(31,277)	-	-	(31,277)
Net cash provided (used) by capital and related financing activities	(583,883)	-	-	(583,883)
<b>Cash flows from investing activities:</b>				
Purchase of time deposits	2,413,899	-	-	2,413,899
Proceeds from matured time deposits	(2,415,703)	-	-	(2,415,703)
Interest received	3,907	-	-	3,907
Net cash provided (used) by investing activities	2,103	-	-	2,103
Net increase (decrease) in cash and cash equivalents	173,886	12,700	36,286	222,872
Cash and cash equivalents:				
Beginning of year	1,548,687	28,525	27,738	1,604,950
End of year	\$ 1,722,573	\$ 41,225	\$ 64,024	\$ 1,827,822

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

September 30, 2013

**CITY OF INDIANOLA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For the Year Ended September 30, 2016

	<u>Major Fund</u>		<u>Non-Major</u>	<u>Total</u>
	<u>Water &amp; Sewer</u>	<u>Refuse</u>	<u>Fund</u>	<u>Enterprise</u>
	<u>Fund</u>	<u>Collection</u>		<u>Funds</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 213,661	\$ (51,324)	\$ 28,662	\$ 190,999
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	769,094	-	2,628	771,722
Changes in assets/liabilities:				
Accounts receivable	18,565	(297)	(195)	18,073
Accounts payable	2,245	41	3,592	5,878
Accrued wages and benefits	2,119	-	397	2,516
Customer deposits	2,931	-	-	2,931
Pension liability and related deferrals	38,456	-	1,202	39,658
Compensated absences	2,445	-	-	2,445
Total adjustments	835,855	(256)	7,624	843,223
Net cash provided (used) by operating activities	\$ 1,049,516	\$ (51,580)	\$ 36,286	\$ 1,034,222
<b>Reconciliation of cash and cash equivalents:</b>				
Current assets:				
Cash and cash equivalents	\$ 1,184,973	\$ 41,225	\$ 64,024	\$ 1,290,222
Restricted assets:				
Debt reserve funds	362,105	-	-	362,105
Cash-customer deposits	175,495	-	-	175,495
Total cash and cash equivalents	\$ 1,722,573	\$ 41,225	\$ 64,024	\$ 1,827,822
<b>Schedule of noncash investing, capital and financing activities:</b>				
Amortization of premium, discount and deferred loss on debt refunding	\$ 27,292	\$ -	\$ -	\$ 27,292
County portion of Second St. sewer improvements	51,000	-	-	51,000

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

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**CITY OF INDIANOLA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**September 30, 2016**

	<u>Agency Funds</u>	<u>Police Escrow</u>
<b>ASSETS</b>		
Cash and deposits	\$ 87,799	\$ (213)
Due from General Fund	-	431
Advance to General Fund	-	375
	<hr/>	<hr/>
Total assets	<u>\$ 87,799</u>	<u>\$ 593</u>
<b>LIABILITIES</b>		
Payroll withholdings and benefits payable	\$ 82,502	\$ -
Restitution and cash bonds payable	-	593
Advance from General Fund	5,297	-
	<hr/>	<hr/>
Total liabilities	<u>\$ 87,799</u>	<u>\$ 593</u>

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

**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

**1) Summary of Significant Accounting Policies**

**A. Financial Reporting Entity.**

The City of Indianola operates under a Mayor-Board of Aldermen form of government and provides services authorized by its charter. The City was formed in 1886 and presently operates under a special charter issued by the State Legislature in 1890. The City of Indianola's major operations include public welfare and social services, civil and criminal justice systems, road and bridge maintenance and general administrative services. In addition, a water and sewer system is operated by the City.

The financial statements presented here include those of the primary government of the City of Indianola and all significant component units. Included is the:

- Indianola Tourism Commission-The City's mayor and board of aldermen appoint 5 of the 7 board members of the Commission and have the authority to approve budgets for the commission. The City petitioned the state legislature to levy a 2% sales tax on restaurant and bar sales and hotel and motel room charges. The City receives the tourism tax from the State Tax Commission and remits the tax to the tourism commission. The tourism taxes are used primarily to support the B.B. King Museum in attracting and serving visitors in the Indianola area. The financial statements of the Commission are audited annually (and may be obtained by contacting them at P.O. Box 1132, Indianola, MS 38751).

**B. Basic Financial Statements.**

Basic financial statements consist of the following:

- ◆ Government-wide financial statements,
- ◆ Fund financial statements, and
- ◆ Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and are eliminated in the total government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (police and fire), public improvements, culture and recreation (including library), health and welfare, and general administrative support services. The business-type activities of the City include water and sewer services, solid waste management, and a vector control program.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given

**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions, including special assessments, which are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for debt-service expenditures which are recognized when due, and certain uncompensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, ad valorem taxes, charges for services and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met. All other revenue items (including police fines) are considered to be measurable and available only when cash is received.

The City reports the following major governmental fund:

The General Fund is the city's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

Other governmental funds is a summarization of all of the nonmajor governmental funds and includes:

**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Additionally, the City reports the following fund types:

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are charges to customers for sales and services. The proprietary fund recognizes the portion of tap fees intended to recover the cost of connecting new customers to the system as operating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary funds:

- The Water and Sewer Fund accounts for the activities of providing water and wastewater services to the citizens of the City.
- The Refuse Collection (or Garbage) Fund accounts for providing garbage pick-up services to residential customers within the City limits. The City contracts with a commercial vendor to collect and dispose of the solid waste.

The City has one non-major proprietary fund, the Mosquito Fund. The Mosquito Fund is used to account for fees collected and expenses incurred in the City's mosquito and vector control program.

In addition, the City has two fiduciary funds, the Agency (Payroll Clearing) Fund and the Police Escrow Fund, which are used to account for assets held by the City in an agency capacity for others.

GASB 34 eliminates the presentation of Account Groups (General Fixed Assets Account Group and Long-term Debt Account Group) but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Position.

**D. Account Classifications.**

The account classifications used in the financial statements conform to the classifications prescribed in the *Municipal Audit and Accounting Guide* issued by the Office of the State Auditor.

**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

**E. Cash and Other Deposits and Cash Equivalents.**

The City of Indianola deposits excess funds in the financial institutions selected by the Board of Aldermen. State statutes specify how these depositories are to be selected.

Cash consists of amounts on deposit in demand accounts. Other deposits consist of certificates of deposit. Cash and other deposits are valued at cost.

Various restrictions on these deposits are imposed by state statutes. These restrictions are summarized as follows:

All deposits with financial institutions must be collateralized in an amount at least equal to 105% of the amount not insured by the Federal Deposit Insurance Corporation (FDIC) or by the Federal Savings and Loan Insurance Corporation (FSLIC), or any successors to such insurance corporations. For purposes of the combined statement of cash flows, the City considers the following to be cash equivalents if they have a maturity of three months or less when acquired: all highly liquid investments and certificates of deposit.

**F. Investments.**

Municipalities are allowed, by Section 21-33-323, MS Code Ann. (1972), to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, or of any school district, which such county or municipality or school district bonds have been properly approved; or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or in interest bearing time certificates of deposit with municipal depositories serving in accordance with Section 27-105-353.

