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**CITY OF NATCHEZ, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS,  
SUPPLEMENTAL INFORMATION AND  
AUDITORS' REPORTS ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING,  
COMPLIANCE AND OTHER MATTERS**

**YEAR ENDED SEPTEMBER 30, 2016**

**CITY OF NATCHEZ, MISSISSIPPI**  
  
**AUDITED FINANCIAL STATEMENTS,  
SUPPLEMENTAL INFORMATION AND  
AUDITORS' REPORTS ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING,  
COMPLIANCE AND OTHER MATTERS**  
  
**YEAR ENDED SEPTEMBER 30, 2016**

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## **Independent Auditors' Report**

Mayor and Board of Aldermen  
City of Natchez, Mississippi

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

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Natchez Water Works or the Judge George Armstrong Library. Natchez Water Works comprises substantially all the Enterprise Funds. The Judge George Armstrong Library comprises 67% and 20%, respectively, of the assets and revenues of the Component Unit column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included in the Enterprise Funds and Component Units, is based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the Judge George Armstrong Library discretely presented component unit, and each major fund of the City of Natchez, Mississippi, 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. The discretely presented component unit of the Natchez Convention Promotion Commission reported a disclaimed opinion.

## **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 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

## *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Natchez, Mississippi's financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of the City of Natchez, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Natchez, Mississippi's internal control over financial reporting and compliance.

*The Miller Group, PLLC*

December 7, 2017  
Natchez, Mississippi



## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF NATCHEZ, MISSISSIPPI**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 2,549,873	\$ 3,874,369	\$ 6,424,242	\$ 371,419
Investments and other deposits	-	2,951,934	2,951,934	530,000
Receivables	327,871	934,060	1,261,931	1,480
Property tax receivable	5,261,682	-	5,261,682	-
Internal balances	157,813	(157,813)	-	-
Due from fiduciary funds	-	-	-	-
Due from other governmental agencies	1,379,603	-	1,379,603	212,961
Inventories	-	190,619	190,619	-
Prepaid expenses	-	12,198	12,198	2,140
Restricted assets:				
Cash and cash equivalents	-	116,182	116,182	-
Investments and other deposits	-	1,311,111	1,311,111	-
Capital assets:				
Capital assets, not being depreciated	20,703,192	379,580	21,082,772	-
Capital assets, net of depreciation	41,863,370	-	41,863,370	70,465
Library service depreciable assets, net of depreciation	-	-	-	126,540
Water works depreciable assets, net of depreciation	-	23,335,656	23,335,656	-
Total capital assets	<u>62,566,562</u>	<u>23,715,236</u>	<u>86,281,798</u>	<u>197,005</u>
Total assets	<u>72,243,404</u>	<u>32,947,896</u>	<u>105,191,300</u>	<u>\$ 1,315,005</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows - pensions and other	<u>5,860,373</u>	<u>917,805</u>	<u>6,778,178</u>	<u>111,362</u>
<b>LIABILITIES:</b>				
Accounts payable and accrued expenses	1,000,122	470,329	1,470,451	112,821
Due to other governmental agencies	339,724	-	339,724	-
Deferred property taxes	5,261,682	-	5,261,682	-
Deferred income	-	91,336	91,336	-
Short term notes payable	-	-	-	7,872
Long-term liabilities:				
Due within one year:				
Bonds, capital leases and contracts	383,487	774,912	1,158,399	-
Accrued interest	-	14,679	14,679	-
Compensated absences	487,558	138,767	626,325	-
Due in more than one year:				
Bonds, capital leases and contracts	7,987,982	2,808,329	10,796,311	17,872
Net pension liability	29,357,641	5,065,905	34,423,546	598,071
Total liabilities	<u>44,818,196</u>	<u>9,364,257</u>	<u>54,182,453</u>	<u>736,636</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflows - pensions	<u>1,244,097</u>	<u>127,036</u>	<u>1,371,133</u>	<u>16,631</u>
<b>NET POSITION:</b>				
Net investment in capital assets	54,028,426	20,131,995	74,160,421	197,005
Restricted for:				
Debt service	56,114	4,413	60,527	-
Capital projects	2,333,174	-	2,333,174	-
Other purposes	1,498,574	6,608	1,505,182	726,225
Unrestricted	(25,874,804)	4,231,392	(21,643,412)	(250,130)
Total net position	<u>\$ 32,041,484</u>	<u>\$ 24,374,408</u>	<u>\$ 56,415,892</u>	<u>\$ 673,100</u>

See accompanying Notes to Financial Statements.

**CITY OF NATCHEZ, MISSISSIPPI**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

					Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Program Revenue			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 5,393,634	\$ 1,938,746	\$ 1,724,209	\$ -	\$ (1,730,679)	\$ -	\$ (1,730,679)	
Public safety	7,295,988	430,859	11,532	-	(6,853,597)	-	(6,853,597)	
Public works	4,252,712	-	-	44,382	(4,208,330)	-	(4,208,330)	
Health, welfare and sanitation	47,914	-	-	47,912	(2)	-	(2)	
Culture and recreation	6,895,843	1,655,000	4,118,775	26,170	(1,095,898)	-	(1,095,898)	
Miscellaneous	-	1,433,080	281,480	-	1,714,560	-	1,714,560	
Interest on long-term debt	525,198	-	-	-	(525,198)	-	(525,198)	
Economic development	1,629,239	-	1,254,412	1,182,145	807,318	-	807,318	
Total governmental activities	26,040,528	5,457,685	7,390,408	1,300,609	(11,891,826)	-	(11,891,826)	
Business-type activities:								
Unemployment Compensation Benefits Fund	3,582	73	-	-	-	(3,509)	(3,509)	
Water Works	5,638,527	5,748,280	50,912	-	-	160,665	160,665	
Total business-type activities	5,642,109	5,748,353	50,912	-	-	157,156	157,156	
Total primary government	\$ 31,682,637	\$ 11,206,038	\$ 7,441,320	\$ 1,300,609	\$ (11,891,826)	\$ 157,156	\$ (11,734,670)	
Component Units:								
Judge George Armstrong Library	\$ 536,702	\$ 14,978	\$ 116,122	\$ -				\$ (405,602)
Natchez Convention Promotion Commission	1,640,843	-	138,764	-				(1,502,079)
Total component units	\$ 2,177,545	\$ 14,978	\$ 254,886	\$ -				\$ (1,907,681)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					3,311,579	-	3,311,579	-
Property taxes, levied for other purposes					2,157,000	-	2,157,000	-
Franchise taxes					769,096	-	769,096	-
Public service taxes					7,091,761	-	7,091,761	1,649,747
Unrestricted investment earnings					7,891	71,375	79,266	4,181
Miscellaneous					(474,643)	-	(474,643)	-
Appropriations received from City of Natchez					-	-	-	323,552
Transfers					-	-	-	-
Total general revenues, special items and transfers					12,862,684	71,375	12,934,059	1,977,480
Change in net assets					970,858	228,531	1,199,389	69,799
Net position - beginning					31,070,626	24,145,877	55,216,503	578,103
Prior period adjustments					-	-	-	25,198
Net assets - beginning, as restated					31,070,626	24,145,877	55,216,503	603,301
Net position - ending					\$ 32,041,484	\$ 24,374,408	\$ 56,415,892	\$ 673,100

See accompanying Notes to Financial Statements.

## **FUND FINANCIAL STATEMENTS**

**CITY OF NATCHEZ, MISSISSIPPI**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2016**

	General Fund	Pension Trust Fund	Casino Annual Lease Payment	Debt Service Funds	Transportation - Senior Citizens	Aggregate Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 36,205	\$ 224,392	\$ 102,762	\$ 70,369	\$ 12,206	\$ 2,133,875	\$ 2,579,809
Due from other funds	1,011,804	1,257	1,334,703	1,129	-	1,802,921	4,151,814
Receivable from other governments	581,305	7,574	-	9,326	280,756	299,264	1,178,225
Property tax receivable	3,153,168	519,248	-	763,666	-	825,600	5,261,682
Other receivables	132,955	-	166,666	-	28,250	-	327,871
Advances to other funds	312,189	-	244,267	-	-	514,279	1,070,735
Total assets	<u>\$ 5,227,626</u>	<u>\$ 752,471</u>	<u>\$ 1,848,398</u>	<u>\$ 844,490</u>	<u>\$ 321,212</u>	<u>\$ 5,575,939</u>	<u>\$ 14,570,136</u>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 529,608	\$ -	\$ 51,299	\$ 710	\$ 168,028	\$ 337,872	\$ 1,087,517
Due to other funds	1,996,946	151,455	1,117,122	24,000	9	640,212	3,929,744
Payable to other governments	25,178	-	-	-	-	314,546	339,724
Deferred property taxes	3,153,168	519,248	-	763,666	-	825,600	5,261,682
Advances from other funds	328,476	-	-	-	88,910	653,349	1,070,735
Other payables	6,798	-	-	-	-	-	6,798
Total liabilities	<u>6,040,174</u>	<u>670,703</u>	<u>1,168,421</u>	<u>788,376</u>	<u>256,947</u>	<u>2,771,579</u>	<u>11,696,200</u>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
<b>Nonspendable:</b>							
Advances	312,189	-	244,267	-	-	514,279	1,070,735
<b>Restricted:</b>							
Debt service	-	-	-	56,114	-	-	56,114
Community development	-	-	-	-	-	233,333	233,333
<b>Assigned:</b>							
Capital projects	-	-	-	-	-	1,997,655	1,997,655
Special revenue funds	-	81,768	435,710	-	64,265	320,421	902,164
<b>Committed:</b>							
Cemetery fund	-	-	-	-	-	-	-
Unassigned	<u>(1,124,737)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(261,328)</u>	<u>(1,386,065)</u>
Total fund balances	<u>(812,548)</u>	<u>81,768</u>	<u>679,977</u>	<u>56,114</u>	<u>64,265</u>	<u>2,804,360</u>	<u>2,873,936</u>
Total liabilities and fund balances	<u>\$ 5,227,626</u>	<u>\$ 752,471</u>	<u>\$ 1,848,398</u>	<u>\$ 844,490</u>	<u>\$ 321,212</u>	<u>\$ 5,575,939</u>	<u>\$ 14,570,136</u>

See accompanying Notes to Financial Statements.

**CITY OF NATCHEZ, MISSISSIPPI**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO**  
**THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

Total fund balance, governmental funds	\$ 2,873,936
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	62,566,562
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Other items, including net pension assets, are not available to pay for current period expenditures and, therefore, are either deferred or not applicable to funds.	5,860,373
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Revenues in the Statement of Activities that do not provide current financial resources are not reported in the fund financial statements.	201,378
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Other items, including net pension liabilities, are not due and payable in the current period and, therefore, are either deferred or not reported in the funds.	(30,601,738)
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Some liabilities (such as accrued interest, leases payable, long-term compensated absences, and bonds payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	<u>(8,859,027)</u>
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Net Assets of Governmental Activities in the Statement of Net Position	<u><u>\$ 32,041,484</u></u>
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See accompanying Notes to Financial Statements.

CITY OF NATCHEZ, MISSISSIPPI  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Pension Trust Fund	Casino Annual Lease Payment	Debt Service Funds	Transportation - Senior Citizens	Aggregate Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Ad valorem taxes	\$ 3,283,930	\$ 588,214	\$ -	\$ 724,245	\$ -	\$ 844,541	\$ 5,440,930
Gaming taxes	1,172,414	-	-	-	-	-	1,172,414
Fees and fines	408,721	-	-	-	-	-	408,721
Licenses and permits	178,793	-	-	-	-	-	178,793
Intergovernmental	6,385,056	-	-	-	1,116,792	3,476,816	10,978,664
Charges for services	1,276,932	-	-	-	231,301	2,428,033	3,936,266
Investment earnings	1,085	627	504	789	544	5,296	8,845
Miscellaneous	936,405	13,000	-	-	84,107	2,107,085	3,140,597
Franchise fees	625,596	-	-	-	-	-	625,596
Contributions	-	-	999,999	-	-	165,682	1,165,681
Rents and royalties	-	-	-	-	-	294,655	294,655
Total revenues	<u>14,268,932</u>	<u>601,841</u>	<u>1,000,503</u>	<u>725,034</u>	<u>1,432,744</u>	<u>9,322,108</u>	<u>27,351,162</u>
<b>EXPENDITURES:</b>							
Current:							
General government	2,134,739	-	-	-	-	346,716	2,481,455
Public safety	7,083,239	-	-	-	-	73,126	7,156,365
Public works	2,409,111	-	-	-	-	51,667	2,460,778
Health and sanitation	-	-	-	-	-	-	-
Culture and recreation	10,000	-	421,025	-	1,470,482	2,980,821	4,882,328
Education	-	-	-	-	-	-	-
Economic development	483,704	-	-	-	-	115,825	599,529
Miscellaneous	2,595,107	429,000	-	-	-	1,746,970	4,771,077
Debt service:							
Principal	689,207	-	-	1,320,854	-	118,468	2,128,529
Interest and other charges	10,531	-	-	470,827	-	3,234	484,592
Capital outlay	216,711	-	-	-	214,413	2,807,402	3,238,526
Total expenditures	<u>15,632,349</u>	<u>429,000</u>	<u>421,025</u>	<u>1,791,681</u>	<u>1,684,895</u>	<u>8,244,225</u>	<u>28,203,175</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,363,417)</u>	<u>172,841</u>	<u>579,478</u>	<u>(1,066,647)</u>	<u>(252,151)</u>	<u>1,077,879</u>	<u>(852,017)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from long-term debt and capital leases, net	999,089	-	-	-	-	98,800	1,097,889
Other uses - nonrevenue receipts	-	-	-	(64,729)	-	-	(64,729)
Other uses	(314,325)	-	-	-	-	-	(314,325)
Transfers in	183,384	-	5,075	1,023,537	224,032	1,884,587	3,320,615
Transfers out	(938,475)	-	(17,457)	-	-	(2,364,683)	(3,320,615)
Total other financing sources (uses)	<u>(70,327)</u>	<u>-</u>	<u>(12,382)</u>	<u>958,808</u>	<u>224,032</u>	<u>(381,296)</u>	<u>718,835</u>
Net change in fund balances	<u>(1,433,744)</u>	<u>172,841</u>	<u>567,096</u>	<u>(107,839)</u>	<u>(28,119)</u>	<u>696,583</u>	<u>(133,182)</u>
Fund balances - beginning	<u>621,196</u>	<u>(91,073)</u>	<u>112,881</u>	<u>163,953</u>	<u>92,384</u>	<u>2,107,777</u>	<u>3,007,118</u>
Fund balances - ending	<u>\$ (812,548)</u>	<u>\$ 81,768</u>	<u>\$ 679,977</u>	<u>\$ 56,114</u>	<u>\$ 64,265</u>	<u>\$ 2,804,360</u>	<u>\$ 2,873,936</u>

See accompanying Notes to Financial Statements.



## CITY OF NATCHEZ, MISSISSIPPI

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - total governmental funds:	\$ (133,182)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
This is the amount by which capital outlays of \$3,238,526 were more than depreciation of \$2,540,714 in the current period.	697,812
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	207,052
Changes in the City's net pension asset, deferred outflows of resources, and deferred inflows related to the City pension plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(716,764)
Governmental funds report bond proceeds and other debt as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond and other debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.	1,030,640
Costs associated with the issuance of new debt are reported as bond issue costs and other financing uses on the governmental fund statements. These items are capitalized and amortized over the life of the bond for the Statement of Activities.	
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and these are not reported as expenditures in governmental funds:	
Amortization of original issue discount, gain on advance refunding, and deferred costs	(114,700)
Change in net assets of governmental activities	<u>\$ 970,858</u>

See accompanying Notes to Financial Statements.

**CITY OF NATCHEZ, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2016**

		Enterprise Funds	
	Water Works	Unemployment Compensation	Total
<b>ASSETS:</b>			
Unrestricted current assets:			
Cash and cash equivalents	\$ 3,867,761	\$ 6,608	\$ 3,874,369
Certificates of deposits	2,951,934	-	2,951,934
Accounts receivable, net	922,896	-	922,896
Due from other funds	-	-	-
Receivables from other governments	-	-	-
Other receivables	11,164	-	11,164
Advances to other funds	-	-	-
Inventories	190,619	-	190,619
Prepaid expenses	12,198	-	12,198
Total unrestricted current assets	<u>7,956,572</u>	<u>6,608</u>	<u>7,963,180</u>
Restricted current assets:			
Cash	116,182	-	116,182
Certificate of Deposit	300,257	-	300,257
Revenue Bond Cushion Account	804,209	-	804,209
Revenue Bond Depreciation Account	23,838	-	23,838
Revenue Bond Contingent Account	23,838	-	23,838
Revenue Bond and Interest Account	4,413	-	4,413
Revenue Bond Construction Account	154,556	-	154,556
Total restricted current assets	<u>1,427,293</u>	<u>-</u>	<u>1,427,293</u>
Total current assets	<u>9,383,865</u>	<u>6,608</u>	<u>9,390,473</u>
Noncurrent assets:			
Capital assets:			
Land and improvements	379,580	-	379,580
Buildings, equipment and distribution systems	50,598,173	-	50,598,173
Other improvements	594,666	-	594,666
Less accumulated depreciation	(27,857,183)	-	(27,857,183)
Total capital assets	<u>23,715,236</u>	<u>-</u>	<u>23,715,236</u>
Total noncurrent assets	<u>23,715,236</u>	<u>-</u>	<u>23,715,236</u>
Total assets	<u>33,099,101</u>	<u>6,608</u>	<u>33,105,709</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflows - pension	<u>917,805</u>	<u>-</u>	<u>917,805</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	47,165	-	47,165
Accrued payroll	8,544	-	8,544
Due to other funds	157,813	-	157,813
Compensated absences	138,767	-	138,767
Total current liabilities	<u>352,289</u>	<u>-</u>	<u>352,289</u>
Current liabilities payable from restricted assets:			
Customer deposits payable	414,620	-	414,620
Accrued interest payable	14,679	-	14,679
Bonds, notes and loans payable	774,912	-	774,912
Total current liabilities payable from restricted assets	<u>1,204,211</u>	<u>-</u>	<u>1,204,211</u>
Noncurrent liabilities:			
Unearned revenue	91,336	-	91,336
Net pension liability	5,065,905	-	5,065,905
Bonds, notes and loans payable	2,808,329	-	2,808,329
Total noncurrent liabilities	<u>7,965,570</u>	<u>-</u>	<u>7,965,570</u>
Total liabilities	<u>9,522,070</u>	<u>-</u>	<u>9,522,070</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows - pension	<u>127,036</u>	<u>-</u>	<u>127,036</u>
<b>NET POSITION:</b>			
Net investment in capital assets	20,131,995	-	20,131,995
Restricted for debt service	4,413	-	4,413
Restricted for other purposes	-	6,608	6,608
Unrestricted	4,231,392	-	4,231,392
Total net position	<u>\$ 24,367,800</u>	<u>\$ 6,608</u>	<u>\$ 24,374,408</u>

See accompanying Notes to Financial Statements.