For accounting purposes, certificates of deposit and interest bearing accounts are classified as cash and investments.

**G. Inventories and Prepaid Items.**

Because the City does not accumulate large quantities of supplies, inventories are generally not recorded. (However, the City did record at cost gasoline inventory of \$13,847 at year end. This inventory is expensed to various departments/funds based on logs maintained of usage on a first in-first out basis.)

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

**H. Restricted Assets – Proprietary Fund.**

Restricted assets include customer meter deposits since they can only be used to apply against the customer's account balance or refunded when the customer terminates service. Also included are amounts held in bond reserve and debt service funds, as required by loan covenants in the City's water and sewer funds. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.



**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

**I. Capital Assets.**

GASB Statement No. 34 requires that all capital assets, whether owned by governmental activities or business-type activities, be recorded and depreciated in the government-wide financial statements. No long-term assets or depreciation are shown in the governmental funds financial statements.

For financial reporting, the City defines capital assets as those with an initial individual cost exceeding the following amounts and which have a useful life exceeding one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

	Threshold
Land	N/A
Infrastructure (roads, bridges, etc.)	N/A
Buildings	\$50,000
Improvements other than buildings	\$25,000
Furniture, equipment, vehicles	\$5,000

All land and infrastructure, regardless of its value, is to be reported. The City is considered a "Phase 3" government under GASB 34 and is required to include infrastructure acquired beginning with the date of adoption of GASB 34 (FY 2004). For Phase 3 governments, GASB 34 encourages, but does not require, that major infrastructure acquired in years after June 30, 1980, be capitalized and depreciated. Prior to GASB 34, governments were not required to report general infrastructure assets and the City does not have a record of general infrastructure acquired prior to the adoption of GASB 34.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed for proprietary funds.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

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**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

	<u>Life</u>	<u>Salvage Value</u>
Computer equipment and peripherals	3 years	1%
Vehicles and equipment	5 years	10%
Heavy equipment	10 years	10%
Furniture and fixtures	7 years	10%
Improvements other than buildings	20 years	20%
Buildings	40 years	20%
Infrastructure:		
Roads	20 years	30%
Concrete bridges	50 years	0%
Timber bridges	30 years	0%

The threshold amount for leased property under capital leases will correspond with the asset classifications, as listed.

**J. Fund Balances/Net Position.**

*Government-wide Financial Statements and Proprietary Funds:*

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

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Financial Statements*

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are description of fund classifications used by the City.

*Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

*Restricted fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Board of Aldermen, the City's highest level of decision-making authority.

*Assigned fund balance* includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

**K. Compensated Absences.**

Employees of the City of Indianola accumulate sick leave in accordance with the City's personnel policies and procedures. In addition, employees are allowed personal leave and/or vacation leave in accordance with City policy.

**L. Property Taxes.**

The City generally sets the levies for real and personal property in September for the ensuing fiscal year beginning October 1. Real property taxes become a lien on January 1 of the current year and personal property taxes become a lien on March 1 of the current year. Taxes on real and personal property 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. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Restrictions associated with property tax levies vary with the statutory authority. 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.

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.

**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

**M. Encumbrances.**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in any of the funds.

**N. Estimates.**

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

**O. Interfund Loans and Transfers.**

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available spendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers represent amounts paid by one fund to another to provide cash matches for federal and/or state grants or the means by which one fund reimburses another fund for costs or services provided.

**P. Long-Term Obligations.**

In the fund financial statements of governmental funds, long-term debt is recognized as a liability when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. In the government-wide financial statements for governmental activities, all long-term debt is recorded as a liability in the Statement of Net Position.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for as liabilities of the proprietary funds.

**Q. Deferred Outflows/Inflows of Resources.**

*Deferred Outflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. As of September 30, 2016, the City had deferred outflows of resources associated with bond refunding in the amount of \$248,476 and deferred amounts on pensions in the amount of \$1,604,613 which are reflected in the Statement of Net Position.

**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
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*Deferred Inflows 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 or periods and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2016, the City had deferred inflows of resources for property taxes in the amount of \$2,425,820 and deferred amounts on pensions in the amount of \$688,537 which are reflected in the Statement of Net Position.

R. Uncollectible Accounts Receivable.

The City's allowance for estimated uncollectible receivables at September 30, 2016, is as follows:

Enterprise Funds:

Accounts receivable - utility billings      \$407,000

**(2) Cash and Cash Equivalents and Investments.**

The City follows the practice of aggregating the cash assets of various funds (except for certain funds for which a separate depository account is required) to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

**Deposits.** Pursuant to state law, the City advertises and accepts bids for depositories no less than once every two years as required by Sections 27-105-353 and 27-105-363, Miss. Code Ann. (1972). The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

**Investments.** State law permits municipal governing authorities to invest surplus funds in the types of investments authorized by Section 21-33-323, Miss. Code Ann. (1972). This section permits the following types of investments: (a) bonds or other direct obligations of the United States of America or the State of Mississippi; (b) bonds of any county or municipality of the State of Mississippi or of any school district; (c) obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or (4) time certificates of deposit in or through state depositories located within the municipality to the same extent such depositories are eligible for invested state funds.

**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

**Cash and Cash Equivalents.**

The carrying value of the City's cash and cash equivalents at September 30, 2016, was:

**Primary Government:**

**Governmental activities:**

Cash on hand (change fund)	\$ 775
Cash in demand deposit accounts	1,036,743
Total	<u>1,037,518</u>

**Business-type activities:**

**Cash equivalents:**

Cash in demand deposit accounts	1,216,236
30-day time deposit	611,586
Total cash equivalents	<u>1,827,822</u>

**Fiduciary funds:**

Cash in demand deposit accounts	<u>87,586</u>
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Total cash and cash equivalents - primary government	<u>\$ 2,952,926</u>
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**Component Unit:**

**Indianola Tourism Commission**

Cash and cash equivalents	<u>\$ 5,871</u>
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Cash and investments are reported as:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Unit
Cash on hand and in bank	\$ 1,037,518	\$ 1,290,222	\$ 87,586	\$ 5,871
Restricted assets (cash equivalents):				
Debt reserve funds	-	362,105	-	-
Customer deposits	-	175,495	-	-
Certificates of deposit (182 days)	<u>2,312,647</u>	<u>1,208,302</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 3,350,165</u>	<u>\$ 3,036,124</u>	<u>\$ 87,586</u>	<u>\$ 5,871</u>

The carrying amount of the City's total deposits with financial institutions at September 30, 2016, was \$6,473,100 (primary government) and \$5,871 (component unit) and the bank balance was \$6,790,344 (primary government) and \$5,871 (component unit). The bank balance differs from the carrying value in that it does not reflect deposits in transit or outstanding checks.

**Custodial Credit Risk – Deposits.**

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that

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risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

Investments.

The City's only "investments" were non-negotiable certificates of deposit which are included above under cash.