**CITY OF NATCHEZ, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Enterprise Funds		
	Water Works	Unemployment Compensation	Total
REVENUES:			
Charges for services	\$ 5,748,280	\$ -	\$ 5,748,280
Miscellaneous	-	73	73
Total revenues	<u>5,748,280</u>	<u>73</u>	<u>5,748,353</u>
OPERATING EXPENSES:			
Cost of sales and service	2,734,221	-	2,734,221
Administrative	1,687,005	-	1,687,005
Depreciation	1,085,404	-	1,085,404
Premiums and claims	-	-	-
Miscellaneous expenses	-	3,582	3,582
Total operating expenses	<u>5,506,630</u>	<u>3,582</u>	<u>5,510,212</u>
OPERATING INCOME (LOSS)	<u>241,650</u>	<u>(3,509)</u>	<u>238,141</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest and investment revenue	71,353	22	71,375
Grant revenue	50,912	-	50,912
Interest expense	(131,897)	-	(131,897)
Amortization	-	-	-
Total non-operating revenues (expenses)	<u>(9,632)</u>	<u>22</u>	<u>(9,610)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>232,018</u>	<u>(3,487)</u>	<u>228,531</u>
Transfers in	-	-	-
Transfers out	-	-	-
Change in net position	<u>232,018</u>	<u>(3,487)</u>	<u>228,531</u>
Total net position - beginning	<u>24,135,782</u>	<u>10,095</u>	<u>24,145,877</u>
Total net position - ending	<u>\$ 24,367,800</u>	<u>\$ 6,608</u>	<u>\$ 24,374,408</u>

See accompanying Notes to Financial Statements.

**CITY OF NATCHEZ, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Enterprise Funds		
	Water Works	Unemployment Compensation	Total
<b>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</b>			
Cash received from customers, including cash deposits	\$ 5,657,626	\$ -	\$ 5,657,626
Cash contributed to unemployment compensation fund	-	73	73
Cash paid for unemployment benefits	-	(3,582)	(3,582)
Cash paid to suppliers	(2,290,260)	-	(2,290,260)
Cash paid for claims and premiums	-	-	-
Cash paid to employees	(1,895,404)	-	(1,895,404)
Net cash from (used for) operating activities	1,471,962	(3,509)	1,468,453
<b>CASH FLOWS FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES:</b>			
Collection (payment) of garbage fees	-	-	-
Deferred revenue collections	-	-	-
Transfers with other funds	-	-	-
Net cash from (used for) noncapital financing activities	-	-	-
<b>CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal payments - revenue bonds	(743,613)	-	(743,613)
Interest paid - revenue bonds	(136,010)	-	(136,010)
Acquisition and construction of capital assets	(530,633)	-	(530,633)
Grants collected	50,912	-	50,912
Net cash from (used for) capital and related financing activities	(1,359,344)	-	(1,359,344)
<b>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</b>			
Proceeds from maturities of investments	3,247,542	-	3,247,542
Purchase of investments	(3,252,191)	-	(3,252,191)
Interest received	66,044	22	66,066
Net cash from (used for) investment activities	61,395	22	61,417
Net increase (decrease) in cash	174,013	(3,487)	170,526
Cash - beginning of year	3,862,019	6,581	3,868,600
Cash - end of year	<u>\$ 4,036,032</u>	<u>\$ 3,094</u>	<u>\$ 4,039,126</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 241,650	\$ (3,509)	\$ 238,141
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	1,085,404	-	1,085,404
(Increase) decrease in accounts receivable	(79,920)	-	(79,920)
(Increase) decrease in garbage receivable	7,092	-	7,092
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in prepaid insurance	893	-	893
(Increase) decrease in deferred outflows of resources	11,867	-	11,867
Increase (decrease) in accounts payable	(567,019)	-	(567,019)
Increase (decrease) in accrued payroll	(41,472)	-	(41,472)
Increase (decrease) in due to general fund	913	-	913
Increase (decrease) in compensated absences payable	(19,270)	-	(19,270)
(Increase) decrease in inventory	3,280	-	3,280
Increase (decrease) in customer deposits	14,410	-	14,410
Increase (decrease) in net pension liability	1,171,009	-	1,171,009
Increase (decrease) in deferred inflows of resources	(324,639)	-	(324,639)
Recognition of deferred income	(32,236)	-	(32,236)
Total adjustments	1,230,312	-	1,230,312
Net cash from (used for) operating activities	<u>\$ 1,471,962</u>	<u>\$ (3,509)</u>	<u>\$ 1,468,453</u>
<b>RECONCILIATION OF CASH - END OF YEAR TO STATEMENT OF NET ASSETS:</b>			
Water Works - Unrestricted cash	\$ 3,867,761	\$ -	\$ 3,867,761
Restricted cash	116,182	-	116,182
Cash included in Revenue Bond Accounts	52,089	-	52,089
	<u>4,036,032</u>	<u>-</u>	<u>4,036,032</u>
Unemployment Compensation Fund	-	3,094	3,094
Hospital Insurance Fund	-	-	-
Cash - end of year	<u>\$ 4,036,032</u>	<u>\$ 3,094</u>	<u>\$ 4,039,126</u>

See accompanying Notes to Financial Statements.

**CITY OF NATCHEZ, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Natchez, Mississippi was incorporated January 28, 1846. The City operates under a Mayor-Aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**A. Reporting Entity**

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Component units are reported in the City's financial statements as follows:

- **Blended Component Unit**

Natchez Water Works. The Natchez Water Works' Board of Commissioners is appointed by the City's Board of Aldermen. The rates for user charges and bond issuance authorizations are approved by the City, and the legal liability for the general obligation portion of the Natchez Water Works debt remains with the City of Natchez. Complete financial statements may be obtained from Natchez Water Works.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Discretely Presented Component Units**

Judge George Armstrong Library (the Library Service). The Library Service's Board of Directors is appointed by the City's Board of Aldermen. The City provides over 50% of the operating budget of the Library Service. Complete financial statements may be obtained from the Library Service.

Natchez Convention Promotion Commission (the Commission). The Commission's Board of Directors is appointed by the City's Mayor and Board of Aldermen and serves at their discretion. The City provides an annual appropriation and in-kind revenues to the Commission and also provides other services as specified in a management agreement. Complete financial statements can be obtained from the Commission.

- **Related Organization**

The Natchez Housing Authority (the Authority). The Authority is a related organization of the City. All five of its board members are appointed by the City. However, the City is not able to impose its will upon the Authority's Board, and there is no financial benefit/burden relationship.

### **B. Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund types (the total of all funds of a particular type). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the Government-Wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction. The Government-Wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales, and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Government-Wide Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function or a business-type activity. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The governmental funds statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

presented which briefly explains the adjustment necessary to reconcile funds based on financial statements with the governmental column of the government-wide presentation. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two broad fund categories and six generic fund types as follows:

- **Governmental Funds**

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The primary revenue source is local property taxes levied specifically for debt service.

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.

- **Proprietary Funds**

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

accountability, or other purposes. The financial statements of the Enterprise Fund have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. They apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. 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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Internal Service Funds* - The City uses an internal service fund to account for its self-insured medical benefit plan.

The emphasis for the fund financial statements is on major funds within the governmental and propriety fund types. The general fund is always to be reported as a major fund. Other major funds are determined annually based on the following criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and,
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

For the current year, the City reports the following major governmental funds:

- General Fund - to account for resources traditionally associated with governments which are not required to be accounted for in another fund.
- Pension Trust Fund - to account for resources held for payments to the PERS System.
- Casino Annual Lease Payment - to account for rents received to the City, and the subsequent use of those resources.
- Debt Service Fund - to account for resources reserved for the repayment of city debt.



## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Transportation - Senior Citizens – to account for federal and state funds used to operate the City's public transportation system.

For the current year, the City reports the following major enterprise fund:

- Natchez Water Works - to account for the provision for water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and debt related service, and billing and collection.

All nonmajor funds are reported in the aggregate on the fund financial statements.

The City's Fiduciary Fund activities are insignificant and are not reported in these financial statements.

### **C. Fixed Assets and Long-Term Liabilities**

Capital outlays are recorded as expenditures in the Governmental Fund Financial Statements and as assets in the government-wide financial statements to the extent the City's capitalization thresholds are met. Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The retroactive infrastructure capitalized amount was estimated using current replacement cost for a similar asset and deflating this cost through the use of price indices to the acquisition year. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City does not require that the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection.

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

In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid. The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Their reported fund balance (net of current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. In accordance with GASB 34, depreciation is calculated and allocated by function on the Government-Wide Statement of Net Assets. Accumulated depreciation is reported on the Government-Wide Statement of Net Assets and the Statement of Net Assets for proprietary funds. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	33 1/3 – 80 years
Machinery and equipment	5 - 10 years
Vehicles	5 years
Improvements other than buildings	8 years
Water and sewer lines	40 - 80 years
Streets and other infrastructure	80 years

### **D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxpayer-assessed income, gross receipts, and sales tax are considered "measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time." Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue, charges for services, and federal programs on which the revenue is recognized when the expenditure has been incurred. Fines and permits are not susceptible to accrual because generally they are not recognized until received in cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

### **E. Budgets and Budgetary Accounting**

In accordance with Mississippi State Law, the City budgets for the upcoming year on a cash basis, which includes liabilities that will be paid within 30 days of the fiscal year end. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 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.
- Public hearings are conducted at the City Hall to obtain taxpayer comments.
- The budget, as submitted, is reviewed by the Mayor and Board of Aldermen, and necessary revisions are made to the budget. Then the budget is approved prior to September 15.
- The budget is 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. The budget and actual comparisons are formally presented to the Mayor and Board of Aldermen throughout the year.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The budgets adopted are on a modified cash (non-GAAP) basis. Revenues are recognized when receipted (cash basis) from October 1 through September 30. Expenditures are recognized when legally budgeted and disbursed throughout the fiscal year or within 30 days thereafter. However, expenditures for uncompleted improvements in progress of construction may be charged to the budget at any time.

All annual appropriations lapse at fiscal year end.

### **F. Encumbrance System**

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders, and contracts.

### **G. Cash and Investments**

The City deposits funds in financial institutions selected by the Board of Aldermen in accordance with state statutes. Furthermore, the City invests excess funds in various investment instruments that are allowed by statutes.

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

- Cash - All deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC), or any successors to such insurance corporations must be collateralized in an amount equal to 105% of the uninsured amount.
- Investments - The City is allowed, by statute, 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, when such county or municipal bonds have been properly approved; or interest-bearing time certificates of deposit or interest-bearing accounts with any financial institution approved for the deposit of state funds.

Investments are stated at cost or amortized cost.

For the Statement of Cash Flows, the City considers all cash accounts (including restricted assets) to be cash.

### **H. Advances To/From Other Funds**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds,” representing current and long-term portions of the interfund loans, respectively.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

### **I. Prepaid Expenses**

Funds held by other government agencies for the City’s share of grant financed capital projects are recorded as prepaid expenses and recognized as expenditures when actual costs are incurred.

Payments made for services that will benefit periods beyond September 30, 2016, are recorded as prepaid expenses in the Enterprise Fund.

### **J. Inventory**

Inventories of the Enterprise Fund are valued at cost using the first-in/first-out (FIFO) method. The costs of inventory items are recorded as expenditures when consumed rather than when purchased.

### **K. Restricted Assets**

Certain proceeds of the Enterprise Fund, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets because their use is limited. Cash and investments are set aside to refund customer meter deposits only in the event the customer ceases to be a user of the water system. No interest is paid on these deposits. Cash with fiscal agent is set aside with a third-party paying agent to pay matured bonds and interest on the Natchez Water Works’ bond indebtedness. Revenue Bond Accounts are used for applicable bond covenants, as follows:

- The *Cushion Account, Cash and Investments* are maintained as a contingent account for the bond and interest account to meet any deficiency therein.
- The *Depreciation Account, Cash and Investments* are used to pay for the cost of replacing parts of the water system as may need replacement in order to keep the water system operating in an economical and efficient manner.
- The *Contingent Account, Cash and Investments* are used to pay for the cost of unforeseen contingencies arising in the operation and maintenance of the water system.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The *Bond and Interest Account* is used to pay for principal and interest on the revenue bonds.
- The *Construction Account, Cash and Investments* are used to pay for the costs of the water system project and the bond issue.

The revenue bond investment interest receivable is the portion of accrued interest receivable applicable to the revenue bond investments. This income will be used to pay for the costs of the water system project. The revenue bond accounts consisted of \$52,089 in cash and \$958,765 in amortized cost investments at September 30, 2016.

### **L. Deferred Charge**

In governmental fund types, bond issuance costs are recognized in the current period. Bond issuance costs for the government-wide statements and proprietary fund types are deferred and amortized over the life of the bond issue.

### **M. Unearned Income**

Deferred investment income is recorded and amortized over the life of the investment.

### **N. Compensated Absences**

Employees of the City accumulate annual and sick leave as designated in the personnel policies adopted by the City. The City is responsible for up to 30 days of accumulated annual leave for each employee. The City does not provide for the payment of accumulated sick leave. Vested or accumulated annual leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated annual leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated annual leave of the Enterprise Fund is recorded as an expense and liability of those funds as the benefits accrue to employees. Unused personal leave in excess of 30 days and unused sick leave may be counted as creditable service for the purpose of the retirement system.

### **O. Fund Equity**

- **Government-Wide Statements**

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Restricted net position - Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or (b) laws through constitutional provisions or enabling legislation.
  3. Unrestricted net position - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”
- **Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unassigned, with reserved further defined as nonspendable, restricted, assigned, and committed. Proprietary fund equity is classified the same as in the government-wide statements. Following are the classifications of reserves used by the City:

    1. Nonspendable – Fund balances not in a spendable form, such as prepaid items or inventory, or cannot legally be spent or contractually required to remain intact.
    2. Restricted – Amounts that are restricted by donors, creditors or other outside third parties, or by enabling legislation.
    3. Assigned – Amounts that are constrained by the nature of the City’s intent for use but not restricted or committed in any formal manner.
    4. Committed – Amounts that can only be used for specific purposes pursuant to formal actions taken by the highest level of authority.
    5. Unassigned – The residual fund balance.

### **P. Concentrations of Credit Risk**

All accounts receivable of the City are deemed collectible. However, financial instruments which potentially subject the Enterprise Fund to concentrations of credit risk consist of billed accounts receivable and unbilled costs. Billed accounts receivable and unbilled amounts due on services result primarily from customer services provided for water sales, sewer charges and garbage collection. Customer services are disconnected and their consumer deposit surrendered once two months of non-payment occurs to limit the Enterprise Fund's credit risk to a minimal level. Historically, neither the City nor the Enterprise Fund has incurred any significant credit related losses.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Q. Interfund Transfers**

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, interfund transfers have been eliminated to the extent possible.

## NOTE 2 - CASH, OTHER DEPOSITS AND INVESTMENTS

### Cash and Other Deposits

*Custodial Credit Risk.* The collateral for public entities' deposits in financial institutions is now 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 FDIC.

The carrying amount of the City's deposits with financial institutions was \$10,739,212 and the bank balance was \$12,038,422.

### Investments

Investments made by the City, reflected in the enterprise funds only, are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

- Category 1 - Insured or registered, or securities held by the City (Enterprise Fund or Component Unit) or its agent in the City's (Enterprise Fund or Component Unit's) name.
- Category 2 - Uninsured and unregistered, with securities held by the broker or dealer's trust department or agent in the City's (Enterprise Fund or Component Unit's) name.
- Category 3 - Uninsured and unregistered, with securities held by the broker or dealer, or by its trust department or agent but not in the City's (Enterprise Fund or Component Unit's) name.



## NOTE 2 - CASH, OTHER DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Enterprise Fund:					
U. S. Government Securities	\$ 799,288	\$ -	\$ -	\$ 799,288	\$ 799,288
Goldman Sachs Financial Square					
Treasury Investments Fund	4,921	-	-	4,921	4,921
Bank of New York Trust					
Company Treasury Tri-Party					
Repo Cash Fund	<u>154,556</u>	<u>-</u>	<u>-</u>	<u>154,556</u>	<u>154,556</u>
	<u>\$ 958,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 958,765</u>	<u>\$ 958,765</u>

The whole of the investment balance was restricted.

### Risk Policies for Investments

*Interest Rate Risk* – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Concentration of Credit Risk* – The City places no limit on the amount that may be invested in any one issuer. However, funds deposited in financial institutions are protected through a collateral pool maintained by the State Treasurer, as described in the above paragraph.