**(3) Interfund Transactions and Balances.**

The following is a summary of interfund transactions and balances:

<b>Due from/to other funds</b>		
<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Fiduciary fund	General fund	\$ 431
<b>Advances to/from other funds</b>		
<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General fund	Other governmental funds	\$ 72
General fund	Fiduciary fund	5,297
Fiduciary fund	General fund	375
Total		\$ 5,744
<b>Transfers in/out</b>		
<b>Transfer In</b>	<b>Transfer Out</b>	<b>Transfer Out</b>
General fund	Water fund	\$ 293,850
Other governmental funds	General fund	19,076
Refuse collection	General fund	64,280
Total		\$ 377,206

Interfund loans are made to cover cash deficits until the receiving fund receives revenues to reimburse the paying fund. Transfers are made to close out accounts, provide matching requirements on grants or to reimburse the receiving fund for overhead or other expenses.

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**Notes to the Basic Financial Statements**  
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**(4) General Fixed Assets.**

The following is a summary of capital asset activity for the year ended September 30, 2016:

<u>Governmental Activities:</u>				
	Balance 10/1/15	Additions	Deletions	Balance 9/30/16
<u>Non-depreciable capital assets:</u>				
Land	\$ 697,712	\$ -	\$ -	\$ 697,712
Construction in progress	116,036	30,276	-	146,312
Total non-depreciable capital assets	813,748	30,276	-	844,024
<u>Depreciable capital assets:</u>				
Buildings	1,327,344	-	-	1,327,344
Improvements other than buildings	122,912	-	-	122,912
Mobile equipment - vehicles	2,062,754	-	30,916	2,031,838
Mobile equipment - other	576,852	-	-	576,852
Computer equipment and software	233,363	59,000	-	292,363
Furniture and equipment	659,193	28,319	9,165	678,347
Infrastructure - roads & bridges	7,351,104	-	-	7,351,104
Infrastructure - airport	2,299,295	-	-	2,299,295
Infrastructure - other	663,879	-	-	663,879
Total depreciable capital assets	15,296,696	87,319	40,081	15,343,934
<u>Less accumulated depreciation</u>				
Buildings	359,820	26,555	-	386,375
Improvements other than buildings	54,456	4,918	-	59,374
Mobile equipment - vehicles	1,359,556	184,041	27,824	1,515,773
Mobile equipment - other	362,196	33,878	-	396,074
Computer equipment and software	228,818	21,681	-	250,499
Furniture and equipment	512,433	37,223	8,248	541,408
Infrastructure - roads & bridges	1,955,683	256,519	-	2,212,202
Infrastructure - airport	835,893	113,829	-	949,722
Infrastructure - other	166,091	32,656	-	198,747
Total accumulated depreciation	5,834,946	711,300	36,072	6,510,174
Total depreciable capital assets, net	9,461,750	(623,981)	4,009	8,833,760
Governmental activities, capital assets	<u>\$ 10,275,498</u>	<u>\$ (593,705)</u>	<u>\$ 4,009</u>	<u>\$ 9,677,784</u>



**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
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<u>Business-type Activities</u>				
	Balance 10/1/15	Additions	Disposals	Balance 9/30/2016
<u>Non-depreciable capital assets:</u>				
Land	\$ 55,665	\$ -	\$ -	\$ 55,665
Construction in progress	-	65,570	-	65,570
Total non-depreciable capital assets	55,665	65,570	-	121,235
<u>Depreciable capital assets:</u>				
Buildings (lagoon treatment center)	70,000	-	-	70,000
Mobile equipment - vehicles	194,817	-	12,351	182,466
Mobile equipment - heavy equip.	172,264	-	-	172,264
Computer equipment and software	7,604	-	-	7,604
Furniture and equipment	451,431	23,914	-	475,345
Infrastructure	2,336,335	56,363	-	2,392,698
Infrastructure-water & sewer system	12,001,223	-	-	12,001,223
Total depreciable capital assets	15,233,674	80,277	12,351	15,301,600
<u>Less accumulated depreciation</u>				
Buildings (lagoon treatment center)	56,000	-	-	56,000
Mobile equipment - vehicles	148,305	12,320	11,116	149,509
Mobile equipment - heavy equip.	102,185	11,231	-	113,416
Computer equipment and software	7,528	-	-	7,528
Furniture and equipment	339,586	35,651	-	375,237
Infrastructure	1,980,349	118,443	-	2,098,792
Infrastructure-water & sewer system	6,216,898	594,077	-	6,810,975
Total accumulated depreciation	8,850,851	771,722	11,116	9,611,457
Total depreciable capital assets, net	6,382,823	(691,445)	1,235	5,690,143
Business-type activities, capital assets	\$ 6,438,488	\$ (625,875)	\$ 1,235	\$ 5,811,378

Included in the caption for mobile equipment-vehicles and mobile equipment-other on the Governmental Activities presentation above are various items of equipment acquired in the current and prior years under capital lease agreements with a total cost basis of \$375,162 and current depreciation expense of \$67,538.

**Construction Commitments:**

At September 30, 2016, the City had various construction projects underway which will be financed with grants, local funds, or a combination of both, as follows:

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**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

**Construction Projects:**

	Costs Incurred To Date	Projected Total Costs
<u>Governmental funds:</u>		
102 Front Street	\$ 32,689	\$ 689,689
Fire station (construction not started)*	10,000	-
Safer Routes to School sidewalk project*	36,151	240,001
MDOT Enhancement Project*	40,731	450,687
MDOT Downtown Entertainment District*	14,076	1,592,924
Ellis Road Project*	12,665	-
	<u>\$ 146,312</u>	<u>\$ 2,973,301</u>
<u>Business-type activities:</u>		
College Street waterline relocation	<u>\$ 65,570</u>	<u>\$ 74,493</u>

All of the above projects were in preliminary stages at 9/30/16.

\*Construction had not started as of 9/30/16.

**Depreciation Expense by Fund-type and Department:**

	Governmental	Proprietary
General government	\$ 12,563	\$ -
Public safety	190,413	-
Public works	355,901	-
Health and welfare	10,839	-
Parks and recreation	26,716	-
Airport	114,868	-
Water and sewer fund	-	769,094
Mosquito (non-major) fund	-	2,628
	<u>\$ 711,300</u>	<u>\$ 771,722</u>

**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

**(5) General Long-term Debt.**

The following is a summary of changes in general long-term debt:

	Balance Beginning	Additions	Reductions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
A. General obligation bonds payable	\$ 235,000	\$ -	\$ 235,000	\$ -	\$ -
B. Certificates of indebtedness	39,383	-	19,465	19,918	19,918
C. Other loan payable-State of MS	114,700	-	47,689	67,011	49,880
D. Obligations under capital leases	243,505	-	125,115	118,390	89,259
E. Compensated absences payable	180,847	9,818	-	190,665	-
	<u>813,435</u>	<u>9,818</u>	<u>427,269</u>	<u>395,984</u>	<u>159,057</u>
Plus deferred premium on refunding	417	-	417	-	417
Total governmental activities	<u>813,852</u>	<u>9,818</u>	<u>427,686</u>	<u>395,984</u>	<u>159,474</u>
<b>Business-type activities:</b>					
E. Compensated absences payable	13,004	2,444	-	15,448	-
F. Revenue bonds payable	1,800,000	-	120,000	1,680,000	125,000
G. General obligation bonds payable	3,365,000	-	270,000	3,095,000	275,000
Total business-type activities	<u>5,178,004</u>	<u>2,444</u>	<u>390,000</u>	<u>4,790,448</u>	<u>400,000</u>
Less discount on bonds	<u>(26,891)</u>	<u>-</u>	<u>(2,445)</u>	<u>(24,446)</u>	<u>(2,445)</u>
Total business-type activities	<u>5,151,113</u>	<u>2,444</u>	<u>387,555</u>	<u>4,766,002</u>	<u>397,555</u>
Total	<u>\$ 5,964,965</u>	<u>\$ 12,262</u>	<u>\$ 815,241</u>	<u>\$ 5,161,986</u>	<u>\$ 557,029</u>

**A. General obligation bonds payable.**

General obligation bonds are direct obligations and pledge the full faith and credit of the City. This bond was paid in full during the current fiscal year.

**B. Certificates of indebtedness.**

The City borrowed \$77,000 from Trustmark Bank to finance the purchase of a biometric time clock for use by all City departments and to upgrade computer hardware and software, principally at City Hall. Terms of this loan are described below:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificate of Indebtedness	2%	6/10/2013	6/10/2017	\$ 77,000	\$ 19,918

This debt is serviced by the General Fund.

The following is a schedule by years of the total payments due on this debt:

Year Ending September 30	Principal	Interest	Total
2017	\$ 19,918	\$ 462	\$ 20,380
Total	<u>\$ 19,918</u>	<u>\$ 462</u>	<u>\$ 20,380</u>

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**CITY OF INDIANOLA**  
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**For the Year Ended September 30, 2016**

**C. Other loans payable - State of Mississippi.**

Other loans payable consists of a State Revolving Fund Loan secured by sales tax reimbursements due the City. This loan was made to finance the City's treatment plant. Terms of this loan are described below:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Revolving Fund Loan	5%	1998	12/31/17	\$ 676,218	\$ 67,011

This debt is serviced by the General Fund through Sales Tax reductions (reimbursed by the Water Fund).

The following is a schedule by years of the total payments due on this debt:

Year Ending September 30	Principal	Interest	Total
2017	\$ 49,880	\$ 1,995	\$ 51,875
2018	17,131	161	17,292
Total	<u>\$ 67,011</u>	<u>\$ 2,156</u>	<u>\$ 69,167</u>

**D. Obligations under capital leases.**

The City has acquired machinery and equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option (generally \$1) or a transfer of ownership at the end of the lease term.

Assets acquired through outstanding capital leases are as follows:

Governmental activities	Cost	Accumulated Depreciation	Carrying Value
<i>Mobile equipment - vehicles:</i>			
(5) 2013 Chevrolet Tahoes	\$ 185,428	\$ 133,520	\$ 51,908
(2) 2014 Chevrolet Tahoes	69,406	37,485	31,921
2014 Ford F150	17,566	9,489	8,077
2015 Chevrolet Traverse	24,231	8,726	15,505
2015 Chevrolet Tahoe	33,024	11,890	21,134
2014 Ford F150	25,485	9,176	16,309
2015 Ford F150	20,022	7,208	12,814
	<u>\$ 375,162</u>	<u>\$ 217,494</u>	<u>\$ 157,668</u>

The following schedule details debt service requirements to maturity for capital leases payable:

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Year Ending September 30	Annual Lease Payments	Less Interest Included	Net Present Value of Minimum Lease Pmts
2017	\$ 90,712	\$ 1,453	\$ 89,259
2018	29,384	253	29,131
Total	<u>\$ 120,096</u>	<u>\$ 1,706</u>	<u>\$ 118,390</u>

Interest rates range from 1.86% to 1.93%.

Debt service for capital leases is recorded in the following departments, as applicable: Executive/General, Police, Public Works, and Public Health.

**E. Compensated absences payable (See Note 1(K)).**

Compensated absences payable (vacation and holiday pay) are adjusted annually and are paid out of the fund from which the employees' salaries are paid. Specific years for payment of compensated absences are not determinable.

**F. Water & sewer revenue bonds payable.**

Revenue bonds are direct obligations of the City and are payable from revenues generated by the system. Revenue bonds outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Combined Water & Sewer Revenue Refunding Bonds - Series 2011 Refunding Series 2001B	2 - 3.8%	12/20/2011	07/01/26	\$ 2,285,000	\$ 1,680,000

This debt is serviced by revenues generated by the City's Water and Sewer Fund.

The following is a schedule by years of the total payments due on this debt:

Year Ending September 30	Principal	Interest	Total
2017	\$ 125,000	\$ 56,664	\$ 181,664
2018	125,000	53,539	178,539
2019	130,000	50,101	180,101
2020	135,000	46,201	181,201
2021	140,000	41,983	181,983
2022-2026	<u>1,025,000</u>	<u>133,970</u>	<u>1,158,970</u>
Total	<u>\$ 1,680,000</u>	<u>\$ 382,458</u>	<u>\$ 2,062,458</u>

**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
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**G. General obligation bonds payable (Water & Sewer Fund)**

General obligation bonds payable are secured by property taxes to the extent that the City has not set aside revenues from the Water and Sewer Fund into a Bond fund for the payment of the principal and interest due on the bonds. It is the City's intention to service this debt from revenues of the water and sewer system along with the revenue bonds discussed in item F above. The terms of this loan are described below:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Water & Sewer System Refunding Bonds - Series 2011 Refunding Series 2001B	2 - 3.625%	12/20/2011	7/1/2026	\$ 4,525,000	\$ 3,095,000

This debt is currently being serviced by revenues from the water and sewer system.

The following is a schedule by years of the total payments due on this debt:

Year Ending September 30	Principal	Interest	Total
2017	\$ 275,000	\$ 94,225	\$ 369,225
2018	280,000	88,725	368,725
2019	290,000	81,725	371,725
2020	295,000	73,025	368,025
2021	305,000	64,175	369,175
2022-2026	1,650,000	173,750	1,823,750
Total	<u>\$ 3,095,000</u>	<u>\$ 575,625</u>	<u>\$ 3,670,625</u>

**Loan Covenants**

In connection with the Water and Sewer Fund's outstanding bonds, the City is required to maintain certain funds, including debt reserve funds. The City deposits on a monthly basis out of water and sewer fund revenues one-sixth of the next interest installment due and one-twelfth of the next principal installment due into a Debt Service Fund to provide for debt service installments on the two series 2011 bond issues. The balance in this fund at September 30, 2016, was \$133,605. In addition, proceeds of \$228,500 from the prior year refunding were set aside in a Debt Service Reserve Fund.

Bond documents also require the City to adjust water and sewer rates, as needed, to insure that the revenues from operating the system exceed operating expenses (excluding depreciation) by at least 110%. Current rates (in effect since October 2012) appear to be sufficient to provide the required coverage of operating expenses.

**Amortization and Accretion of Amounts Associated with Enterprise Fund Debt**

In connection with the issuance of its Series 2011 refunding bonds, there were related net bond discounts and other costs that the City is amortizing/accreting over the term of the related bond issues (using weighted average

**CITY OF INDIANOLA**  
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interest ratios and effective interest rates). Amortization of net bond discounts and other refunding costs are adjusted annually as a component of interest expense. Unamortized net bond discounts are netted against the principal amount of debt outstanding and the net unamortized balance in deferred amount on refunding is shown as a deferred outflow of resources on the Water and Sewer Fund's Statement of Net Position in accordance with GASB 63.