## NOTE 3 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a summary of interfund transactions:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 1,011,804	\$ 1,996,946
Pension Trust Fund	1,257	151,455
Casino Annual Lease Payment	1,334,703	1,117,122
Debt Service Funds	1,129	24,000
Transportation – Senior Citizens	-	9
Aggregate Nonmajor Funds:		
Special Revenue Funds	181,602	338,955
Capital Projects	<u>1,621,319</u>	<u>301,217</u>
	<u>1,802,921</u>	<u>640,212</u>
Fiduciary Funds	<u>-</u>	<u>64,257</u>
Total due to/due from – Governmental Funds	4,151,814	3,994,001
Proprietary Funds:		
Natchez Water Works	<u>-</u>	<u>157,813</u>
Total due to/due from	<u>\$ 4,151,814</u>	<u>\$ 4,151,814</u>

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds:		
General Fund	\$ 312,189	\$ 328,476
Casino Annual Lease Payment	244,267	-
Transportation – Senior Citizens	-	88,910
Aggregate Nonmajor Funds:		
Special Revenue Funds	357,622	315,425
Capital Projects Funds	<u>156,657</u>	<u>337,924</u>
	<u>514,279</u>	<u>653,349</u>
Total advances to/from – Governmental Funds	1,070,735	1,070,735
Fiduciary Funds	<u>-</u>	<u>-</u>
Total advances to/from	<u>\$ 1,070,735</u>	<u>\$ 1,070,735</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 183,384	\$ 938,475
Casino Annual Lease Payment	5,075	17,457
Debt Service Funds	1,023,537	-
Transportation – Senior Citizens	224,032	-
Aggregate Nonmajor Funds:		
Total Special Revenues	201,432	633,537
Total Capital Projects	<u>1,683,155</u>	<u>1,731,146</u>
	<u>1,884,587</u>	<u>2,364,683</u>
Total transfers in/out	<u>\$ 3,320,615</u>	<u>\$ 3,320,615</u>

## NOTE 4 - GENERAL AND PROPRIETARY FUND CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	<b>Primary Government</b>			
	Balance <u>10/01/15</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>9/30/16</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 10,047,863	\$ -	\$ -	\$ 10,047,863
Construction in progress	<u>9,639,078</u>	<u>2,626,206</u>	<u>(1,609,955)</u>	<u>10,655,329</u>
	<u>19,686,941</u>	<u>2,626,206</u>	<u>(1,609,955)</u>	<u>20,703,192</u>
Capital assets, being depreciated:				
Buildings	23,469,628	214,413	-	23,684,041
Equipment and furniture	10,127,626	397,907	-	10,525,533
Streets and infrastructure	<u>140,886,346</u>	<u>1,609,955</u>	-	<u>142,496,301</u>
	174,483,600	2,222,275	-	176,705,875
Less accumulated depreciation for:				
Buildings	\$ (5,377,682)	\$ (324,648)	\$ -	\$ (5,702,330)
Equipment and furniture	(8,214,100)	(417,006)	-	(8,631,106)
Streets and infrastructure	<u>(118,710,009)</u>	<u>(1,799,060)</u>	-	<u>(120,509,069)</u>
	<u>(132,301,791)</u>	<u>(2,540,714)</u>	-	<u>(134,842,505)</u>
Total capital assets, being depreciated, net	<u>42,181,809</u>	<u>(318,439)</u>	-	<u>41,863,370</u>
Governmental activities capital assets, net	<u>\$ 61,868,750</u>	<u>\$ 2,077,671</u>	<u>\$ (1,609,955)</u>	<u>\$ 62,566,562</u>
<b>Business-type Activities</b>				
	Balance <u>10/1/15</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>9/30/16</u>
Capital assets, not being depreciated:				
Land	<u>\$ 379,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 379,580</u>
Capital assets, being depreciated:				
Building, equipment and distribution system	50,067,540	530,633	-	50,598,173
Other improvements	<u>594,666</u>	-	-	<u>594,666</u>
	50,662,206	530,633	-	51,119,839
Total accumulated depreciation	<u>(26,771,779)</u>	<u>(1,085,404)</u>	-	<u>(27,857,183)</u>
Total capital assets, being depreciated, net	<u>23,890,427</u>	<u>(554,771)</u>	-	<u>23,335,656</u>
Business-type activities capital assets, net	<u>\$ 24,270,007</u>	<u>\$ (554,771)</u>	<u>\$ -</u>	<u>\$ 23,715,236</u>

#### NOTE 4 - GENERAL AND PROPRIETARY FUND CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 72,985
Public safety	169,376
Public works, including depreciation of general infrastructure assets	1,838,239
Culture and recreation	<u>460,114</u>

Total depreciation expense – governmental activities \$ 2,540,714

Business-type activities:

Natchez Water Works \$ 1,085,404

#### Discretely Presented Component Units

Activity for the Judge George Armstrong Library for the year ended September 30, 2016, was as follows:

	Balance 10/1/15	Additions	Reductions	Balance 9/30/16
Capital assets, being depreciated:				
Furniture, fixtures and equipment	\$ 222,956	\$ -	\$ -	\$ 222,956
Computers	105,463	7,142	-	112,605
Central air/heat system	151,445	-	-	151,445
Automation	168,190	25,067	-	193,257
Inexhaustible collections and books:				
Books	1,362,420	18,515	-	1,380,935
Periodicals	69,033	5,769	-	74,802
Audio visual	<u>50,245</u>	<u>1,236</u>	<u>-</u>	<u>51,481</u>
Total capital assets, being depreciated	2,129,752	57,729	-	2,187,481
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(214,966)	(1,850)	-	(216,816)
Computers	(97,112)	(6,829)	-	(103,941)
Central air/heat system	(119,518)	(4,730)	-	(124,248)
Automation	(144,509)	(20,339)	-	(164,848)
Inexhaustible collections and books:				
Books	(1,276,542)	(30,601)	-	(1,307,143)
Periodicals	(55,661)	(5,684)	-	(61,345)
Audio visual	<u>(47,108)</u>	<u>(1,915)</u>	<u>-</u>	<u>(49,023)</u>
Total accumulated depreciation	<u>(1,955,416)</u>	<u>(71,948)</u>	<u>-</u>	<u>(2,027,364)</u>
Total capital assets, being depreciated, net	<u>\$ 174,336</u>	<u>\$ (14,219)</u>	<u>\$ -</u>	<u>\$ 160,117</u>

#### NOTE 4 - GENERAL AND PROPRIETARY FUND CAPITAL ASSETS (CONTINUED)

Activity for the Natchez Convention Promotion Commission for the year ended September 30, 2016, was as follows:

	<u>Balance 10/1/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/16</u>
Capital assets, being depreciated:				
Vehicle	\$ 70,465	\$ -	\$ -	\$ 70,465
Less accumulated depreciation for:				
Vehicle	<u>(19,484)</u>	<u>(14,093)</u>	<u>-</u>	<u>(33,577)</u>
Total capital assets, being depreciated, net	<u>\$ 50,981</u>	<u>\$ (14,093)</u>	<u>\$ -</u>	<u>\$ 36,888</u>

#### NOTE 5 - UNEARNED INCOME

During fiscal year September 30, 1997, the Enterprise Fund (Natchez Water Works) sold the future income stream of their restricted Revenue Bond Cushion Account Investment. This investment is restricted by 1994 Revenue Bond covenants. The Enterprise Fund retains ownership of the investment but sold its future earnings for one lump sum. This amount is unearned income and is realized into income by the straight-line method over the life of the investment and 1994 Revenue Bond issue. Unearned income activity for the year ended September 30, 2016, is as follows:

Unearned income beginning of year	\$ 123,572
Unearned income realized into income during fiscal year ended September 30, 2016	<u>(32,236)</u>
Unearned income at September 30, 2016	<u>\$ 91,336</u>

#### NOTE 6 - LONG-TERM DEBT

Debt outstanding as of September 30, 2016, consists of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Governmental Activities:			
General Obligation Bonds:			
General Obligation Bonds 1998	\$ 295,000	4.10/5.70	12/01/2018
Refinancing/Refunding Bonds 2009	<u>415,000</u>	4.80/6.00	03/01/2017
	<u>\$ 710,000</u>		
Special Obligation Bonds:			
Refunding Bonds 2006	<u>\$ 7,745,000</u>	3.50/4.30	07/01/2024

NOTE 6- LONG-TERM DEBT (CONTINUED)

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Notes payable			
borrowed to purchase excavator	\$ 30,922	2.85	02/05/2019
borrowed to repair fire truck	\$ 46,404	2.80	12/15/2018
borrowed against the casino rent receivable for the purpose of operating funds	\$ 166,667	1.10	12/01/2016 09/26/2016
borrowed to construct fire training facility	\$ 88,334	2.60	05/30/2021
borrowed to purchase land	\$ 158,263	1.52	09/30/2017
vehicle purchase	\$ 32,737	2.25	06/17/2021
unsecured	\$ 6,141	4.25	12/28/2018

Business-type Activities:

Revenue Bonds:

Water Works Combined Water and Sewer System Refunding Bonds, Series 2005	\$ 2,205,000	2.25/4.00	08/01/2020
American Recovery & Reinvestment Act	404,572	1.75	-
Mississippi Department of Environmental Quality	<u>973,669</u>	1.75	
	<u>\$ 3,583,241</u>		

On April 18, 2006, the City issued \$9,695,000 of Special Obligation Refunding Bonds with an average interest rate of 4.20% to advance refund \$7,440,000 of outstanding Special Obligation Bonds for the Convention Center. The net proceeds of \$9,537,093 (after payment of \$270,651 in underwriting fees, insurance, and other issuance costs) were used to purchase \$9,265,350 in U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the Convention Center bonds. As a result, the Special Obligation Bonds for the Convention Center are considered defeased and the liability for those bonds has been removed from the Government-Wide Statement of Net Assets. A portion of those bonds totaling \$3,785,000 was not refunded.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,826,442. That difference is being charged to operations through the year 2024. The City completed this refunding to reduce its total debt service payments for the years 2015 to 2024 by \$227,241 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$222,605.

## NOTE 6 - LONG-TERM DEBT (CONTINUED)

On March 9, 2009, the City issued \$3,010,000 of general obligation bonds for a current refunding of existing bonds totaling \$2,870,000. There were \$140,000 in bond issue costs and discounts, reducing the amount available for refunding to an amount equal to the bonds to be defeased, resulting in no economic gain or loss on the refunding. The maturity dates remained the same, with final maturity in March 2017. The interest rates ranged from 2.00% to 3.375%.

Annual debt service requirements to maturity for the following debt reported as governmental activities are as follows:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	<u>Interest</u>
2017	\$ 510,000	\$ 36,101
2018	200,000	18,388
Total	<u>\$ 710,000</u>	<u>\$ 54,489</u>

<u>Year Ending September 30</u>	<u>Special Obligation Bonds</u>	<u>Interest</u>
2017	\$ 700,000	\$ 326,738
2018	720,000	298,738
2019	755,000	268,038
2020	780,000	237,705
2021	880,000	205,530
2022-2024	<u>3,910,000</u>	<u>381,410</u>
Total	7,745,000	<u>\$ 1,719,159</u>
Less deferred gain	(811,752)	
Less original issue discount	<u>(70,177)</u>	
	<u>\$ 6,863,071</u>	

<u>Year Ending September 30</u>	<u>Note Payable</u>	<u>Interest</u>
2017	\$ 383,487	\$ 6,951
2018	60,190	2,998
2019	36,306	1,592
2020	25,869	1,347
2021	<u>19,735</u>	<u>50</u>
Total	<u>\$ 525,587</u>	<u>\$ 12,938</u>

## NOTE 6 - LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for the following debt reported in the Enterprise Fund are as follows:

<u>Year Ending September 30</u>	<u>Revenue Bonds</u>
2017	\$ 884,497
2018	892,897
2019	899,232
2020	98,432
2021-2025	492,161
2026-2030	492,161
2031-2033	<u>205,132</u>
	3,964,512
Less amounts representing interest	<u>(381,271)</u>
Total at present value	<u>\$ 3,583,241</u>

The following changes occurred in liabilities reported at year end:

<u>Description</u>	<u>Balance at October 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at September 30, 2016</u>
Governmental Activities:				
Compensated absences	\$ 487,558	\$ -	\$ -	\$ 487,558
General obligation bonds	1,200,000	-	(490,000)	710,000
Special obligation bonds	8,415,000	-	(670,000)	7,745,000
Less deferred amounts:				
For issuance discounts	(83,410)	-	13,233	(70,177)
On refunding	(913,221)	-	101,469	(811,752)
Notes payable	440,794	960,889	(872,237)	529,446
Capital leases	<u>228,427</u>	<u>137,000</u>	<u>(96,475)</u>	<u>268,952</u>
	<u>\$ 9,775,148</u>	<u>\$ 1,097,889</u>	<u>\$(2,014,010)</u>	<u>\$ 8,859,027</u>
Business-type Activities:				
Revenue bonds	\$ 2,875,000	\$ -	\$ (670,000)	\$ 2,205,000
Loans	<u>1,451,854</u>	<u>-</u>	<u>(73,613)</u>	<u>1,378,241</u>
	<u>\$ 4,326,854</u>	<u>\$ -</u>	<u>\$(743,613)</u>	<u>\$ 3,583,241</u>



## NOTE 6 - LONG-TERM DEBT (CONTINUED)

### Limitations and Restrictions

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The following is a schedule of limitation of the bonded indebtedness of the City at September 30, 2016:

Assessed valuation for fiscal year ended September 30, 2016	\$ 122,347,112
Percent limitation	<u>15%</u>
Authorized debt limit	18,352,067
Present debt service subject to 15% limitation	<u>710,000</u>
Margin for further indebtedness under 15% limitation	<u>\$ 17,642,067</u>

## NOTE 7 - OBLIGATIONS UNDER CAPITAL LEASES

The City has adopted the policy of acquiring certain fixed assets through the use of lease-purchase agreements. For the lease-purchases backed by the full faith and credit of the City, debt service is accounted for as a governmental activity.

The following is an analysis of property leased by the City under capital leases by major classes:

<u>Class of Property</u>	<u>Asset Balances</u> <u>September 30, 2016</u>
Furniture and equipment	<u>\$ 498,575</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the minimum lease payments as of September 30, 2016:

<u>Year Ending September 30</u>	<u>General</u>
2017	\$ 132,039
2018	113,102
2019	41,338
2020	24,657
Total	288,019
Less amounts representing interest	<u>(19,067)</u>
Total at present value	<u>\$ 268,952</u>

## NOTE 8 - PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied in September and payable on or before February 1. All property taxes are collected and remitted to the City by the county tax collector. The millage rate for the City for January through December 2015, was 42.732 mills, broken down as follows:

General Fund	27.072
Bond and Interest Retirement Fund	5.750
Parks and Recreation Fund	2.000
Pension Fund	3.250
Armstrong Library Fund	2.575
Natchez Economic Development Authority Fund	.835
Capital Improvement	<u>1.250</u>
	<u>42.732</u>

Restrictions associated with property tax levies are established by state law which provides that the tax levy for general purposes shall produce no more than 110% of the amount which resulted from those levies' assessments of the previous year.

## NOTE 9 - LEASE COMMITMENT

Operating lease and rental expenditures for the year ended September 30, 2016, amounted to \$142,987.

## NOTE 10 - RETIREMENT PLANS

The City participates in two retirement systems administered by the Public Employees Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi-employer, cost sharing plan and an agent-multiple pension plan as described below. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

### A. **Disability and Relief Municipal Retirement Systems Plan**

**Plan Description** - The Disability and Relief Fund for Firemen and Policemen was established in the manner provided by the act of the Legislature of the State of Mississippi. Beginning July 1, 1987, administration of the above system was transferred to PERS. Only Natchez policemen and firemen whose employment commenced prior to July 1, 1976, are eligible for coverage under this plan. Participation of those eligible is voluntary, and participants may withdraw upon request.

**Benefits Provided - Service Retirement.** A retirement allowance is payable to any member who retires and has completed at least 20 years of creditable service, regardless of age. Any general employee member who has attained age 70 and any fireman or policeman who has attained age 65 shall be retired forthwith. The annual retirement allowance payable to a retired member is equal to:

#### NOTE 10 - RETIREMENT PLANS (CONTINUED)

- 1) 50% of average compensation, plus
- 2) 1.7% of average compensation for each year of credited service over 20.

The aggregate amount of (1) and (2) above shall not exceed 66-2/3% of average compensation regardless of service.

*Benefits Provided - Disability Retirement.* A retirement allowance is payable to any member who is not eligible for a service retirement benefit but who becomes totally and permanently disabled, either physically or mentally, regardless of creditable service, if the disability is due to causes in the performance of duty. If the disability is not in the performance of duty, the member must have completed at least 5 years of creditable service to be eligible for retirement. The annual disability retirement allowance payable is equal to 50% of his salary at the time of retirement, if the disability is due to causes in the performance of duty. If the disability is not in the performance of duty, the allowance is equal to 2.5% times credited service, not in excess of 20 times his salary at the time of retirement for firemen and policemen, and average compensation for general employees.

*Death Benefits.* A benefit is payable upon the death of a member under the following conditions.

- 1) the member has retired,
- 2) the member is eligible to retire,
- 3) the death is in the line of duty, or
- 4) the death is not in the line of duty, but occurs after the member has 5 years of credited service.

The benefit is payable to the surviving spouse and to children under age 18, to dependent children through age 23 when full time students, and to dependent children of any age if handicapped. The annual benefit payable under all conditions in the case of firemen and policemen and under other than condition (c) above in the case of general employees, is equal to 2.5% of average compensation for each year of credited service up to 20 and 1.7% of average compensation for each year over 20, with a maximum benefit of 66-2/3% of average compensation. For general employee members under condition (c) above the annual benefit payable is equal to 50% of salary at the time of death.

*Refund of Contributions.* Upon a member's termination of employment for any reason before retirement, his accumulated contributions are refunded. Upon the death of a member who is not eligible for any other death benefit, his accumulated contributions, together with regular interest thereon, are paid to his beneficiary.

*Post Retirement Adjustments in Allowances.* The allowances of service retirees only are adjusted annually by a cost-of-living adjustment (COLA) on the basis of the annual percentage change in each fiscal year of the Consumer Price Index to a maximum of 2.5% per year (not to exceed 10%). This adjustment has been included in System liabilities.

## NOTE 10 - RETIREMENT PLANS (CONTINUED)

At June 30, 2016 (measurement date), the following City of Natchez employees were covered by the plan:

Active		-
Retired participants and beneficiaries		
currently receiving benefits		52
Inactive participants		-
Total		52

### Actuarial Assumptions:

Valuation date	6/30/2016
Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	19 years
Asset valuation method	5-year smoothed market
Investment rate of return	7.75%
Projected salary increases	4.00 - 5.50%
Includes price inflation at	3.00%
Includes wage inflation at	3.75%
Cost of living adjustments	2.50% per year, not to exceed 10%

SALARY INCREASES: 3.75% for wage inflation plus the following chart:

<u>Ages</u>	<u>Merit and Seniority Salary Increase</u>
Under 43	1.75%
43 - 47	1.25
48 - 52	0.75
53 and Over	0.25

PRICE INFLATION: 3.00% per annum, compounded annually.

INTEREST RATE: 7.75% per annum, compounded annually (net after investment expenses) for prior funding policy rate determination and GASB disclosure. 6.50% per annum, compounded annually (net after investment expenses) for current funding policy rate determination.

DEATH AFTER RETIREMENT: The mortality table, for post-retirement mortality, used in evaluating allowances to be paid is the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year. The RP-2014 Disabled Retiree Table set forward 5 years for males and 4 years for females was used for the

## NOTE 10 - RETIREMENT PLANS (CONTINUED)

period after disability retirement. This assumption is used to measure the probabilities of each benefit payment being made after retirement. Mortality improvement is anticipated under this assumption.

**MARRIAGE ASSUMPTION:** 85% married with the husband three years older than his wife.

**VALUATION METHOD:** Unfunded employer liabilities are amortized over a closed 30-year period from September 30, 1990 as a level percent of the municipality's assessed property valuation.

**ASSESSED PROPERTY VALUE RATE OF INCREASE:** 2.0% per annum, compounded annually used in determining the millage rate under the prior funding policy.

**EXPENSE LOAD:** 2.0% of employer contributions.

**ASSET VALUATION METHOD:** The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. Actuarial value of assets was set equal to the market value on September 30, 2006, and smoothing commenced in 2007. Actuarial assets were allocated to individual cities in the same proportion that their market value of assets was to the total market value of assets for all cities.

### **Basis of Accounting**

MMRS uses the accrual basis of accounting and the economics resources measurement focus. Employee and employer contributions are recognized as revenue in the period in which employees' services are performed. Investment income is recognized when earned.

Expenses, including benefits and refunds paid, are recognized when incurred. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings.

Mortgage securities are valued on the basis of future principal and interest payments and discounted at prevailing interest rates for similar instruments. Short-term investments are reported at market value when published prices are available, or at cost plus accrued interest, which approximates fair value. For individual investments where no readily ascertainable market value exists, PERS, in consultation with its investment advisors and custodial bank, has determined the fair values.

## NOTE 10 - RETIREMENT PLANS (CONTINUED)

Funding Policy - This plan is funded through participant contributions equal to 10% of gross wages and ad valorem taxes. In order to meet current benefit payments and payments upon participants' withdrawal, if necessary, the General Fund contributes an additional amount.

### Changes in Net Pension Liability

Changes in the City's net pension liability for the MMRS plan for the year ended September 30, 2016 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)– (b)
Balance at June 30, 2015	\$ 7,818,313	\$ 2,410,301	\$ 5,408,012
Charges for the year:			
Service costs	-	-	-
Interest	575,620	-	575,620
Changes of assumptions	-	-	-
Difference between expected And actual experience	(321,817)	-	(321,818)
Contributions – employer	-	468,000	(468,000)
Contributions – employee	-	-	-
Net investment income	-	4,777	(4,777)
Benefit payments, including Refunds of employee contributions	(781,925)	(781,925)	-
Administrative expense	-	(9,360)	9,360
Other charges	-	49,678	(49,678)
Net changes	<u>(528,122)</u>	<u>(268,830)</u>	<u>(259,292)</u>
Balance at June 30, 2016	<u>\$ 7,290,191</u>	<u>\$ 2,141,471</u>	<u>\$ 5,148,720</u>

### Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

## NOTE 10 - RETIREMENT PLANS (CONTINUED)

		1%	Current	1%
		Decrease	Discount	Increase
		(6.75%)	Rate (7.75%)	(8.75%)
Plan's Net Pension Liability (Asset)	\$	5,757,347	5,148,720	4,624,049

In the year ended September 30, 2016, the City's tax levy to fund the plan was 4.670 mills. The City paid \$429,000 to the plan during the year ended September 30, 2016. As of September 30, 2016, the City has insufficient funds in a special revenue fund from the avails of special tax levies that was set aside for future contributions to the plan.

		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual results	\$	-	-
Changes in assumptions		-	-
Net difference between projected and actual earnings on Plan		210,792	
Changes in proportion and differences between City contributions and proportionate share of contributions		-	-
City contributions subsequent to the measurement date		-	-
Total	\$	210,792	

Deferred Outflows/(Deferred Inflow) Aging:	
Year ended September 30:	
2017	\$ 58,965
2018	58,965
2019	58,964
2020	33,898
	\$ 210,792

*Plan Fiduciary Net Position.* Detailed information about the Plan's fiduciary net position is available in the separately issued MMRS of Mississippi's financial report.

### **B. Public Employees Retirement System**

**Plan Description** - The City of Natchez contributes to the Public Employees Retirement System of Mississippi (PERS), a cost sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature.

## NOTE 10 - RETIREMENT PLANS (CONTINUED)

**Benefits Provided.** Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), 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, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

*Funding Policy* - PERS members are required to contribute 9.00% of their annual covered salary, beginning in July, 2010, and the City is required to contribute at an actuarially determined rate. The rate in effect for this fiscal year was 15.75%. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ended September 30, 2016, 2015, and 2014, were \$1,149,154, \$1,149,497 and \$1,094,009, respectively, equal to the required contributions for each year. The contributions for the Enterprise Fund for the years ended September 30, 2016, 2015, and 2014, were \$295,491, \$306,101 and \$307,679, respectively, equal to the required contributions for each year. The contributions for Judge George Armstrong Library for the years ended September 30, 2016, 2015, and 2014, were \$36,648, \$37,459 and \$31,646, respectively, equal to the required contributions for each year. The employees of Natchez Convention Promotion Commission are City of Natchez employees, and their required contribution is included in the above numbers.



## NOTE 10 - RETIREMENT PLANS (CONTINUED)

### Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to PERS

At September 30, 2016, the City reported a liability of \$20,757,829 for its proportionate share of the PERS net pension liability. The PERS net pension liability was measured as of June 30, 2016, and the total PERS pension liability used to calculate the PERS net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the PERS net pension liability was based on a projection of the City's long-term share of contributions to the PERS pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City's proportion was 0.116209 percent, which was a negligible increase from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense related to PERS of \$1,974,568. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual results	\$	775,400	-
Changes in assumptions		1,265,050	-
Net difference between projected and actual earnings on Plan		2,354,862	1,244,097
Changes in proportion and differences between City contributions and proportionate share of contributions		1,136,679	-
City contributions subsequent to the measurement date		281,916	-
Total	\$	<u>5,813,907</u>	<u>1,244,097</u>

The \$281,916 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Deferred Outflows/(Deferred Inflow) Aging:		
Year ended September 30:		
2016	\$	1,143,450
2017		1,143,450
2018		1,143,449
2019		<u>857,545</u>
	\$	<u>4,287,894</u>

## NOTE 10 - RETIREMENT PLANS (CONTINUED)

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

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of Plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four year period ending June 30, 2014. As a result of the experience report which is dated May 4, 2015, the Board of Trustees adopted changes in assumptions for PERS since the last Measurement Date.

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 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. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US 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%	

## NOTE 10 - RETIREMENT PLANS (CONTINUED)

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 table presents the City's proportionate share of the net pension liability of PERS based on the June 30, 2015, actuarial valuations, 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 one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	City's Proportionate Share of Net <u>Pension Liability</u>
1.00% decrease (6.75%)	\$ 15,897,829
Current discount rate (7.75%)	20,757,829
1.00% increase (8.75%)	26,616,191

*Plan Fiduciary Net Position.* Detailed information about the Plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi's financial report.

## NOTE 11 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

### **Deficit fund balance of individual funds**

<u>Special Revenue Funds:</u>	
Parks and Recreation	\$(138,491)
Visitor Center Operations	(113,054)

NOTE 11 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (CONTINUED)

Armstrong Library	(71,283)
Natchez-Adams EDA	(24,409)
Public Properties	(98,594)
Food and Lodging Tax	(58,329)
Downtown Christmas Tree	(1,897)
Recycling	(1,443)

Capital Improvement Funds:

Yazoo & MS Valley Railroad Depot	(123,400)
Colonnades and Visitor Welcome Center	(13,697)

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS

**Recently Adopted Accounting Pronouncements**

GASB No. 69, Government Combinations and Disposals of Government Operations, issued in January 2013, provides accounting and financial reporting guidance, including disclosure requirements, for combinations (mergers, acquisitions, or transfers of operations) and disposals of operations in the government environment. GASB No. 69 is effective for such transactions occurring in financial reporting periods beginning after December 15, 2013.

In November 2013, the GASB amended GASB No. 68 by issuing GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, which is to be applied simultaneously with GASB No. 68. At the beginning of the period in which GASB No. 68 is adopted, it may not be practical for a government to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, GASB No. 71, paragraph 3, requires the government to recognize a beginning deferred outflow of resources only for any pension contributions it made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. No beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized.

## NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

### **Recently Issued Accounting Pronouncements**

In February 2015, the GASB issued Statement 72, Fair Value Measurement and Application. GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In June 2015, the GASB issued Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. GASB 73 will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In June 2015, the GASB issued Statement 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB 74 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, issued in June 2015, will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017.

## NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In June 2015, the GASB issued Statement 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. GASB 76 improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

GASB Statement No. 77, Tax Abatement Disclosures, issued in August 2015, improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF NATCHEZ, MISSISSIPPI**  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Property and gaming taxes	\$ 4,531,669	\$ 4,531,669	\$ 4,531,669	\$ (75,325)	\$ 4,456,344
Licenses, permits, fees and fines	230,603	230,603	461,206	126,308	587,514
Intergovernmental	6,411,249	6,411,249	6,411,249	(26,193)	6,385,056
Charges for services	1,614,699	1,614,699	-	1,276,932	1,276,932
Franchise fees	639,881	639,881	1,614,699	(989,103)	625,596
Miscellaneous	451,775	451,775	451,775	485,715	937,490
Total revenues	<u>13,879,876</u>	<u>13,879,876</u>	<u>13,470,598</u>	(1) <u>798,334</u>	<u>14,268,932</u>
EXPENDITURES:					
Current:					
General government	1,916,890	1,916,890	1,916,890	217,849	2,134,739
Public safety	6,681,992	6,681,992	6,681,992	401,247	7,083,239
Public works	2,398,246	2,398,246	2,398,246	10,865	2,409,111
Culture and recreation	-	-	-	10,000	10,000
Economic development	475,704	475,704	475,704	8,000	483,704
Miscellaneous	1,759,719	1,759,719	1,759,719	835,388	2,595,107
Debt service:					
Principal	1,059,682	1,059,682	1,059,682	(370,475)	689,207
Interest and other charges	-	-	-	10,531	10,531
Capital outlay	198,099	198,099	198,099	18,612	216,711
Total expenditures	<u>14,490,332</u>	<u>14,490,332</u>	<u>14,490,332</u>	(2) <u>1,142,017</u>	<u>15,632,349</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(610,456)</u>	<u>(610,456)</u>	<u>(1,019,734)</u>	<u>(343,683)</u>	<u>(1,363,417)</u>
OTHER FINANCING SOURCES (USES):					
Other uses	(314,325)	(314,325)	(314,325)	-	(314,325)
Proceeds from long-term debt	937,989	937,989	937,989	(3) 61,100	999,089
Transfers in and interfund loans received	176,788	176,788	176,788	(4) 6,596	183,384
Transfers out and interfund loans repaid	<u>(908,807)</u>	<u>(908,807)</u>	<u>(908,807)</u>	(4) <u>(29,668)</u>	<u>(938,475)</u>
Total other financing sources (uses)	<u>(108,355)</u>	<u>(108,355)</u>	<u>(108,355)</u>	<u>38,028</u>	<u>(70,327)</u>
Net change in fund balances	(718,811)	(718,811)	(1,128,089)	(305,655)	(1,433,744)
Fund balances - beginning	<u>36,205</u>	<u>36,205</u>	<u>(4,655,801)</u>	(5) <u>5,276,997</u>	<u>621,196</u>
Fund balances - ending	<u>\$ (682,606)</u>	<u>\$ (682,606)</u>	<u>\$ (5,783,890)</u>	<u>\$ 4,971,342</u>	<u>\$ (812,548)</u>

Explanation of differences

(1) Net accrual for revenue due from other governments and donations	\$ 798,334
(2) Net accrual for year-end payables	(1,142,017)
(3) Record loans and leases, noncash transaction	61,100
(4) Correctly report interfund loans as advances when not repaid in same year	(23,072)
(5) Cumulative effect on net assets of cash to GAAP entries	5,276,997
	<u>\$ 4,971,342</u>



**DRAFT**

**CITY OF NATCHEZ, MISSISSIPPI**  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**TRANSPORTATION - SENIOR CITIZENS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Intergovernmental	\$ 1,001,616	\$ 1,001,616	\$ 1,001,616	\$ 115,176	\$ 1,116,792
Charges for services	194,021	194,021	194,021	37,280	231,301
Miscellaneous	5,871	5,871	5,871	78,780	84,651
Total revenues	<u>1,201,508</u>	<u>1,201,508</u>	<u>1,201,508</u>	(1) <u>231,236</u>	<u>1,432,744</u>
EXPENDITURES:					
Current:					
Culture and recreation	1,445,112	1,445,112	1,445,112	25,370	1,470,482
Capital outlay	203,396	203,396	203,396	11,017	214,413
Total expenditures	<u>1,648,508</u>	<u>1,648,508</u>	<u>1,648,508</u>	(1) <u>36,387</u>	<u>1,684,895</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURE:	<u>(447,000)</u>	<u>(447,000)</u>	<u>(447,000)</u>	<u>194,849</u>	<u>(252,151)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	224,032	224,032	224,032	-	224,032
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>224,032</u>	<u>224,032</u>	<u>224,032</u>	(2) <u>-</u>	<u>224,032</u>
Net change in fund balances	(222,968)	(222,968)	(222,968)	194,849	(28,119)
Fund balances - beginning	(50,719)	(50,719)	73,091	(3) 19,293	92,384
Fund balances - ending	<u>\$ (273,687)</u>	<u>\$ (273,687)</u>	<u>\$ (149,877)</u>	<u>\$ 214,142</u>	<u>\$ 64,265</u>

Explanation of differences

(1) Net adjustment for year-end accruals	\$ 194,849
(2) Net adjustment for interfund loans/repayments and transfers	-
(3) Cumulative effect on net assets of cash to GAAP entries	19,293
	<u>\$ 214,142</u>

**CITY OF NATCHEZ, MISSISSIPPI**  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**CASINO ANNUAL LEASE PAYMENT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	999,999	999,999
Charges for services	-	-	-	-	-
Charges for utility services	-	-	-	-	-
Rents and royalties	-	-	-	-	-
Miscellaneous	833,837	833,837	833,837	(833,333)	504
Total revenues	<u>833,837</u>	<u>833,837</u>	<u>833,837</u>	(1) <u>166,666</u>	<u>1,000,503</u>
EXPENDITURES:					
Current:					
Economic development	186,779	186,779	186,779	234,246	421,025
Total expenditures	<u>186,779</u>	<u>186,779</u>	<u>186,779</u>	<u>234,246</u>	<u>421,025</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURE:	<u>647,058</u>	<u>647,058</u>	<u>647,058</u>	<u>(67,580)</u>	<u>579,478</u>
Transfers in	5,075	5,075	5,075	-	5,075
Transfers out	(17,457)	(17,457)	(17,457)	-	(17,457)
Total other financing sources (uses)	<u>(12,382)</u>	<u>(12,382)</u>	<u>(12,382)</u>	<u>-</u>	<u>(12,382)</u>
Net change in fund balances	634,676	634,676	634,676	(67,580)	567,096
Fund balances - beginning	-	-	-	(2) 112,881	112,881
Fund balances - ending	<u>\$ 634,676</u>	<u>\$ 634,676</u>	<u>\$ 634,676</u>	<u>\$ 45,301</u>	<u>\$ 679,977</u>

Explanation of differences

(1) Net adjustment for year-end accruals	\$ (67,580)
(2) Cumulative effect on net assets of cash to GAAP entries	112,881
	<u>\$ 45,301</u>

**CITY OF NATCHEZ, MISSISSIPPI**  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**PENSION TRUST FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Property taxes	\$ 586,792	\$ 586,792	\$ 586,793	\$ 1,421	\$ 588,214
Miscellaneous	627	627	628	12,999	13,627
Total revenues	<u>587,419</u>	<u>587,419</u>	<u>587,421</u>	<u>14,420</u>	<u>601,841</u>
EXPENDITURES:					
Current:					
Personal services	<u>429,000</u>	<u>429,000</u>	<u>429,000</u>	-	<u>429,000</u>
Total expenditures	<u>429,000</u>	<u>429,000</u>	<u>429,000</u>	-	<u>429,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURE:	<u>158,419</u>	<u>158,419</u>	<u>158,421</u>	(1) <u>14,420</u>	<u>172,841</u>
OTHER FINANCING SOURCES (USES):					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(2) -	-
Net change in fund balances	158,419	158,419	158,421	14,420	172,841
Fund balances - beginning	<u>224,392</u>	<u>224,392</u>	<u>361,360</u>	(2) <u>(452,433)</u>	<u>(91,073)</u>
Fund balances - ending	<u>\$ 382,811</u>	<u>\$ 382,811</u>	<u>\$ 519,781</u>	<u>\$ (438,013)</u>	<u>\$ 81,768</u>

Explanation of differences

(1) Net adjustment for year-end accruals	\$ 14,420
(2) Cumulative effect on net assets of cash to GAAP basis	<u>(452,433)</u>
	<u>\$ (438,013)</u>

**CITY OF NATCHEZ, MISSISSIPPI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS - MMRS**  
**LAST 10 FISCAL YEARS \***

Disability and Relief - Municipal Retirement System  
(Dollar Amounts in Thousands)

<u>Plan Year Ended</u>	<u>Plan Fiduciary Net Position</u>	<u>Total Pension Liability</u>	<u>Percent Funded</u>	<u>Net Pension Liability</u>	<u>Annual Covered Payroll</u>	<u>Net Pension Liability as a % of Covered Payroll</u>
6/30/2015	\$ 2,410,301	\$ 7,818,313	30.83%	\$ 5,408,012	-	N/A
6/30/2016	2,141,471	7,290,191	29.37%	5,148,720	N/A	N/A

\* Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015. The amounts presented were determined as of the measurement date of June 30 of the fiscal year presented.