Limitation on Debt

The City of Indianola is subject to a general statutory debt limitation under which no city in the State of Mississippi may incur general obligation bonded indebtedness in an amount which will exceed 15 percent of the assessed value of the taxable property within such a city according to the last completed assessment for taxation.

In computing general obligation bonded indebtedness for purposes of such 15 percent limitation, there may be deducted all bonds or other evidences of indebtedness issued for schools, water and sewer systems, gas and light and power purposes and for construction of special improvements primarily chargeable to the property benefitted or for the purpose of paying a city's proportion of any betterment program, a portion of which is primarily chargeable to the property benefitted. However, in no case may a city contract any indebtedness payable in whole or in part from proceeds of ad valorem taxes which, when added to all of its outstanding general obligation indebtedness, both bonded and floating, exceeds 20 percent of the assessed value of the taxable property within such a city.

In arriving at the limitations set forth above, bonds issued for school purposes, bonds payable exclusively from the revenues of any municipally-owned utility, general obligation industrial bonds issued under the provisions of Section 57-1-1 to Section 57-1-51, Miss. Code Ann. (1972), and special assessment improvement bonds issued under provisions of Section 21-41-1 to Section 21-41-53, Miss. Code Ann. (1972), are not included. Also excluded from both limitations are contract obligations subject to annual appropriations.

The margin for additional debt under the above debt limits for the City of Indianola as of September 30, 2016, is approximately:

	15% Limit	20% Limit
Assessed valuation at 9/30/2016	\$ 61,836,948	\$ 61,836,948
Limitations	15%	20%
Maximum debt allowable	9,275,542	12,367,390
General obligation debt*	3,095,000	3,095,000
Margin of additional debt allowable	<u>\$ 6,180,542</u>	<u>\$ 9,272,390</u>

\*Included in general obligation debt above is a G.O. Water and Sewer System Refunding Bond issue currently serviced by revenues of the water and sewer fund. The outstanding balance of this bond at 9/30/16 is \$3,095,000.

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**(6) Defined Benefit Pension Plan.**

**General Information about the Pension Plan**

Plan Description. The City of Indianola contributes to the Public Employees' Retirement System of Mississippi

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(PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq. (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 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 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years 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. 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 and the City of Indianola 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, 2016, 2015, and 2014, were \$422,787; \$444,065; and \$473,136, respectively, which equaled the required contributions for each year (employer's share only).

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

At September 30, 2016, the City reported a liability of \$7,487,958 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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 contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2016, net pension liability was .04192 percent, which was based on a measurement date of June 30, 2016. This was a decrease of .00448 percent from its proportionate



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**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

share used to calculate the September 30, 2015, net pension liability, which was based on a measurement date of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$813,312. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 193,328	\$ -
Changes in assumptions	390,724	19,898
Net difference between projected and actual earnings on plan investments	906,456	-
Changes in proportion and differences between contributions and the proportionate share of contributions	-	668,639
Contributions subsequent to the measurement date	114,105	-
Total	<u>\$ 1,604,613</u>	<u>\$ 688,537</u>

Contributions subsequent to the measurement date of \$114,105 will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. 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:	
2017	\$ 262,293
2018	215,164
2019	176,588
2020	147,926
Total	<u>\$ 801,971</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2016 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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	1.00%	-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 that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 9,601,242	\$ 7,487,959	\$ 5,734,619

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

**(7) Contingent Liabilities.**

As of September 30, 2016, the City of Indianola is a defendant in various lawsuits. Although the outcome of

**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

The City receives Federal and State grants for specific purposes that are subject to audit by grantor agencies. Entitlement to these resources are dependent upon compliance with terms of grant agreements and applicable federal or state laws, including the use of the resources for allowable purposes. Any disallowances resulting from a grantor audit may become a liability of the City.

**(8) Legal Compliance.**

At September 30, 2016, the following water and sewer user fees were in effect:

	Inside City Limits	Outside City Limits
<b>Monthly Water Rates:</b>		
First 2000 gallons (small meter)	\$ 16.40	\$ 31.40
First 2000 gallons (large meter)	21.40	41.40
Next 98,000 gallons-rate per 1000 gallons	0.90	1.80
Over 100,000 gallons-rate per 1000 gallons	0.35	0.70
<b>Monthly Sewer Rates:</b>		
First 2000 gallons	13.58	26.38
Next 98,000 gallons-rate per 1000 gallons	0.70	1.40
Over 100,000 gallons-rate per 1000 gallons	0.10	0.20

**(9) Tax Millage Rates.**

The City's board of aldermen approved the following millage rates in amounts necessary to generate taxes needed for general operations and debt service of the City. Comparative rates for the prior year are also included.

<u>Fiscal years ended September 30:</u>	<u>2016</u>	<u>2015</u>
City:		
General operations	46.49	42.27
Debt service	1.00	-
	<u>47.49</u>	<u>42.27</u>

**(10) Participation in Public Entity Risk Pool.**

The City is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risk of loss arising from injuries to the City's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes periodically to a

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**Notes to the Basic Financial Statements**  
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fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The City has not had an additional assessment for excess losses incurred by the pool.

**(11) Risk Management.**

The City is exposed to various other risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described above, the City carries commercial insurance for some of these risks. Settled claims resulting from these insured risks have not exceeded commercial coverage (excluding deductibles, where applicable) in any of the past three fiscal years.

**(12) Prior Period Adjustment.**

A summary of significant fund balance adjustments follows:

<u>Statement of Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
To correct prior year accrual	\$ (10,500)	\$ -
To recognize settlement of prior year tax dispute	(142,000)	-
	<u>\$ (152,500)</u>	<u>\$ -</u>
<u>Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds</u>	<u>General Fund</u>	<u>Nonmajor Funds</u>
To recognize settlement of prior year tax dispute	\$ (142,000)	\$ -
To reclassify fund equity	59,637	(59,637)
	<u>\$ (82,363)</u>	<u>\$ (59,637)</u>

**(13) Transactions between City and Component Unit.**

The City collects a 2% tourism tax from the State Tax Commission and remits the payments to the Indianola Tourism Commission (the Commission) as they are received. The tourism revenue is reported by the Commission and is not reflected in the City's revenues or expenses/expenditures. During the current fiscal year, the City received \$415,332 (cash basis) in tourism taxes which was in turn remitted to the Commission. The Commission reports its revenues on the accrual basis and, as such, included in its revenues amounts due for the fiscal year ended September 30, 2016, reported as \$415,921. The Commission appropriated \$415,000 to the B.B. King Museum to promote tourism.

**(14) Subsequent Events.**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial

**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Indianola evaluated the activity through July 26, 2018, the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

**(15) Commitments.**

Commitments under construction contracts are described in Note 4.

In December 2015, the City signed a 48-month lease on a color copier for the Police Department for \$186 per month plus overages on mono copies in excess of 5000 pages per month at \$.008 per page and \$.05 each for color copies. There is no bargain purchase option. Base rental payments in future years are \$2,232 per year for fiscal years 2017 through 2019 and \$558 in fiscal year 2020.