**CITY OF NATCHEZ, MISSISSIPPI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY & RELATED RATIOS - PERS**  
**LAST 10 FISCAL YEARS \***

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City's proportionate share of the collective net pension liability	*	*	*	*	*	*	*	*	\$ 17,918,173	\$ 20,757,829
City's proportion of the collective net pension liability	*	*	*	*	*	*	*	*	0.115915%	0.116209%
City's covered employee payroll	*	*	*	*	*	*	*	*	\$ 7,289,682	\$ 7,413,225
City's proportionate share of the collective net pension liability as a percentage of the City's covered payroll	*	*	*	*	*	*	*	*	245.80%	280.01%
PERS' fiduciary net position as a percentage of the total pension liability	*	*	*	*	*	*	*	*	13%	38%

\* Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015. The amounts presented were determined as of the measurement date of June 30 of the fiscal year presented.

**CITY OF NATCHEZ, MISSISSIPPI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS - PERS**  
**LAST 10 FISCAL YEARS \***

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined employee contribution	*	*	*	*	*	*	*	*	\$ 1,083,252	\$ 1,096,190
Contributions in relation to the actuarially determined contributions	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>1,148,123</u>	<u>1,167,583</u>
Annual contribution deficiency (excess)	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>\$ (64,871)</u></u>	<u><u>\$ (71,393)</u></u>
City's covered-employee payroll	*	*	*	*	*	*	*	*	\$ 7,289,682	\$ 7,413,225
Actual contributions as a percentage of covered-employer payroll	*	*	*	*	*	*	*	*	15.75%	15.75%

\* Information is unavailable for years prior to the City's implementation of GASB 68 in fiscal year 2015. The amounts presented were determined as of the measurement date of June 30 of the fiscal year presented.

## **OTHER SUPPLEMENTAL INFORMATION**

**COMBINING SCHEDULES OF  
NONMAJOR GOVERNMENTAL FUNDS**



**CITY OF NATCHEZ, MISSISSIPPI**  
**COMBINING SCHEDULE OF NONMAJOR GOVERNMENTAL BALANCE SHEETS**  
**SEPTEMBER 30, 2016**

	Total Special Revenue Funds	Total Capital Projects Funds	Aggregate Nonmajor Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 968,926	\$ 1,164,949	\$ 2,133,875
Due from other funds	181,602	1,621,319	1,802,921
Receivable from other governments	138,818	160,446	299,264
Due from outside parties	-	-	-
Property tax receivable	671,685	153,915	825,600
Advances to other funds	<u>357,622</u>	<u>156,657</u>	<u>514,279</u>
Total assets	<u>\$ 2,318,653</u>	<u>\$ 3,257,286</u>	<u>\$ 5,575,939</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts payable	\$ 206,816	\$ 131,056	\$ 337,872
Due to other funds	338,995	301,217	640,212
Payable to other governments	314,546	-	314,546
Deferred property taxes	671,685	153,915	825,600
Advances from other funds	<u>315,425</u>	<u>337,924</u>	<u>653,349</u>
Total liabilities	<u>1,847,467</u>	<u>924,112</u>	<u>2,771,579</u>
Fund balances:			
Assigned:			
Capital projects	-	2,176,517	2,176,517
Special revenue	553,754	-	553,754
Nonspendable:			
Advances	357,622	156,657	514,279
Committed:			
Cemetery fund	-	-	-
Unassigned	<u>(440,190)</u>	<u>-</u>	<u>(440,190)</u>
Total fund balances	<u>471,186</u>	<u>2,333,174</u>	<u>2,804,360</u>
Total liabilities and fund balances	<u>\$ 2,318,653</u>	<u>\$ 3,257,286</u>	<u>\$ 5,575,939</u>

**CITY OF NATCHEZ, MISSISSIPPI**  
**COMBINING SCHEDULE OF NONMAJOR GOVERNMENTAL STATEMENTS**  
**OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Total Special Revenue Funds	Total Capital Projects Fund	Aggregate Nonmajor Governmental Funds
REVENUES:			
Ad valorem taxes	\$ 687,096	\$ 157,445	\$ 844,541
Licenses and permits	-	-	-
Intergovernmental	1,512,962	1,963,854	3,476,816
Charges for services	2,428,033	-	2,428,033
Investment earnings	2,791	2,505	5,296
Miscellaneous	509,419	1,597,666	2,107,085
Contributions	165,682	-	165,682
Rents and royalties	294,655	-	294,655
Total revenues	<u>5,600,638</u>	<u>3,721,470</u>	<u>9,322,108</u>
EXPENDITURES:			
Current:			
General government	4,201	342,515	346,716
Public safety	73,126	-	73,126
Public works	51,667	-	51,667
Health and sanitation	-	-	-
Culture and recreation	2,930,339	50,482	2,980,821
Economic development	115,825	-	115,825
Miscellaneous	1,544,586	202,384	1,746,970
Debt service:			
Principal	118,468	-	118,468
Interest and other charges	3,234	-	3,234
Capital outlay	265,469	2,541,933	2,807,402
Total expenditures	<u>5,106,915</u>	<u>3,137,314</u>	<u>8,244,229</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>493,723</u>	<u>584,156</u>	<u>1,077,879</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from long-term debt, net	91,000	-	91,000
Proceeds from sale of land	-	-	-
Proceeds from capital leases	7,800	-	7,800
Other sources	-	-	-
Other uses	-	-	-
Transfers in	201,432	1,683,155	1,884,587
Transfers out	(633,537)	(1,731,146)	(2,364,683)
Total other financing sources (uses)	<u>(333,305)</u>	<u>(47,991)</u>	<u>(381,296)</u>
Net change in fund balances	160,418	536,165	696,583
Fund balances - beginning	310,768	1,797,009	2,107,777
Fund balances - ending	<u>\$ 471,186</u>	<u>\$ 2,333,174</u>	<u>\$ 2,804,360</u>

## **COMPONENT UNITS**

Judge George Armstrong Library operates one public library in Southwest Mississippi.

Natchez Convention Promotion Commission's purpose is to "establish, promote and develop a convention center with Adams County, Mississippi, and to promote and encourage conventions and visitors to come to Adams County", as stated in Senate Bill No. 2877, Laws of Mississippi of 1978.

**CITY OF NATCHEZ, MISSISSIPPI**  
**COMBINING STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**SEPTEMBER 30, 2016**

	Judge George Armstrong Library	Natchez Convention Promotion Commission	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 193,692	\$ 177,727	\$ 371,419
Investments	530,000	-	530,000
Taxes receivable, net	1,480	-	1,480
Receivable from other governments	-	212,961	212,961
Prepaid expenses	2,140	-	2,140
Capital assets	160,117	36,888	197,005
Total assets	<u>\$ 887,429</u>	<u>\$ 427,576</u>	<u>\$ 1,315,005</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflows of resources	<u>\$ 111,362</u>	<u>\$ -</u>	<u>\$ 111,362</u>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	\$ 7,808	\$ 105,013	\$ 112,821
Notes payable	-	25,744	25,744
Net pension liability	<u>598,071</u>	<u>-</u>	<u>598,071</u>
Total liabilities	<u>605,879</u>	<u>130,757</u>	<u>736,636</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows of resources	<u>\$ 16,631</u>	<u>\$ -</u>	<u>\$ 16,631</u>
<b>NET POSITION:</b>			
Invested in capital assets	160,117	36,888	197,005
Restricted	707,739	18,486	726,225
Unrestricted	<u>(491,575)</u>	<u>241,445</u>	<u>(250,130)</u>
Total net position	<u><u>\$ 376,281</u></u>	<u><u>\$ 296,819</u></u>	<u><u>\$ 673,100</u></u>

**CITY OF NATCHEZ, MISSISSIPPI**  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**FOR YEAR ENDED SEPTEMBER 30, 2016**

	Judge George Armstrong Library	Natchez Convention Promotion Commission	Total
<b>EXPENSES:</b>			
Governmental activities:			
Culture and recreation	\$ 536,702	\$ 1,193,443	\$ 1,730,145
Miscellaneous	-	446,456	446,456
Interest and other charges	-	944	944
Total expenses	<u>536,702</u>	<u>1,640,843</u>	<u>2,177,545</u>
<b>PROGRAM REVENUES:</b>			
Charges for services	14,978	-	14,978
Operating grants and contributions	<u>116,122</u>	<u>138,764</u>	<u>254,886</u>
Total program revenues	<u>131,100</u>	<u>138,764</u>	<u>269,864</u>
<b>NET (EXPENSE) REVENUE</b>	(405,602)	(1,502,079)	(1,907,681)
<b>GENERAL REVENUES:</b>			
Public service taxes	-	1,649,747	1,649,747
Appropriations from City of Natchez	323,552	-	323,552
Investment earnings	3,583	598	4,181
Other related revenues	-	-	-
Total general revenues	<u>327,135</u>	<u>1,650,345</u>	<u>1,977,480</u>
Change in net assets	(78,467)	148,266	69,799
Net position - beginning	<u>454,748</u>	<u>123,355</u>	<u>578,103</u>
Prior period adjustments	-	25,198	25,198
Fund balances - beginning as restated	<u>454,748</u>	<u>148,553</u>	<u>603,301</u>
Net assets - position	<u><u>\$ 376,281</u></u>	<u><u>\$ 296,819</u></u>	<u><u>\$ 673,100</u></u>

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

## **GENERAL FUND**

General - to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

**CITY OF NATCHEZ, MISSISSIPPI**  
**COMPARATIVE BALANCE SHEETS**  
**GENERAL FUND**  
**SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 36,205	\$ 171,259
Due from other funds	1,011,804	685,762
Receivable from other governments	581,305	616,465
Property tax receivable	3,153,168	3,246,287
Other receivables	132,955	146,509
Advances to other funds	312,189	333,070
Total assets	<u>\$ 5,227,626</u>	<u>\$ 5,199,352</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 529,608	\$ 619,203
Due to other funds	1,996,946	376,411
Payable to other governments	25,178	25,178
Deferred property taxes	3,153,168	3,246,287
Advances from other funds	328,476	300,849
Other payables	6,798	6,798
Total liabilities	<u>6,040,174</u>	<u>4,574,726</u>
 Reserved for:		
Nonspendable:		
Advances	312,189	333,070
Unassigned	<u>(1,124,737)</u>	<u>291,556</u>
Total fund balances	<u>(812,548)</u>	<u>624,626</u>
Total liabilities and fund balances	<u>\$ 5,227,626</u>	<u>\$ 5,199,352</u>



**CITY OF NATCHEZ, MISSISSIPPI**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
REVENUES:		
Property taxes	\$ 3,283,930	\$ 3,296,079
Gaming taxes	1,172,414	1,364,685
Fees and fines	408,721	441,071
Licenses and permits	178,793	204,715
Intergovernmental	6,385,056	6,672,872
Charges for services	1,276,932	1,171,901
Investment earnings	1,085	2,027
Miscellaneous	936,405	367,693
Franchise fees	625,596	758,002
Total revenues	<u>14,268,932</u>	<u>14,279,045</u>
EXPENDITURES:		
Current:		
General government	2,134,739	1,442,406
Public safety	7,083,239	6,258,744
Public works	2,409,111	2,284,009
Culture and recreation	10,000	188,383
Economic Development	483,704	496,498
Miscellaneous	2,595,107	2,680,407
Debt service:		
Principal	689,207	732,068
Interest and other charges	10,531	17,006
Capital outlay	216,711	105,575
Total expenditures	<u>15,632,349</u>	<u>14,205,096</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,363,417)</u>	<u>73,949</u>
OTHER FINANCING SOURCES (USES):		
Proceeds from long-term debt and capital leases, net	999,089	861,122
Other uses	(314,325)	(368,887)
Transfers in	183,384	1,049,267
Transfers out	(938,475)	(1,874,136)
Total other financing sources (uses)	<u>(70,327)</u>	<u>(332,634)</u>
Net change in fund balances	(1,433,744)	(258,685)
Fund balances - beginning	<u>621,196</u>	<u>883,311</u>
Fund balances - ending	<u>\$ (812,548)</u>	<u>\$ 624,626</u>

## **SPECIAL REVENUE FUNDS**

Soil Conservation Service Special - to account for improvements to areas that have suffered soil erosion.

Public Properties - to account for maintenance and improvements to public properties owned by the City. Financing is provided by insurance proceeds from the loss of a city-owned building.

Auburn Maintenance Fund - to segregate funds collected from antebellum home Auburn used specifically for maintenance.

Food & Lodging Tax II - to account for the tax assessed in addition to the general sales tax for food and lodging.

Special Fire Fund - to account for money received from the State's "Municipal Fire Protection Fund."

Senior Citizens Fund - to account for expenditures for a recreational program for senior citizens. Financing is provided by federal grants and local resources.

Police Grant Fund - to account for expenditures incurred in providing two additional police officers. Financing is provided by federal grants and local matching of funds.

Senior Citizens Swim Fund - to account for fees received for participation in the enjoyment of the facilities. Financing is self-supported.

Retired and Seniors Volunteers Fund - to account for expenditures to provide a variety of opportunities for retired persons to serve their community through volunteer service. Financing is provided by federal grants and local resources.

Transportation - Senior Citizens - to account for expenditures incurred in connection with a transportation system. Financing is provided by federal grants, user fees, and local resources.

Parks and Recreation - to account for the operation and maintenance of all city owned parks and recreational facilities. Financing is provided by a specific annual property tax levy to the extent charges for use of the facilities are not sufficient to provide such financing.

YouthBuild - to account for funds received in support of and to administer a YouthBuild training program.

Recreation Department - Donations - to account for private donations for recreational uses.

Visitors Center Operations - to account for revenues and expenditures associated with operating the Visitor's Reception and Intermodal Transportation Center.

City Auditorium Maintenance - to account for funds related to the maintenance of the City Auditorium.

Downtown Christmas Tree - to account for donations and related expenditures for the Christmas tree centered downtown.

Special Fire Fund #2 - second fund established to track monies related to the fire department but not available for general purposes.

Regional Transit Operations - to account for monies received to reimburse the City for personnel costs for a coordinator of the new Regional Transit Facility.

Tricentennial donations - to account for donated funds received in support of activities throughout 2016 in celebration of Natchez's tricentennial.

Fire Department FEMA Grant - used to purchase fire equipment.

Forks of the Road - to collect and accumulate private donations for the Forks of the Road project.

Housing Revolving Loan Program - loan program for first-time homebuyers.

HOME Down Payment Assistance - program to assist eligible participants in receiving funds to purchase a home.

Department of Tourism Management - to further segregate Visitor Center revenue sources and expenditures.

Recycling Fund - to account for funds used to establish a recycling program in the City, including the cost of purchasing appropriate receptacles for collection.

Pension Trust Fund - to account for tax monies and employee contributions and payments to the PERS system.

Armstrong Library Fund - to account for tax monies allocated for the maintenance and support of the George W. Armstrong Library, Natchez branch.

Natchez Economic Development Authority - to account for tax monies levied in direct support of the Natchez EDA.

Casino Annual Lease Payment - established solely to segregate rental receipts from the Magnolia Bluffs Casino.

Road & Bridge Tax - to further segregate tax receipts specifically identified by Adams County as road and bridge collections.

SNAP 2014- to account for the funding received under this program.

Humana Foundation Grant - to account for funds received for from a grant encouraging healthy lifestyles through nutrition and exercise.

Traffic Fund/MDOT Intersections - to account for funds related to a specific maintenance project in conjunction with MDOT.

CITY OF NATCHEZ, MISSISSIPPI  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2016  
 With Comparative Totals for 2015

	Soil Conservation Service Special	Public Properties	Auburn Maintenance Fund	Food & Lodging Tax II	Special Fire Fund	Senior Citizens Fund
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 3,035	\$ -	\$ 18,918	\$ 112,825	\$ 150,878	\$ 275,222
Due from other funds	-	-	-	22,500	-	6,000
Receivable from other governments	-	-	-	105,013	-	-
Advances to other funds	-	103,236	-	-	130,476	88,910
Other receivables	-	-	-	-	-	-
Property tax receivable	-	-	-	-	-	-
Total assets	<u>\$ 3,035</u>	<u>\$ 103,236</u>	<u>\$ 18,918</u>	<u>\$ 240,338</u>	<u>\$ 281,354</u>	<u>\$ 370,132</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 3,790	\$ -	\$ 21,343	\$ 4,086
Bank overdrafts	-	31,028	-	-	-	-
Due to other funds	-	163,531	-	65,608	-	-
Payable to other governments	-	-	-	233,059	-	-
Deferred property taxes	-	-	-	-	-	-
Advances from other funds	<u>3,000</u>	<u>7,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,000</u>	<u>201,830</u>	<u>3,790</u>	<u>298,667</u>	<u>21,343</u>	<u>4,086</u>
Reserved for:						
Nonspendable:						
Advances	-	103,236	-	-	130,476	88,910
Committed:						
Other purposes	-	-	-	-	-	-
Unassigned	<u>35</u>	<u>(201,830)</u>	<u>15,128</u>	<u>(58,329)</u>	<u>129,535</u>	<u>277,136</u>
Total fund balances	<u>35</u>	<u>(98,594)</u>	<u>15,128</u>	<u>(58,329)</u>	<u>260,011</u>	<u>366,046</u>
Total liabilities and fund balances	<u>\$ 3,035</u>	<u>\$ 103,236</u>	<u>\$ 18,918</u>	<u>\$ 240,338</u>	<u>\$ 281,354</u>	<u>\$ 370,132</u>

CITY OF NATCHEZ, MISSISSIPPI  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2016  
 With Comparative Totals for 2015