**(16) Fund Balance**

Fund balance is classified by specific purposes as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Advances	\$ 5,369	\$ -	\$ 5,369
Inventory	13,847	-	13,847
Restricted			
Fire protection rebate funds	338,596	-	338,596
Debt service	-	121,959	121,959
Unemployment benefits	-	15,000	15,000
Committed			
General government	-	-	-
Assigned			
Capital projects and parks	-	346,664	346,664
Unassigned			
General fund	2,738,919	-	2,738,919
Total fund balances	<u>\$ 3,096,731</u>	<u>\$ 483,623</u>	<u>\$ 3,580,354</u>

**(17) Effect of Deferred Amounts on Net Position/Fund Balance**

The net investment in capital assets component of net position for business-type activities, shown as \$1,309,301 in the Statement of Net Position includes the effects of prior year refunding of debt for the difference between the reacquisition price and the net carrying amount of the old debt, shown as *deferred amount on refunding* in the amount of \$248,476 at September 30, 2016. These amounts will be amortized over the remaining years of debt service. Current year amortization of the deferred amount on refunding was \$24,848.

See also Notes 6 and 18 for the effects of other deferred outflows and inflows on fund balance/net position.

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**CITY OF INDIANOLA**  
**Notes to the Basic Financial Statements**  
**For the Year Ended September 30, 2016**

**(18) Accounts Receivable**

The Statement of Net Position includes the following receivables at September 30, 2016:

	Governmental Activities	Business-type Activities
Property taxes	\$ 2,425,820	\$ -
<i>Intergovernmental, grants and other:</i>		
Auto ad valorem taxes	\$ 33,847	\$ -
Franchise taxes	72,464	-
Delta Health Alliance	10,562	-
Sales taxes	321,363	-
Tourism taxes	64,433	-
Federal grants	40,016	-
State grants and shared revenues	2,342	-
County revenues	7,148	-
Other local sources	15,595	3,435
	<u>\$ 567,770</u>	<u>\$ 3,435</u>
	-	
<i>Customer accounts:</i>		
Utility billings	\$ -	\$ 638,460
Less allowance for doubtful accounts	-	(407,000)
	<u>\$ -</u>	<u>\$ 231,460</u>

Governmental funds reported deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At September 30, 2016, deferred inflows of resources were reported for property taxes levied for the fiscal year ended September 30, 2017, in the amount of \$2,425,820 and for grant reimbursements received outside the period of availability (more than 60 days after year end) in the amount of \$53,085. These amounts will be recognized as revenues, and thereby increase fund balance in the subsequent year.

**CITY OF INDIANOLA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF INDIANOLA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended September 30, 2016**

	Budgeted Amounts		Actual Amounts			Variance Positive (Negative)
	Original	Amended	Actual (Modified Accrual)	Budgetary Adjustments Convert to Cash Basis	Budgetary - Cash Basis	
<b>REVENUES</b>						
Ad valorem taxes	\$ 2,592,226	\$ 2,678,441	\$ 2,687,172	\$ (4,967)	\$ 2,682,205	\$ 3,764
Penalties and interest	52,500	53,986	64,223	(199)	64,024	10,038
Special assessments	10,000	-	-	-	-	-
Licenses and permits	366,500	320,139	305,024	15,115	320,139	-
Federal grants	25,000	196,294	123,856	72,438	196,294	-
State grants	249,000	258,043	256,352	-	256,352	(1,691)
State shared revenues	1,998,200	2,083,749	2,085,197	(1,448)	2,083,749	-
Grants from local units	181,890	257,301	188,888	(193)	188,695	(68,606)
Grants from private sources	-	-	7,919	(7,919)	-	-
Fines and forfeitures	142,500	199,699	212,464	(72)	212,392	12,693
Interest earnings	10,200	14,495	15,691	-	15,691	1,196
Cemetery fees and lot sales	20,500	29,220	29,220	-	29,220	-
Rent income	27,600	28,160	22,760	1,000	23,760	(4,400)
Miscellaneous	28,500	40,295	41,671	-	41,671	1,376
<b>Total revenues</b>	<b>5,704,616</b>	<b>6,159,822</b>	<b>6,040,437</b>	<b>73,755</b>	<b>6,114,192</b>	<b>(45,630)</b>
<b>EXPENDITURES</b>						
Legislative:						
Salaries and fringes	49,360	49,360	49,739	(379)	49,360	-
Other services and charges	8,800	8,893	8,893	-	8,893	-
<b>Total</b>	<b>58,160</b>	<b>58,253</b>	<b>58,632</b>	<b>(379)</b>	<b>58,253</b>	<b>-</b>
Judicial:						
Salaries and fringes	156,879	143,160	144,245	(1,085)	143,160	-
Supplies	3,550	1,886	2,410	(524)	1,886	-
Other services and charges	42,403	35,277	33,867	1,399	35,266	11
<b>Total</b>	<b>202,832</b>	<b>180,323</b>	<b>180,522</b>	<b>(210)</b>	<b>180,312</b>	<b>11</b>
Executive:						
Salaries and fringes	113,360	115,080	115,758	(677)	115,081	(1)
Supplies	11,151	14,232	8,212	24	8,236	5,996
Other services and charges	10,275	12,186	14,132	(1,946)	12,186	-
Capital outlay	4,861	-	-	-	-	-
Debt service-capital lease pmts	-	7,622	7,622	-	7,622	-
<b>Total</b>	<b>139,647</b>	<b>149,120</b>	<b>145,724</b>	<b>(2,599)</b>	<b>143,125</b>	<b>5,995</b>
Financial administration:						
Salaries and fringes	152,301	84,802	85,583	(781)	84,802	-
Supplies	8,100	11,955	11,295	754	12,049	(94)
Other services and charges	44,390	54,843	52,608	2,892	55,500	(657)
<b>Total</b>	<b>204,791</b>	<b>151,600</b>	<b>149,486</b>	<b>2,865</b>	<b>152,351</b>	<b>(751)</b>

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



**CITY OF INDIANOLA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended September 30, 2016**

	Budgeted Amounts		Actual Amounts			Variance Positive Negative
	Original	Amended	Actual (Modified Accrual)	Budgetary Adjustments Convert to Cash Basis	Budgetary - Cash Basis	
Indianola Historic Preservation:						
Other services and charges	-	43	43	-	43	-
Total	-	43	43	-	43	-
Other general government:						
Salaries and fringes	123,326	135,924	135,631	293	135,924	-
Supplies	6,700	3,596	3,716	(121)	3,595	1
Other services and charges	464,409	390,385	365,003	(112)	364,891	25,494
Capital outlay	-	-	11,200	14,400	25,600	(25,600)
Total	594,435	529,905	515,550	14,460	530,010	(105)
Police:						
Salaries and fringes	1,608,259	1,283,348	1,294,388	(11,039)	1,283,349	(1)
Supplies	121,138	79,587	81,813	(2,225)	79,588	(1)
Other services and charges	209,350	191,287	188,028	3,248	191,276	11
Capital outlay	76,649	93,893	93,893	-	93,893	-
Debt service-capital lease	-	80,695	80,694	-	80,694	1
Total	2,015,396	1,728,810	1,738,816	(10,016)	1,728,800	10
Fire:						
Salaries and fringes	707,679	592,537	598,708	(6,171)	592,537	-
Supplies	35,005	27,199	27,122	78	27,200	(1)
Other services and charges	74,218	49,109	44,608	4,501	49,109	-
Capital outlay	-	15,716	15,716	-	15,716	-
Total	816,902	684,561	686,154	(1,592)	684,562	(1)
Inspection:						
Salaries and fringes	89,669	88,474	89,076	(602)	88,474	-
Supplies	5,675	1,674	1,686	(11)	1,675	(1)
Other services and charges	26,735	12,313	12,119	194	12,313	-
Total	122,079	102,461	102,881	(419)	102,462	(1)
Public works:						
Salaries and fringes	791,664	745,163	752,473	(7,312)	745,161	2
Supplies	214,803	204,664	191,458	13,206	204,664	-
Other services and charges	279,540	284,365	286,591	(2,226)	284,365	-
Capital outlay	68,753	-	-	-	-	-
Debt service-capital lease	-	33,796	33,796	-	33,796	-
Total	1,354,760	1,267,988	1,264,318	3,668	1,267,986	2

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

**CITY OF INDIANOLA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended September 30, 2016**

	Budgeted Amounts		Actual Amounts			Variance Positive (Negative)
	Original	Amended	Actual (Modified Accrual)	Budgetary Adjustments Convert to Cash Basis	Budgetary - Cash Basis	
Health and welfare:						
Salaries and fringes	91,314	75,188	75,508	(320)	75,188	-
Supplies	14,900	8,931	9,227	(295)	8,932	(1)
Other services and charges	21,900	19,280	17,953	1,327	19,280	-
Capital outlay	7,307	-	-	-	-	-
Debt service-capital lease	-	6,307	6,307	-	6,307	-
Total	135,421	109,706	108,995	712	109,707	(1)
Cemetery:						
Salaries and fringes	97,668	94,052	94,706	(655)	94,051	1
Supplies	11,900	6,718	7,558	(841)	6,717	1
Other services and charges	11,600	4,360	4,429	(68)	4,361	(1)
Total	121,168	105,130	106,693	(1,564)	105,129	1
Parks and recreation:						
Salaries and fringes	172,662	146,554	147,568	(1,015)	146,553	1
Supplies	28,200	20,834	20,932	24	20,956	(122)
Other services and charges	40,250	57,811	57,485	325	57,810	1
Capital outlay	41,000	121	-	-	-	121
Intrafund transfer	-	-	-	-	-	-
Total	282,112	225,320	225,985	(666)	225,319	1
Library	119,892	129,883	129,883	-	129,883	-
Debt service:						
Computer	20,379	20,380	20,379	-	20,379	1
Lagoon	51,875	51,875	51,875	-	51,875	-
Total	72,254	72,255	72,254	-	72,254	1
Total expenditures	6,239,849	5,495,358	5,485,936	4,260	5,490,196	5,162
Excess of revenues over (under) expenditures	(535,233)	664,464	554,501	69,495	623,996	(40,468)

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

**CITY OF INDIANOLA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended September 30, 2016**

	Budgeted Amounts		Actual Amounts			Variance Positive Positive (Negative)
	Original	Amended	Actual (Modified Accrual)	Budgetary Adjustments Convert to Cash Basis	Budgetary - Cash Basis	
OTHER FINANCING SOURCES (USES)						
Transfers in	293,850	293,851	293,850	-	293,850	(1)
Transfers out	(231,843)	(146,660)	(83,356)	-	(83,356)	63,304
Intrafund transfers	30,000	11,129	-	-	-	(11,129)
Refund-prior years taxes	(153,035)	-	-	-	-	-
Proceeds-sale of assets	-	8,411	8,028	-	8,028	(383)
Total other financing sources (uses)	(61,028)	166,731	218,522	-	218,522	51,791
Net change in fund balance	(596,261)	831,195	773,023	69,495	842,518	11,323
FUND BALANCE:						
Beginning of year			2,406,071		2,406,071	
Prior period adjustments			(82,363)		(82,363)	
Beginning of year, as restated			2,323,708		2,323,708	
End of year			\$ 3,096,731		3,166,226	
Budget to GAAP adjustments:						
Increase (decrease) in:						
Accounts receivable					(80,674)	
(Increase) decrease in:						
Unearned revenue					7,919	
Accounts payable					33,003	
Accrued wages and benefits					(29,743)	
Fund balance, end of year (GAAP basis)					\$ 3,096,731	

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

**CITY OF INDIANOLA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY – PERS  
LAST 10 FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.04192%	0.0464%
City's proportionate share of the net pension liability	\$ 7,487,958	\$ 7,172,525
City's covered employee payroll	\$ 2,681,661	\$ 2,896,892
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	279.23%	247.59%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%

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

The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.

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

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**CITY OF INDIANOLA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY'S CONTRIBUTIONS  
PERS  
LAST 10 YEARS**

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 422,787	\$ 444,065
Contribution in relation to the contractually required contribution	<u>422,787</u>	<u>444,065</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ 2,684,359</u>	<u>\$ 2,819,460</u>
Contributions as a percentage of covered-employee payroll	<u>15.75%</u>	<u>15.75%</u>

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

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.

**CITY OF INDIANOLA**  
**Notes to the Required Supplementary Information**  
**For the Year Ended September 30, 2016**

Budgetary comparison schedule:

1. Basis of presentation.

The budgetary comparison schedule presents the legally adopted budget, the final legally adopted budget, the actual data on the modified cash (budgetary) basis, and the variance between the final budget and the actual data of the City's General Fund.

The Office of the State Auditor, State of Mississippi, prescribes the format of the budget. State law requires that all funds which require expenditure authorization from the municipality's governing authorities must be budgeted individually and amended by fund. Using guidance found in the *Municipal Audit and Accounting Guide*, state law further requires that revenues "legally receipted (cash basis) from October 1 through September 30 may be credited to the budget. Expenditures that may be charged to the budget are those that were legally budgeted, incurred prior to the end of the fiscal year, and disbursed during the fiscal year or within 30 days thereafter.... Expenditures for uncompleted improvements in progress of construction may be charged to the budget at any time."

The City of Indianola follows these procedures in establishing its annual budget:

- Prior to September 1, the City Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- As required by law, a public hearing is held by the governing authorities to obtain taxpayer comments about the proposed budget.
- No sooner than one week after the public hearing, the budget is legally adopted by the governing authorities and tax levies are set to support the adopted budget.
- The adopted budget is published in the local newspaper prior to September 30.
- State law requires that the budget be formally revised during July of each year or anytime a deficit is indicated.
- Budgetary comparisons are employed by management as a management control device during the year for all funds.
- Appropriations lapse at the end of each fiscal year.
- Encumbrance accounting is not used in the budgetary process.

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**CITY OF INDIANOLA**  
**Notes to the Required Supplementary Information**  
**For the Year Ended September 30, 2016**

Mississippi laws require that municipalities prepare their budgets on a modified-cash basis. All revenue is accounted for under the cash basis. Capital project funds, however, are budgeted per project and do not lapse at year end. The required budgetary basis is therefore not considered an accounting principle generally accepted in the United States of America.