	Police Grant Fund	Senior Citizens Swim Fund	Retired and Seniors Volunteers Program	Bluff Stabilization	Transportation - Senior Citizens	Parks and Recreation	Youth Build
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 14,121	\$ 1,332	\$ 71	\$ 4,030	\$ 12,206	\$ -	\$ -
Due from other funds	4,370	-	-	-	-	225	-
Receivable from other governments	-	-	-	-	280,756	3,244	-
Advances to other funds	35,000	-	-	-	-	-	-
Other receivables	-	-	-	-	28,250	-	-
Property tax receivable	-	-	-	-	-	246,264	-
Total assets	<u>\$ 53,491</u>	<u>\$ 1,332</u>	<u>\$ 71</u>	<u>\$ 4,030</u>	<u>\$ 321,212</u>	<u>\$ 249,733</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 2,054	\$ -	\$ -	\$ -	\$ 105,103	\$ 32,188	\$ -
Bank overdrafts	-	-	-	-	62,925	17,224	-
Due to other funds	-	-	-	-	9	16,050	-
Payable to other governments	-	-	-	-	-	-	-
Deferred property taxes	-	-	-	-	-	246,264	-
Advances from other funds	-	-	-	-	88,910	76,498	-
Total liabilities	<u>2,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,947</u>	<u>388,224</u>	<u>-</u>
<b>Reserved for:</b>							
<b>Nonspendable:</b>							
Advances	35,000	-	-	-	-	-	-
<b>Committed:</b>							
Other purposes	-	-	-	-	-	-	-
Unassigned	16,437	1,332	71	4,030	64,265	(138,491)	-
Total fund balances	<u>51,437</u>	<u>1,332</u>	<u>71</u>	<u>4,030</u>	<u>64,265</u>	<u>(138,491)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 53,491</u>	<u>\$ 1,332</u>	<u>\$ 71</u>	<u>\$ 4,030</u>	<u>\$ 321,212</u>	<u>\$ 249,733</u>	<u>\$ -</u>

CITY OF NATCHEZ, MISSISSIPPI  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2016  
With Comparative Totals for 2015

	Recreation Department - Donations	Visitors Center Operations	City Auditorium Maintenance fund	Downtown Christmas Tree	Oak Towers - CDBG	Special Fire Fund #2
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 38,919	\$ 39,875	\$ 14,205	\$ 1,253	\$ -	\$ 13,717
Due from other funds	2,223	9,000	-	-	-	-
Receivable from other governments	-	24,956	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Property tax receivable	-	-	-	-	-	-
Total assets	<u>\$ 41,142</u>	<u>\$ 73,831</u>	<u>\$ 14,205</u>	<u>\$ 1,253</u>	<u>\$ -</u>	<u>\$ 13,717</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
Liabilities:						
Accounts payable	\$ 411	\$ 23,713	\$ -	\$ 3,150	\$ -	\$ -
Bank overdrafts	-	-	\$ -	-	-	-
Due to other funds	-	64,685	-	-	-	-
Payable to other governments	-	81,487	-	-	-	-
Deferred property taxes	-	-	-	-	-	-
Advances from other funds	-	17,000	-	-	-	-
Total liabilities	<u>411</u>	<u>186,885</u>	<u>-</u>	<u>3,150</u>	<u>-</u>	<u>-</u>
Reserved for:						
Nonspendable:						
Advances	-	-	-	-	-	-
Committed:						
Other purposes	-	-	-	-	-	4,923
Unassigned	<u>40,731</u>	<u>(113,054)</u>	<u>14,205</u>	<u>(1,897)</u>	<u>-</u>	<u>8,794</u>
Total fund balances	<u>40,731</u>	<u>(113,054)</u>	<u>14,205</u>	<u>(1,897)</u>	<u>-</u>	<u>13,717</u>
Total liabilities and fund balances	<u>\$ 41,142</u>	<u>\$ 73,831</u>	<u>\$ 14,205</u>	<u>\$ 1,253</u>	<u>\$ -</u>	<u>\$ 13,717</u>

CITY OF NATCHEZ, MISSISSIPPI  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2016  
With Comparative Totals for 2015

	Regional Transit Operations	Tricentennial donations	Fire Dept/FEMA Grant	Forks of the Road	Housing Revolving Loan Program	HOME Down Payment Assistance
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 3,157	\$ 158,032	\$ -	\$ 192	\$ 6,171	\$ 12,387
Due from other funds	-	-	17,842	-	-	-
Receivable from other governments	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Property tax receivable	-	-	-	-	-	-
Total assets	<u>\$ 3,157</u>	<u>\$ 158,032</u>	<u>\$ 17,842</u>	<u>\$ 192</u>	<u>\$ 6,171</u>	<u>\$ 12,387</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
Liabilities:						
Accounts payable	\$ -	\$ 8,206	\$ -	\$ -	\$ -	\$ -
Bank overdrafts	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Payable to other governments	-	-	-	-	-	-
Deferred property taxes	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>8,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reserved for:						
Nonspendable:						
Advances	-	-	-	-	-	-
Committed:						
Other purposes	19	-	-	-	-	-
Unassigned	<u>3,138</u>	<u>149,826</u>	<u>17,842</u>	<u>192</u>	<u>6,171</u>	<u>12,387</u>
Total fund balances	<u>3,157</u>	<u>149,826</u>	<u>17,842</u>	<u>192</u>	<u>6,171</u>	<u>12,387</u>
Total liabilities and fund balances	<u>\$ 3,157</u>	<u>\$ 158,032</u>	<u>\$ 17,842</u>	<u>\$ 192</u>	<u>\$ 6,171</u>	<u>\$ 12,387</u>



CITY OF NATCHEZ, MISSISSIPPI  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2016  
With Comparative Totals for 2015

	Dept of Tourism Management	Recycling Fund	Pension Trust Fund	Armstrong Library Fund	Natchez EDA Fund	Casino Annual Lease Payment
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 19,776	\$ 149	\$ 224,392	\$ 7,094	\$ 5,705	\$ 102,762
Due from other funds	-	-	1,257	-	-	1,334,703
Receivable from other governments	-	-	7,574	4,177	1,428	-
Advances to other funds	-	-	-	-	-	244,267
Other receivables	-	-	-	-	-	166,666
Property tax receivable	-	-	519,248	317,065	108,356	-
Total assets	<u>\$ 19,776</u>	<u>\$ 149</u>	<u>\$ 752,471</u>	<u>\$ 328,336</u>	<u>\$ 115,489</u>	<u>\$ 1,848,398</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ 1,592	\$ -	\$ -	\$ -	\$ 51,299
Bank overdrafts	-	-	-	-	-	-
Due to other funds	-	-	151,455	18,804	7,392	1,117,122
Payable to other governments	-	-	-	-	-	-
Deferred property taxes	-	-	519,248	317,065	108,356	-
Advances from other funds	-	-	-	63,750	24,150	-
Total liabilities	<u>-</u>	<u>1,592</u>	<u>670,703</u>	<u>399,619</u>	<u>139,898</u>	<u>1,168,421</u>
<b>Reserved for:</b>						
<b>Nonspendable:</b>						
Advances	-	-	-	-	-	244,267
<b>Committed:</b>						
Other purposes	-	-	-	-	-	-
Unassigned	<u>19,776</u>	<u>(1,443)</u>	<u>81,768</u>	<u>(71,283)</u>	<u>(24,409)</u>	<u>435,710</u>
Total fund balances	<u>19,776</u>	<u>(1,443)</u>	<u>81,768</u>	<u>(71,283)</u>	<u>(24,409)</u>	<u>679,977</u>
Total liabilities and fund balances	<u>\$ 19,776</u>	<u>\$ 149</u>	<u>\$ 752,471</u>	<u>\$ 328,336</u>	<u>\$ 115,489</u>	<u>\$ 1,848,398</u>

CITY OF NATCHEZ, MISSISSIPPI  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2016  
With Comparative Totals for 2015

					Totals	
	Road & Bridge Tax	SNAP 2014	Humana Foundation Grant	Traffic Fund/MDOT Intersections	2016	2015
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 355	\$ 553	\$ 87,611	\$ 17,283	\$ 1,346,226	\$ 1,688,685
Due from other funds	45,000	-	-	74,442	1,517,562	659,466
Receivable from other governments	-	-	-	-	427,148	461,899
Advances to other funds	-	-	-	-	601,889	420,622
Other receivables	-	-	-	-	194,916	-
Property tax receivable	-	-	-	-	1,190,933	1,175,157
Total assets	<u>\$ 45,355</u>	<u>\$ 553</u>	<u>\$ 87,611</u>	<u>\$ 91,725</u>	<u>\$ 5,278,674</u>	<u>\$ 4,405,829</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ 6,829	\$ 4,737	\$ 268,501	\$ 986,523
Bank overdrafts	-	-	-	-	111,177	60,721
Due to other funds	2,925	-	-	-	1,607,581	247,218
Payable to other governments	-	-	-	-	314,546	233,059
Deferred property taxes	-	-	-	-	1,190,933	1,175,157
Advances from other funds	-	-	-	-	280,579	229,394
Total liabilities	<u>2,925</u>	<u>-</u>	<u>6,829</u>	<u>4,737</u>	<u>3,773,317</u>	<u>2,932,072</u>
<b>Reserved for:</b>						
<b>Nonspendable:</b>						
Advances	-	-	-	-	601,889	420,622
<b>Committed:</b>						
Other purposes	-	-	-	-	4,942	9,633
Unassigned	<u>42,430</u>	<u>553</u>	<u>80,782</u>	<u>86,988</u>	<u>898,526</u>	<u>1,043,502</u>
Total fund balances	<u>42,430</u>	<u>553</u>	<u>80,782</u>	<u>86,988</u>	<u>1,505,357</u>	<u>1,473,757</u>
Total liabilities and fund balances	<u>\$ 45,355</u>	<u>\$ 553</u>	<u>\$ 87,611</u>	<u>\$ 91,725</u>	<u>\$ 5,278,674</u>	<u>\$ 4,405,829</u>

CITY OF NATCHEZ, MISSISSIPPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
With Comparative Totals for 2015

	Soil Conservation Service Special	Public Properties	Auburn Maintenance Fund	Food & Lodging Tax II	Special Fire Fund	Senior Citizens Fund
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	451,666	227,524	357,370
Charges for services	-	-	-	-	-	22,761
Investment earnings	11	8	77	481	356	797
Miscellaneous	-	70,334	-	-	64,764	670
Contributions	-	-	-	-	10,547	-
Rents and royalties	-	26,555	8,210	-	-	5,225
Total revenues	<u>11</u>	<u>96,897</u>	<u>8,287</u>	<u>452,147</u>	<u>303,191</u>	<u>386,823</u>
EXPENDITURES:						
Current:						
General government	-	-	4,201	-	-	-
Public safety	-	28,792	-	-	4,393	-
Public works	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Culture and recreation	-	175,009	9,000	-	-	367,983
Economic development	-	-	-	-	-	-
Miscellaneous	15,086	14,535	-	-	-	17,236
Debt Service						
Principal	-	-	-	-	85,531	-
Interest	-	-	-	-	2,660	-
Capital projects	-	-	-	-	233,781	-
Total expenditures	<u>15,086</u>	<u>218,336</u>	<u>13,201</u>	<u>-</u>	<u>326,365</u>	<u>385,219</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(15,075)</u>	<u>(121,439)</u>	<u>(4,914)</u>	<u>452,147</u>	<u>(23,174)</u>	<u>1,604</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from long-term debt, net	-	-	-	-	91,000	-
Proceeds from sale of land	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-
Other source	-	-	-	-	-	-
Other use	-	-	-	-	-	-
Transfers in	-	-	-	-	6,000	125,599
Transfers out	-	-	-	(521,918)	-	(5,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(521,918)</u>	<u>97,000</u>	<u>120,599</u>
Net change in fund balances	(15,075)	(121,439)	(4,914)	(69,771)	73,826	122,203
Fund balances - beginning	15,110	22,845	20,042	11,442	186,185	243,843
Fund balances - ending	<u>\$ 35</u>	<u>\$ (98,594)</u>	<u>\$ 15,128</u>	<u>\$ (58,329)</u>	<u>\$ 260,011</u>	<u>\$ 366,046</u>

CITY OF NATCHEZ, MISSISSIPPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
With Comparative Totals for 2015

	Police Grant Fund	Senior Citizens Swim Fund	Retired and Seniors Volunteers Program	Bluff Stabilization	Transportation - Senior Citizens	Parks and Recreation	Youth Build
REVENUES:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 251,918	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	984	-	-	51,947	1,116,792	-	-
Charges for services	-	-	-	-	231,301	614,692	-
Investment earnings	46	-	-	-	544	120	-
Miscellaneous	1	-	529	-	84,107	54,361	-
Contributions	-	-	-	-	-	-	-
Rents and royalties	-	-	-	-	-	250	-
Total revenues	<u>1,031</u>	<u>-</u>	<u>529</u>	<u>51,947</u>	<u>1,432,744</u>	<u>921,341</u>	<u>-</u>
EXPENDITURES:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	2,668	-	-	-	-	-	-
Public works	-	-	-	47,918	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	5,000	-	1,470,482	933,687	-
Economic development	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Debt Service							
Principal	-	-	-	-	-	7,086	-
Interest	-	-	-	-	-	574	-
Capital projects	-	-	-	-	214,413	-	-
Total expenditures	<u>2,668</u>	<u>-</u>	<u>5,000</u>	<u>47,918</u>	<u>1,684,895</u>	<u>941,347</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,637)</u>	<u>-</u>	<u>(4,471)</u>	<u>4,029</u>	<u>(252,151)</u>	<u>(20,006)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):							
Proceeds from long-term debt, net	-	-	-	-	-	-	-
Proceeds from sale of land	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	7,800	-
Other source	-	-	-	-	-	-	-
Other use	-	-	-	-	-	-	-
Transfers in	-	-	5,000	1	224,032	-	1,566
Transfers out	-	-	-	-	-	(6,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>1</u>	<u>224,032</u>	<u>1,800</u>	<u>1,566</u>
Net change in fund balances	(1,637)	-	529	4,030	(28,119)	(18,206)	1,566
Fund balances - beginning	53,074	1,332	(458)	-	92,384	(120,285)	(1,566)
Fund balances - ending	<u>\$ 51,437</u>	<u>\$ 1,332</u>	<u>\$ 71</u>	<u>\$ 4,030</u>	<u>\$ 64,265</u>	<u>\$ (138,491)</u>	<u>\$ -</u>

CITY OF NATCHEZ, MISSISSIPPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
With Comparative Totals for 2015

	Recreation Department - Donations	Visitors Center Operations	City Auditorium Maintenance fund	Downtown Christmas Tree	Oak Towers - CDBG	Special Fire Fund #2
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	109,300	275,000	-	3,200	-	-
Charges for services	-	360,000	-	-	-	-
Investment earnings	282	135	28	-	-	27
Miscellaneous	248	3,679	-	-	-	-
Contributions	17,851	-	-	-	-	-
Rents and royalties	-	252,915	1,500	-	-	-
Total revenues	<u>127,681</u>	<u>891,729</u>	<u>1,528</u>	<u>3,200</u>	<u>-</u>	<u>27</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Culture and recreation	77,085	770,773	-	3,685	-	-
Economic development	-	-	5,252	-	-	-
Miscellaneous	37,750	-	-	-	-	-
Debt Service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital projects	31,688	-	-	-	-	-
Total expenditures	<u>146,523</u>	<u>770,773</u>	<u>5,252</u>	<u>3,685</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(18,842)</u>	<u>120,956</u>	<u>(3,724)</u>	<u>(485)</u>	<u>-</u>	<u>27</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from long-term debt, net	-	-	-	-	-	-
Proceeds from sale of land	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-
Other source	-	-	-	-	-	-
Other use	-	-	-	-	-	-
Transfers in	60,000	-	-	-	3,266	-
Transfers out	-	(100,000)	-	-	-	-
Total other financing sources (uses)	<u>60,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>3,266</u>	<u>-</u>
Net change in fund balances	41,158	20,956	(3,724)	(485)	3,266	27
Fund balances - beginning	(427)	(134,010)	17,929	(1,412)	(3,266)	13,690
Fund balances - ending	<u>\$ 40,731</u>	<u>\$ (113,054)</u>	<u>\$ 14,205</u>	<u>\$ (1,897)</u>	<u>\$ -</u>	<u>\$ 13,717</u>

CITY OF NATCHEZ, MISSISSIPPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
With Comparative Totals for 2015

	Regional Transit Operations	Tricentennial donations	Fire Dept/FEMA Grant	Forks of the Road	Housing Revolving Loan Program	HOME Down Payment Assistance
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	12,024	-	-	-	-
Charges for services	-	-	-	-	-	-
Investment earnings	11	-	-	-	12	24
Miscellaneous	-	2,500	-	-	-	-
Contributions	-	137,284	-	-	-	-
Rents and royalties	-	-	-	-	-	-
Total revenues	<u>11</u>	<u>151,808</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>24</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Culture and recreation	-	99,467	-	-	-	-
Economic development	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Debt Service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>99,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>11</u>	<u>52,341</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>24</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from long-term debt, net	-	-	-	-	-	-
Proceeds from sale of land	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-
Other source	-	-	-	-	-	-
Other use	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	11	52,341	-	-	12	24
Fund balances - beginning	3,146	97,485	17,842	192	6,159	12,363
Fund balances - ending	<u>\$ 3,157</u>	<u>\$ 149,826</u>	<u>\$ 17,842</u>	<u>\$ 192</u>	<u>\$ 6,171</u>	<u>\$ 12,387</u>

CITY OF NATCHEZ, MISSISSIPPI  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016  
 With Comparative Totals for 2015

	Dept of Tourism Management	Recycling Fund	Pension Trust Fund	Armstrong Library Fund	Natchez EDA Fund	Casino Annual Lease Payment
REVENUES:						
Property taxes	\$ -	\$ -	\$ 588,214	\$ 324,337	\$ 110,841	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	20,698	-	-	-	-
Charges for services	-	-	-	-	-	-
Investment earnings	-	-	627	65	26	504
Miscellaneous	-	3,078	13,000	-	3,056	-
Contributions	-	-	-	-	-	-
Rents and royalties	-	-	-	-	-	999,999
Total revenues	<u>-</u>	<u>23,776</u>	<u>601,841</u>	<u>324,402</u>	<u>113,923</u>	<u>1,000,503</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Culture and recreation	17,597	2,599	-	323,552	-	-
Economic development	-	-	-	-	110,573	421,025
Miscellaneous	-	25,039	429,000	-	-	-
Debt Service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total expenditures	<u>17,597</u>	<u>27,638</u>	<u>429,000</u>	<u>323,552</u>	<u>110,573</u>	<u>421,025</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(17,597)</u>	<u>(3,862)</u>	<u>172,841</u>	<u>850</u>	<u>3,350</u>	<u>579,478</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from long-term debt, net	-	-	-	-	-	-
Proceeds from sale of land	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-
Other source	-	-	-	-	-	-
Other use	-	-	-	-	-	-
Transfers in	-	-	-	-	-	5,075
Transfers out	-	-	-	-	-	(17,457)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,382)</u>
Net change in fund balances	(17,597)	(3,862)	172,841	850	3,350	567,096
Fund balances - beginning	37,373	2,419	(91,073)	(72,133)	(27,759)	112,881
Fund balances - ending	<u>\$ 19,776</u>	<u>\$ (1,443)</u>	<u>\$ 81,768</u>	<u>\$ (71,283)</u>	<u>\$ (24,409)</u>	<u>\$ 679,977</u>