[The City prepares budgets for other funds, including the water and sewer fund, garbage fund, debt service fund, and others. Generally accepted accounting principles require that budgetary comparison schedules be prepared for the general fund and each major special revenue fund. The City's General Fund is the only fund required to present a budgetary comparison schedule.]

2. Budget amendments and revisions.

The budget is adopted by the City's Board of Aldermen by September 15 for the ensuing year beginning October 1. Generally, the budget can be amended at any time on approval by the Board of Aldermen. However, only one revision is allowed during the first three months of the Board's term of office.

3. Individual fund disclosures.

Per the *Municipal Audit and Accounting Guide*, liability for exceeding the budget occurs at the lowest level of the adopted budget, which for the City is the "purpose" level.

Some of the purpose level items in the general fund budget on pages 60 through 63 reflect actual expenditures (budgetary basis) exceeding the budget amounts adopted by the Board. These variances were caused by auditor adjustments (such as reclassifying capital lease obligation payments as debt service rather than as capital outlay) and/or rounding differences.

Pension Schedules

1. Changes in benefit provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

2. Changes of assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue

**CITY OF INDIANOLA**  
**Notes to the Required Supplementary Information**  
**For the Year Ended September 30, 2016**

Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.5% to 2.00%.



**CITY OF INDIANOLA**

**SUPPLEMENTAL INFORMATION**

# CITY OF INDIANOLA

## Schedule of Surety Bonds of Municipal Officials For the Year Ended September 30, 2016

Position and Name	Surety	Bond
Mayor:		
Steve Rosenthal	Western Surety	\$ 100,000
Aldermen:		
Larry Brown	Fidelity & Deposit Co. of Maryland	\$ 100,000
Gary Fratesi	Fidelity & Deposit Co. of Maryland	\$ 100,000
Dana Myrick	Western Surety	\$ 100,000
Carver A. Randle, Jr.	Fidelity & Deposit Co. of Maryland	\$ 100,000
Ruben Woods	Western Surety	\$ 100,000
Interim City Clerk:		
Charlotte Kilgore	FCCI Insurance	\$ 50,000
Deputy City Clerks:		
Tumekia Beamon	Western Surety	\$ 50,000
Olivia Draine	Travelers	\$ 50,000
Shumekia Harvey	FCCI Insurance	\$ 50,000
Cheryl D. Thomas	Western Surety	\$ 50,000
Trisha A. Towery	FCCI Insurance	\$ 50,000
Police Chief:		
Edrick Hall	Western Surety	\$ 50,000
Assistant Chief:		
Johnny Lee Spand, Sr.	FCCI Insurance	\$ 50,000
Court Clerk:		
Teresa Nolden	Western Surety	\$ 50,000
Deputy Court Clerks:		
Andranette Bland	Travelers	\$ 50,000
Latasha Woods	Western Surety	\$ 50,000

**CITY OF INDIANOLA**

**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***

2010-11 2343

# CUNNINGHAM CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS  
202 CHURCH STREET  
BELZONI, MISSISSIPPI 39038

MAIL: P. O. BOX 675  
(662) 247-2416

**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***

RECEIVED

JUL 05 2018

The Honorable Mayor and Board of Aldermen  
City of Indianola, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Indianola, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Indianola's basic financial statements, and have issued our report thereon dated July 26, 2018.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Indianola's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Indianola's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Indianola'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 2016-01 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Indianola'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*.

We noted certain matters that we reported to the management of the City of Indianola in the Independent Auditor's Report on Compliance with Mississippi State Auditor's Requirements and State Laws and Regulations dated July 26, 2018, included within this document.

### **City's Response to Finding**

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



CUNNINGHAM CPAs, PLLC  
Certified Public Accountants  
Belzoni, Mississippi

July 26, 2018

**CITY OF INDIANOLA**

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

# CUNNINGHAM CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

202 CHURCH STREET

BELZONI, MISSISSIPPI 39038

MAIL: P. O. BOX 675

(662) 247-2416

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

The Honorable Mayor and Board of Aldermen  
City of Indianola, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Indianola as of and for the year ended September 30, 2016, which collectively comprise the City of Indianola's basic financial statements and have issued our report thereon dated July 26, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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 instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

1 Finding

Answers to the Municipal Compliance Questionnaire indicate that monthly reports of expenditures with budgetary comparisons were not submitted to the Board.

Recommendation

We recommend that monthly reports of revenues and expenditures with budgetary comparisons be submitted to the Board particularly when claims dockets are submitted so the Board will know the status of the budget if they approve claims currently under consideration.

Response

The City is now contracting with an outside firm to assist us in preparing monthly reports of revenues and expenditures, with budgetary comparisons, to be submitted to the Board each month.

2 Finding

Answers to the Municipal Compliance Questionnaire indicate that an annual inventory of fixed assets was not performed for comparison to internal property records.

Recommendation

We recommend that the City perform annual inventories of fixed assets for comparison to property records to insure that all assets are accounted for.

Response

We will make scheduling arrangements to conduct a physical inventory of all of the City's assets for comparison with our fixed asset records.

3 Finding

Depositories were not commissioned for 2016 and 2017.

Recommendation

We recommend that the City select depositories every two years as required by law.


Response

We will advertise for and select depositories every two years as required by law.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

The City's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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



CUNNINGHAM CPAs, PLLC  
Certified Public Accountants  
Belzoni, Mississippi

July 26, 2018



**CITY OF INDIANOLA**

**SCHEDULE OF FINDINGS AND RESPONSES**

## **SCHEDULE OF FINDINGS AND RESPONSES**

### **2016-01      CONDITION**

The following errors and omissions in recording transactions in the general ledger could result in misleading financial statements:

1. Although there was a tax levy in FY16 for debt service, no tax receipts were allocated and recorded in the debt service fund.
2. Adjustments were not made for customer deposits and overpayments applied during the year, which affect revenues and cash recognized in various funds. In addition, customer deposits as booked in the general ledger are not being reconciled to the subsidiary ledger.
3. Posting errors by City Hall staff are not being detected and corrected internally.

#### **CRITERIA**

The City's is responsible for maintaining financial records that reflect all transactions which occurred during the fiscal year and these transactions should be recorded in the correct fund and account.

#### **CAUSE OF CONDITION**

Due to the resignation of the City's long-time City Clerk in May 2015, the City's governing authorities have been unable to find a qualified replacement. While the City reassigned some of the Clerk's duties to a long-time Deputy Clerk, no additional personnel were hired to assist with accounting for transactions in the general ledger and checking the accuracy of transactions posted by others within the City.

#### **POTENTIAL EFFECT**

The result of not posting all transactions that occurred during the year and of not checking/verifying the posting of receipts and disbursements (including those posted by others within the City's staff) is that the financial statements may be inaccurate and misleading.

#### **RECOMMENDATION**

We recommend that greater care be taken to insure that transactions are posted to the correct fund and account and that every effort is made to record all transactions that occurred during the fiscal year in the financial records.

## **CITY'S RESPONSE**

We will make every effort to insure that all transactions are recorded and that they are recorded in the correct fund and account.