CITY OF NATCHEZ, MISSISSIPPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
With Comparative Totals for 2015

					Totals	
	Road & Bridge Tax	SNAP 2014	Humana Foundation Grant	Traffic Fund/MDOT Intersections	2016	2015
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,275,310	\$ 1,227,171
Licenses and permits	-	-	-	-	-	-
Intergovernmental	25,928	-	-	-	2,652,433	2,519,448
Charges for services	-	-	-	-	1,228,754	1,270,127
Investment earnings	3	-	-	190	4,374	3,132
Miscellaneous	-	(5,121)	79	59,823	355,108	208,416
Contributions	-	-	251,234	-	416,916	6,853
Rents and royalties	-	-	-	-	1,294,654	1,282,173
Total revenues	<u>25,931</u>	<u>(5,121)</u>	<u>251,313</u>	<u>60,013</u>	<u>7,227,549</u>	<u>6,517,320</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	4,201	6,601
Public safety	-	-	-	37,273	73,126	123,022
Public works	3,749	-	-	-	51,667	16,668
Health and sanitation	-	-	-	-	-	1,471
Culture and recreation	-	-	170,531	-	4,426,450	4,465,861
Economic development	-	-	-	-	536,850	538,412
Miscellaneous	-	-	-	-	538,646	475,789
Debt Service						
Principal	25,851	-	-	-	118,468	160,224
Interest	-	-	-	-	3,234	744
Capital projects	-	-	-	-	479,882	84,682
Total expenditures	<u>29,600</u>	<u>-</u>	<u>170,531</u>	<u>37,273</u>	<u>6,232,524</u>	<u>5,873,474</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,669)</u>	<u>(5,121)</u>	<u>80,782</u>	<u>22,740</u>	<u>995,025</u>	<u>643,846</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from long-term debt, net	-	-	-	-	91,000	-
Proceeds from sale of land	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	7,800	-
Other source	-	-	-	-	-	-
Other use	-	-	-	-	-	-
Transfers in	-	-	-	-	430,539	527,714
Transfers out	-	-	-	-	(650,375)	(2,023,966)
Total other financing sources (uses)	-	-	-	-	(121,036)	(1,496,252)
Net change in fund balances	(3,669)	(5,121)	80,782	22,740	873,989	(852,406)
Fund balances - beginning	46,099	5,674	-	64,248	621,351	1,473,757
Fund balances - ending	<u>\$ 42,430</u>	<u>\$ 553</u>	<u>\$ 80,782</u>	<u>\$ 86,988</u>	<u>\$ 1,505,357</u>	<u>\$ 621,351</u>



**CITY OF NATCHEZ, MISSISSIPPI**  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Property taxes	\$ 988,437	\$ 988,437	\$ 988,437	\$ 238,734	\$ 1,227,171
Intergovernmental	2,290,115	2,290,115	2,290,115	229,333	2,519,448
Contributions	165,631	165,631	165,631	51	165,682
Charges for services	1,191,332	1,191,332	1,191,332	(83,755)	1,107,577
Investment earnings	3,640	3,640	3,640	3,213	6,853
Rents and royalties	261,119	261,119	261,119	868,834	1,129,953
Miscellaneous	959,158	959,158	959,158	(598,522)	360,636
Total revenues	<u>5,859,432</u>	<u>5,859,432</u>	<u>5,859,432</u>	(1) <u>657,888</u>	<u>6,517,320</u>
EXPENDITURES:					
Current:					
General government	4,201	4,201	4,201	2,400	6,601
Public safety	75,115	75,115	75,115	47,907	123,022
Public works	-	-	-	16,668	16,668
Health and welfare	-	-	-	1,471	1,471
Culture and recreation	4,074,810	4,074,810	4,074,810	391,051	4,465,861
Economic development	463,221	463,221	463,221	75,191	538,412
Miscellaneous	319,993	319,993	319,993	155,796	475,789
Debt service:	-	-	-		
Principal	143,168	143,168	143,168	17,056	160,224
Interest and other charges	(190)	(190)	(190)	934	744
Capital outlay	298,018	298,018	298,018	(213,336)	84,682
Total expenditures	<u>5,378,336</u>	<u>5,378,336</u>	<u>5,378,336</u>	(2) <u>495,138</u>	<u>5,873,474</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>481,096</u>	<u>481,096</u>	<u>481,096</u>	<u>162,750</u>	<u>643,846</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from capital leases	-	91,000	91,000	(4) (91,000)	-
Transfers in	421,156	421,156	421,156	(3) 106,558	527,714
Transfers out	(631,968)	(631,968)	(631,968)	(3) (1,392,028)	(2,023,996)
Total other financing sources (uses)	<u>(210,812)</u>	<u>(119,812)</u>	<u>(119,812)</u>	<u>(1,376,470)</u>	<u>(1,496,282)</u>
Net change in fund balances	270,284	361,284	361,284	(1,213,720)	(852,436)
Fund balances - beginning	1,146,645	1,146,645	1,613,410	(4) (139,623)	1,473,787
Fund balances - ending	<u>\$ 1,416,929</u>	<u>\$ 1,507,929</u>	<u>\$ 1,974,694</u>	<u>\$ (1,353,343)</u>	<u>\$ 621,351</u>

Explanation of differences

(1) Net accrual for revenue due from other governments and transfers	\$ 657,888
(2) Net adjustment for year-end accruals	(495,138)
(3) Net adjustment for interfund loans/repayments and transfers	(1,285,470)
(4) Cumulative effect on net assets of cash to GAAP entries	(139,623)
	<u>\$ (1,262,343)</u>

## **DEBT SERVICE FUNDS**

Bond and Interest Fund - to accumulate monies for payment of general long-term debt. Financing is to be provided by a specific annual property tax levy. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt.

Bond and Interest Escrow Fund - to accumulate monies for payment of the Convention Center Bonds. Financing is to be provided by transfers of gaming and restaurant tax revenues.

**CITY OF NATCHEZ, MISSISSIPPI**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
**SEPTEMBER 30, 2016**  
**With Comparative Totals for September 30, 2015**

			<u>Total</u>	
	<u>Bond and Interest Fund</u>	<u>Bond and Interest Escrow Fund</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 70,369	\$ -	\$ 70,369	\$ 236,174
Advances from other funds	-	-	-	64,729
Due from other funds	1,129	-	1,129	1,129
Receivable from other governments	9,326	-	9,326	7,575
Property tax receivable	763,666	-	763,666	689,500
Total assets	<u>\$ 844,490</u>	<u>\$ -</u>	<u>\$ 844,490</u>	<u>\$ 999,107</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 710	-	\$ 710	-
Due to other funds	\$ 24,000	-	\$ 24,000	\$ 145,654
Deferred property taxes	<u>763,666</u>	<u>-</u>	<u>763,666</u>	<u>689,500</u>
Other accrued expenses	-	-	-	-
Total liabilities	788,376	-	788,376	835,154
Fund balances:				
Restricted:				
Debt service	<u>56,114</u>	<u>-</u>	<u>56,114</u>	<u>163,953</u>
Total fund balances	<u>56,114</u>	<u>-</u>	<u>56,114</u>	<u>163,953</u>
Total liabilities and fund balances	<u>\$ 844,490</u>	<u>\$ -</u>	<u>\$ 844,490</u>	<u>\$ 999,107</u>

**CITY OF NATCHEZ, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
**SEPTEMBER 30, 2016**  
With Comparative Totals for September 30, 2015

			Total	
	Bond and Interest Fund	Bond and Interest Escrow Fund	2016	2015
REVENUES:				
Ad valorem taxes	\$ 724,245	\$ -	\$ 724,245	\$ 697,153
Investment earnings	789	-	789	559
Miscellaneous	-	-	-	17,036
Total revenues	<u>725,034</u>	<u>-</u>	<u>725,034</u>	<u>714,748</u>
EXPENDITURES:				
Debt Service:				
Principal	1,320,854	-	1,320,854	1,469,228
Interest and other charges	<u>470,827</u>	<u>-</u>	<u>470,827</u>	<u>245,176</u>
Total expenditures	<u>1,791,681</u>	<u>-</u>	<u>1,791,681</u>	<u>1,714,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,066,647)</u>	<u>-</u>	<u>(1,066,647)</u>	<u>(999,656)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,023,537	-	1,023,537	1,172,622
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(294)</u>
Total other financing sources (uses)	<u>958,808</u>	<u>-</u>	<u>958,808</u>	<u>1,172,328</u>
Net change in fund balances	(107,839)	-	(107,839)	172,672
Fund balances - beginning	<u>163,953</u>	<u>-</u>	<u>163,953</u>	<u>(8,719)</u>
Fund balances - ending	<u>\$ 56,114</u>	<u>\$ -</u>	<u>\$ 56,114</u>	<u>\$ 163,953</u>

**CITY OF NATCHEZ, MISSISSIPPI**  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Property taxes	\$ 722,494	\$ 722,494	\$ 722,494	\$ (25,341)	\$ 697,153
Investment earnings	789	789	789	(230)	559
Miscellaneous	-	-	-	17,036	17,036
Total revenues	<u>723,283</u>	<u>723,283</u>	<u>723,283</u>	(1) <u>(8,535)</u>	<u>714,748</u>
EXPENDITURES:					
Debt Service:					
Principal	1,319,559	1,319,559	1,319,559	149,669	1,469,228
Interest and other charges	<u>403,549</u>	<u>403,549</u>	<u>403,549</u>	<u>(158,373)</u>	<u>245,176</u>
Total expenditures	<u>1,723,108</u>	<u>1,723,108</u>	<u>1,723,108</u>	(2) <u>(8,704)</u>	<u>1,714,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(999,825)</u>	<u>(999,825)</u>	<u>(999,825)</u>	<u>169</u>	<u>(999,656)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	1,023,537	1,023,537	1,023,537	149,085	1,172,622
Transfers out	-	-	-	(294)	(294)
Total other financing sources (uses)	<u>1,023,537</u>	<u>1,023,537</u>	<u>1,023,537</u>	<u>148,791</u>	<u>1,172,328</u>
Net change in fund balances	23,712	23,712	23,712	148,960	172,672
Fund balances - beginning	<u>70,369</u>	<u>70,369</u>	<u>151,257</u>	(3) <u>(159,976)</u>	<u>(8,719)</u>
Fund balances - ending	<u>\$ 94,081</u>	<u>\$ 94,081</u>	<u>\$ 174,969</u>	<u>\$ (11,016)</u>	<u>\$ 163,953</u>
Explanation of differences					
(1) Adjustment to accrued property taxes and other revenues				\$ (8,535)	
(2) Adjustments to properly reflect investment activity and other adjustments				157,495	
(3) Cumulative effect of prior period adjustments from cash basis to GAAP				(159,976)	
				<u>\$ (11,016)</u>	

## **CAPITAL PROJECTS FUNDS**

Capital Improvements Fund - to account for the expenditures incurred for capital improvements in the City. Financing is provided by a specific annual tax levy.

Regional Transit Construction - to account for funding and expenditures related to the construction of the Regional Transit Facility.

Yazoo and MS Valley Railroad Depot- to account for grants received and expended to renovate and restore the Yazoo and MS Valley Railroad Depot.

Colonnades and Visitor Welcome Center - to account for funding and expenditures related to the restoration of the Colonnades at the Visitor Welcome Center, and other maintenance projects there.

Community Development - to account for receipts received related to future development of recreation facilities and other community projects.

Highland Boulevard/Highway 61 Lift Station - to account for funding and expenditures related to the repairs of the lift station at this location.

North Natchez Drainage - to account for expenditures incurred for the repair and reconstruction of the drainage system in the northern section of the City.

Senior Center Renovation – to account for funds received under CDBG grants for the renovation to the Senior Center.

Casino Park Pool Renovation - to account for monies to be used in the future renovation of the Duncan Park swimming pool.

Natchez Trails Project - to account for funding received from various sources in conjunction with the development of a downtown walking trail.

CITY OF NATCHEZ, MISSISSIPPI  
COMBINING BALANCE SHEETS  
CAPITAL PROJECT FUNDS  
SEPTEMBER 30, 2016  
With Comparative Totals for September 30, 2015

	Capital Improvements Fund	Regional Transit Construction	Yazoo & MS Valley Railroad Depot	Colannades and Visitor Welcome Center	Community Development	Highland Boulevard/Hwy 61 Lift Station
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 98,461	\$ 67,910	\$ 15,585	\$ 6,001	\$ 142,369	\$ 1
Due from other funds	337,275	68,230	-	-	1,215,814	-
Receivable from other governments	68,759	-	3,977	-	-	-
Advances to other funds	-	-	-	-	156,657	-
Property tax receivable	153,915	-	-	-	-	-
Total assets	<u>\$ 658,410</u>	<u>\$ 136,140</u>	<u>\$ 19,562</u>	<u>\$ 6,001</u>	<u>\$ 1,514,840</u>	<u>\$ 1</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
Liabilities:						
Accounts payable	\$ 90,363	\$ -	\$ 7,282	\$ 161	\$ -	\$ -
Due to other funds	20,000	125,000	135,680	19,537	-	-
Unearned revenue	153,915	-	-	-	-	-
Advances from other funds	156,657	-	-	-	181,267	-
Total liabilities	<u>420,935</u>	<u>125,000</u>	<u>142,962</u>	<u>19,698</u>	<u>181,267</u>	<u>-</u>
Fund balances:						
Reserved for:						
Advances	-	-	-	-	156,657	-
Assigned:						
Capital projects	237,475	11,140	(123,400)	(13,697)	1,176,916	1
Total fund balances	237,475	11,140	(123,400)	(13,697)	1,333,573	1
Total liabilities and fund balances	<u>\$ 658,410</u>	<u>\$ 136,140</u>	<u>\$ 19,562</u>	<u>\$ 6,001</u>	<u>\$ 1,514,840</u>	<u>\$ 1</u>

CITY OF NATCHEZ, MISSISSIPPI  
COMBINING BALANCE SHEETS  
CAPITAL PROJECT FUNDS  
SEPTEMBER 30, 2016  
With Comparative Totals for September 30, 2015

					Total	
	North Natchez Drainage	Sr. Ctr. Renovation - CDBG-PF	Casino Pool Fund	MDOT - Natchez Trails Project	2016	2015
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 241,740	\$ 1,700	\$ 400,000	\$ 191,182	\$ 1,164,949	\$ 937,809
Due from other funds	-	-	-	-	1,621,319	760,880
Receivable from other governments	-	87,710	-	-	160,446	23,538
Advances to other funds	-	-	-	-	156,657	306,657
Property tax receivable	-	-	-	-	153,915	149,891
Total assets	<u>\$ 241,740</u>	<u>\$ 89,410</u>	<u>\$ 400,000</u>	<u>\$ 191,182</u>	<u>\$ 3,257,286</u>	<u>\$ 2,178,775</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
Liabilities:						
Accounts payable	\$ -	\$ 33,250	\$ -	\$ -	\$ 131,056	\$ 38,645
Due to other funds	-	-	-	1,000	301,217	193,230
Unearned revenue	-	-	-	-	153,915	149,891
Advances from other funds	-	-	-	-	337,924	-
Total liabilities	<u>-</u>	<u>33,250</u>	<u>-</u>	<u>1,000</u>	<u>924,112</u>	<u>381,766</u>
Fund balances:						
Reserved for:						
Advances	-	-	-	-	156,657	306,657
Assigned:						
Capital projects	<u>241,740</u>	<u>56,160</u>	<u>400,000</u>	<u>190,182</u>	<u>2,176,517</u>	<u>1,490,352</u>
Total fund balances	<u>241,740</u>	<u>56,160</u>	<u>400,000</u>	<u>190,182</u>	<u>2,333,174</u>	<u>1,797,009</u>
Total liabilities and fund balances	<u>\$ 241,740</u>	<u>\$ 89,410</u>	<u>\$ 400,000</u>	<u>\$ 191,182</u>	<u>\$ 3,257,286</u>	<u>\$ 2,178,775</u>



CITY OF NATCHEZ, MISSISSIPPI  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 SEPTEMBER 30, 2016  
 With Comparative Totals for September 30, 2015

	Capital Improvements Fund	Regional Transit Construction	Yazoo & MS Valley Railroad Depot	Colannades and Visitor Welcome Center	Community Development	Highland Boulevard/Hwy 61 Lift Station
REVENUES:						
Ad valorem taxes	\$ 157,445	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	229,690	-	865,385	-	-	47,912
Investment earnings	472	231	-	-	461	-
Miscellaneous	4	-	1,000	-	1,575,000	-
Total revenues	<u>387,611</u>	<u>231</u>	<u>866,385</u>	<u>-</u>	<u>1,575,461</u>	<u>47,912</u>
EXPENDITURES:						
Current:						
General government	342,515	-	-	-	-	-
Culture and recreation	-	-	-	-	-	47,914
Miscellaneous	-	-	-	-	202,384	-
Capital outlay	<u>179,743</u>	<u>-</u>	<u>983,644</u>	<u>94,282</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>522,258</u>	<u>-</u>	<u>983,644</u>	<u>94,282</u>	<u>202,384</u>	<u>47,914</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(134,647)</u>	<u>231</u>	<u>(117,259)</u>	<u>(94,282)</u>	<u>1,373,077</u>	<u>(2)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	298,536	-	62,089	80,584	17,457	-
Transfers out	<u>(242,113)</u>	<u>-</u>	<u>-</u>	<u>(25,120)</u>	<u>(1,337,400)</u>	<u>-</u>
Total other financing sources (uses)	<u>56,423</u>	<u>-</u>	<u>62,089</u>	<u>55,464</u>	<u>(1,319,943)</u>	<u>-</u>
Net change in fund balances	(78,224)	231	(55,170)	(38,818)	53,134	(2)
Fund balances - beginning	315,699	10,909	(68,230)	25,121	1,280,439	3
Fund balances - ending	<u>\$ 237,475</u>	<u>\$ 11,140</u>	<u>\$ (123,400)</u>	<u>\$ (13,697)</u>	<u>\$ 1,333,573</u>	<u>\$ 1</u>

CITY OF NATCHEZ, MISSISSIPPI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
CAPITAL PROJECTS FUNDS  
SEPTEMBER 30, 2016  
With Comparative Totals for September 30, 2015

					Total	
	North Natchez Drainage	Sr. Ctr. Renovation - CDBG-PF	Casino Pool Fund	MDOT - Natchez Trails Project	2016	2015
REVENUES:						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ 157,445	\$ 151,565
Intergovernmental	44,382	169,340	-	607,145	1,963,854	749,663
Investment earnings	771	-	-	571	2,506	1,953
Miscellaneous	(1)	-	-	21,662	1,597,665	221,329
Total revenues	<u>45,152</u>	<u>169,340</u>	<u>-</u>	<u>629,378</u>	<u>3,721,470</u>	<u>1,124,510</u>
EXPENDITURES:						
Current:						
General government	-	-	-	2,568	345,083	113,601
Culture and recreation	-	-	-	-	47,914	225,600
Miscellaneous	-	-	-	-	-	-
Capital outlay	<u>36,196</u>	<u>328,580</u>	<u>100,000</u>	<u>819,488</u>	<u>2,541,933</u>	<u>1,476,277</u>
Total expenditures	<u>36,196</u>	<u>328,580</u>	<u>100,000</u>	<u>822,056</u>	<u>3,137,314</u>	<u>2,003,430</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,956</u>	<u>(159,240)</u>	<u>(100,000)</u>	<u>(192,678)</u>	<u>584,156</u>	<u>(878,920)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	215,400	500,000	509,089	1,683,155	946,951
Transfers out	-	-	-	(126,513)	(1,731,146)	(177,478)
Total other financing sources (uses)	<u>-</u>	<u>215,400</u>	<u>500,000</u>	<u>382,576</u>	<u>(47,991)</u>	<u>769,473</u>
Net change in fund balances	8,956	56,160	400,000	189,898	536,165	(109,447)
Fund balances - beginning	232,784	-	-	284	1,797,009	1,906,516
Fund balances - ending	<u>\$ 241,740</u>	<u>\$ 56,160</u>	<u>\$ 400,000</u>	<u>\$ 190,182</u>	<u>\$ 2,333,174</u>	<u>\$ 1,797,009</u>

**CITY OF NATCHEZ, MISSISSIPPI**  
**BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)**  
**CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts,	Budget to GAAP	Actual Amounts,
	Original	Final	Budgetary Basis	Differences	GAAP Basis
REVENUES:					
Property taxes	\$ 157,065	\$ 157,065	\$ 157,065	\$ 380	\$ 157,445
Intergovernmental	1,646,455	1,646,455	1,646,455	317,399	1,963,854
Investment earnings	2,505	2,505	2,505	-	2,505
Miscellaneous	747,175	747,175	747,175	850,491	1,597,666
Total revenues	<u>2,553,200</u>	<u>2,553,200</u>	<u>2,553,200</u>	(1) <u>1,168,270</u>	<u>3,721,470</u>
EXPENDITURES:					
Current:					
General government	-	-	-	185,858	185,858
Culture and recreation	-	346,840	346,840	(167,097)	179,743
Miscellaneous	23,675	23,675	23,675	186,277	209,952
Capital outlay	2,352,510	2,352,510	2,352,510	209,251	2,561,761
Total expenditures	<u>2,376,185</u>	<u>2,723,025</u>	<u>2,723,025</u>	(2) <u>414,289</u>	<u>3,137,314</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>177,015</u>	<u>(169,825)</u>	<u>(169,825)</u>	<u>753,981</u>	<u>584,156</u>
OTHER FINANCING SOURCES (USES):					
Transfers in and interfund loans received	1,683,155	1,683,155	1,683,155	(3) -	1,683,155
Transfers out and interfund loans repaid	(393,746)	(393,746)	(393,746)	(3) (1,337,400)	(1,731,146)
Total other financing sources and uses	<u>1,289,409</u>	<u>1,289,409</u>	<u>1,289,409</u>	<u>(1,337,400)</u>	<u>(47,991)</u>
Net change in fund balances	1,466,424	1,119,584	1,119,584	(583,419)	536,165
Fund balances - beginning	605,901	605,901	605,901	(4) 1,191,108	1,797,009
Fund balances - ending	<u>\$ 2,072,325</u>	<u>\$ 1,725,485</u>	<u>\$ 1,725,485</u>	<u>\$ 607,689</u>	<u>\$ 2,333,174</u>

Explanation of differences

(1) Net accrual for revenue due from other governments	\$ 1,168,270
(2) Net adjustment for year-end accruals and classification corrections	(414,289)
(3) Net adjustment for interfund loans and transfers	(1,337,400)
(4) Cumulative effect on net assets of cash to GAAP entries	1,191,108
	<u>\$ 607,689</u>

**CITY OF NATCHEZ, MISSISSIPPI**  
**SCHEDULE OF INVESTMENTS – ALL FUNDS**  
**RESTRICTED INVESTMENTS**  
**SEPTEMBER 30, 2016**

ENTERPRISE FUND

	<u>Principal Balance</u>	<u>Carrying Value</u>	<u>Fair Market Value</u>
<b><u>2005 Revenue Bond (1994 Refinancing) Restricted Investments:</u></b>			
Bank of New York Trust Company			
United States Treasury Bill	\$ 799,288	\$ 799,288	\$ 799,288
Goldman Sachs Financial Square Treasury Investment Fund	4,921	4,921	4,921
Bank of New York Trust Company			
Goldman Sachs Financial Square Treasury Investment Fund	<u>154,556</u>	<u>154,556</u>	<u>154,556</u>
Total Investments	<u>\$ 1,762,974</u>	<u>\$ 1,762,974</u>	<u>\$ 1,762,974</u>

**CITY OF NATCHEZ, MISSISSIPPI**  
**SCHEDULE OF CERTIFICATES OF DEPOSIT – ALL FUNDS**  
**SEPTEMBER 30, 2016**

	<u>Carrying Value</u>	<u>Fair Market Value</u>
<b>GOVERNMENTAL FUNDS:</b>		
<b><u>Current Asset Certificates of Deposit</u></b>		
Special Revenue Funds - Home Bank, dated May 24, 2016, maturity November 24, 2016, rate 0.35%	<u>\$ 11,421</u>	<u>\$ 11,421</u>
 <b>ENTERPRISE FUNDS:</b>		
<b><u>Current Asset Certificates of Deposit</u></b>		
Home Bank, dated December 9, 2015, maturity December 9, 2016, rate 0.63%	\$ 1,969,043	\$ 1,969,043
United Mississippi Bank, dated August 29, 2016, maturity August 29, 2017, rate 0.5%	<u>982,891</u> <u>2,951,934</u>	<u>982,891</u> <u>2,951,934</u>
<b><u>Restricted Certificates of Deposit</u></b>		
Home Bank, dated May 12, 2016, maturity May 11, 2017, rate 0.63%	250,000	250,000
Home Bank, dated December 9, 2015, maturity December 9, 2016, rate 0.50%	<u>50,257</u> <u>300,257</u>	<u>50,257</u> <u>300,257</u>
Total Certificates of Deposit - Enterprise Funds	<u>\$ 3,252,191</u>	<u>\$ 3,252,191</u>

**CITY OF NATCHEZ, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS**  
**SEPTEMBER 30, 2016**

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Amount</u>
Darryl V. Grennell	Mayor	Great River Insurance	\$ 50,000
Melissa Hawk	City Clerk	Great River Insurance	50,000
Lisa Jordan Dale	City Judge	Great River Insurance	50,000
Joyce Mathis	Alderman	RLI Insurance	100,000
Billie Jo Frazier	Alderman	Great River Insurance	100,000
Sarah Carter Smith	Alderman	RLI Insurance	100,000
Felicia Irving	Alderman	Western Surety	100,000
Benjamin Davis	Alderman	RLI Insurance	100,000
Daniel Dillard	Alderman	Western Surety	100,000

**CITY OF NATCHEZ, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Army Corp of Engineers</u></b>			
Section 592 Project	12.xxx Public Law 106-53		\$ 44,382
<b><u>U.S. Department of Homeland Security/Federal Emergency Management Assistance</u></b>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		28,065
Assistance to Firefighters	97.044	EMW-2012-FO-03065	126,241
Total U.S Department of Homeland Security			154,306
<b><u>U. S. Department of Transportation</u></b>			
Passed through Mississippi Department of Transportation:			
Highway Planning and Construction	20.205	STP-9999-09(045)	35,000
		STP-0340-00(037)	9,185
		STP-0340-00(036)	862,351
		STP-0001-00(065)	17,972
		DRA-6097-00(004)	607,145
Federal Transit Formula Grants	20.507	MDOT #502043	1,027,440
Total U.S. Department of Transportation			2,559,093
<b><u>U. S. Department of Health and Human Services</u></b>			
Partnerships to Improve Health	93.331		109,300
Passed through Southwest Mississippi Planning and Development District:			
Special Programs for the Aging - Title III, Part B -			
Grants for Supportive Services and Senior Centers	93.044	16-AGING-003	10,724
Special Programs for the Aging - Title III, Part C -			
Nutrition Services	93.045	16-AGING-003	18,346
Total Aging Cluster			29,070
Social Service Block Grants - Title XX	93.667	16-AGING-003	19,089
Total U.S. Department of Health and Human Services			157,459
<b><u>U. S. Department of Agriculture</u></b>			
Rural Business Enterprise Grant	10.769		3,200
Passed through the Delta Regional Authority			
State Economic Development Assistance Program	90.201	MS-11300-EC	47,912
Rural Community Advancement Program	10.773	RW-0280	51,947
Passed through Southwest Mississippi Planning and Development District:			
Child and Adult Care Food Programs	10.558	14-AGING-003	195
Total U.S. Department of Agriculture			103,254

(Continued)

**CITY OF NATCHEZ, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2016**  
**(continued)**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
<b><u>U.S. Department of Justice</u></b>			
Bulletproof vest program	16.607		984
<b><u>Land and Water Conservation Fund</u></b>			
Outdoor Recreation Acquisition, Development and Planning Program	15.916		84,707
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Passed through the Mississippi Development Authority	14.228		169,340
Total Department of Housing and Urban Development			169,340
Total Federal Financial Assistance - Governmental Activities			\$ 3,273,525

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the fund financial statements.



## **INTERNAL CONTROL AND COMPLIANCE REPORTS**

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

Mayor and Board of Aldermen  
City of Natchez, Mississippi

We were engaged to audit 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 Natchez, Mississippi as of and for the year ended September 30, 2016, which collectively comprise the City of Natchez, Mississippi's basic financial statements and have issued our report thereon dated December 7, 2017. 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. Our opinion, and disclaimer of same, on the basic financial statements, and this report, in so far as they relate to the Water Works Enterprise Fund and the Judge George Armstrong Library, component units, is based solely on the reports of other auditors.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses (2016-001; 2016-002).

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. All deficiencies were reported as material weaknesses.

#### Compliance and Other Matters

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

The City of Natchez, Mississippi's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Natchez, Mississippi's response and, accordingly, we express no opinion on it.

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

*The Millon Group, PLLC*

December 7, 2017  
Natchez, Mississippi

## **Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Mayor and Board of Aldermen  
City of Natchez, Mississippi

### **Report on Compliance for Each Major Program**

We have audited the City of Natchez, Mississippi's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City of Natchez, Mississippi's major federal programs for the year ended September 30, 2016. The City's major federal programs are identified in the "Summary of Auditors' Results" Section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Natchez, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Natchez, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### ***Opinion on Each Major Federal Program***

In our opinion, the City of Natchez, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

The City of Natchez, Mississippi's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Natchez, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the City of Natchez, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Natchez, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the City of Natchez, Mississippi's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*The Miller Group, PLLC*

December 7, 2017  
Natchez, Mississippi

**CITY OF NATCHEZ, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2016**

Section 1: Summary of Auditors' Results

1. The auditors' report reports an unmodified opinion on the basic financial statements of the City of Natchez, Mississippi.
2. Two material weaknesses are reported in the "Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to financial statements of the City of Natchez, Mississippi, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses are reported in the "Independent Auditors' Report on Compliance For Each Major Federal Program and Internal Control Over Compliance Required by the Uniform Guidance."
5. The auditors' report on compliance for the major federal award programs for the City of Natchez, Mississippi, expresses an unqualified opinion on all major federal programs.
6. There was one audit finding that is required to be reported under the Uniform Guidance.
7. The program tested as major programs were CFDA# 20.205 Highway Planning and Construction.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The City of Natchez, Mississippi, did not qualify as a low-risk auditee.

Section 2: Findings Relating to the Financial Statements

**2016-001 Bank reconciliations and cash transactions**

Condition: While somewhat improved over prior years, we noted there are still some unreconciled bank accounts. We also noted instances where the reconciliations were not accurate, or the correcting entries not posted properly in the general ledger. These omissions included deposits from the State of Mississippi that were in the bank accounts but never recorded on the general ledger, as well as proper transfers done through the bank that were not completely recorded. While there were some minor errors throughout the year, most of the more significant

issues occurred in the last two months of the year. Significant clearing accounts were not reconciled at all.

Additionally, there remains no formal process to monitor and review the reconciliation procedures. The need for this process has been discussed the last few years but not fully implemented as of yet by the City.

Reason Improvement Needed: The City manages its operations based on cash basis accounting. Without timely and accurate reconciliations, transactions may go, and have gone, unrecorded and undetected and cause management to make operational decisions without all the pertinent information. Even when the transactions were identified, as would be expected in the reconciliation process, to not follow up with appropriate correcting journal entries is no better than not locating the errors initially.

Cause: The City Clerk's office had three different Clerks during the year under audit, none of whom were still in place during the audit fieldwork. The second clerk and one senior accountant were still clearing up errors from a previous accountant and some errors were noted in their work early on. The third Clerk was not adequately trained in all aspects of governmental accounting and was quite overwhelmed with the volume of work to be done. Many errors were noted because of her lack of experience.

Effect: The City's management was making decisions without complete and accurate information available to them. Material errors were noted in many funds.

Recommendation: Management must implement a process where the reconciliations for all funds and all accounts within those funds are completed every month and reviewed by a member of management. That could be the City Clerk or another designated individual. That review should then be evidenced by initials or other means. This will allow for more timely review of reconciling items, error corrections, and more accurate information going to the Board of Aldermen.

We also continue to recommend that the City consider returning to the use of the accounts payable clearing fund. By reinstituting the use of the accounts payable clearing fund, the time devoted to having to do the bank reconciliations every month should be greatly reduced as the bulk of the activity will be centered into one fund or two funds instead of multiple ones, and it will reduce the opportunity for checks to be cut on the wrong account if only one account is being used. In previous administrations when this process was used all bank reconciliations could be completed in roughly three days at the beginning of the month. The process currently takes months to complete one set. As one task becomes all-consuming of a staff person's time, their other required duties will start to suffer as well.

Management's Response: Management believes the current City Clerk will be able to streamline this process and continues to discuss moving towards a clearing account process again. The current City Clerk has governmental accounting experience.

## **2016-002 Accounting Records and Financial Statement Preparation**

Condition: In fiscal year 2016, a tremendous amount of effort was made by the second City Clerk and senior accountant to untangle several years of inappropriately accounted for transfers and interfund activities. Errors in this area was the primary basis for qualifying opinions on the audits for the last several years. While all of this research was instrumental in ultimately getting all the necessary corrections posted, there still existed the mindset to move monies between funds without considering the final accounting treatment in the original transaction. A great deal of time was expended in the audit process reconstructing this activity and determining what the appropriate treatment as of September 30, 2016, should be.

The City did begin utilizing the software's accounts payable module in an effort to record payables at year end, however, we found errors at the beginning of the fiscal year that had not been addressed as of the end of the fiscal year, for example checks dated in one year posted in a different year, checks voided in the prior year before the checks were recorded in the current year, check runs posted without the corresponding invoices, and loan and bond payments added to payables inappropriately.

In trying to agree certain revenues during the year to confirmations from external sources, we noted inconsistencies in recording the same type of revenue from month to month, again, primarily noted in the last two months of the fiscal year.

Reason Improvement Needed: Internal controls provide a routine for recording, reviewing, and reconciling financial information that alleviates, or at least diminishes, the opportunities for errors to be reported to either the Board of Aldermen, management or external users. A strong system of internal controls can, and should, be implemented and can be achieved with even a small staff. The design of internal controls over financial reporting is a decision that must be evaluated from a cost-benefit perspective by management; however, use of administrative persons or other members of management for certain functions can be implemented at no cost to the City.

Cause: Continual turnover in the City Clerk's office, and the lack of experience and inadequate training by some of the accounting personnel.

Effect: Financial statements produced by the City contained material errors.

Recommendation: Management must design and implement a system of controls for recording and reporting financial information. That system should consider adequate segregation of duties and have positions for reviewing information monthly. The current staff is experienced as a city clerk and a state auditor but should have opportunities available to them for training the most efficient uses of the City's software.

Management's Response: Management is improving the internal control system by reviewing the various duties, cross training employees, and developing processes for monthly reconciliations other than cash.



### Section 3: Findings and Questioned Costs for Federal Awards

#### **2016-003 Accounting Records**

Condition: As noted in findings 2016-1 and 2016-2, in testing the bank reconciliations and other balance sheet items, we noted numerous unrecorded transactions and errors. In testing the federal programs, where the supporting documentation is maintained by department heads and program directors, we noted no exceptions with respect to allowable costs or activities, cash management, or reporting as all of those federal records are kept at the department level. The exceptions came in trying to reconcile the programs' support to the general ledger. For that reason, and that reason only, a finding is being reported for the federal programs. There are no questioned costs associated with this finding.

Reason Improvement Needed: Department heads must have accurate financial information available to them in order to properly report to their grantors, as well as making operational decisions.

Cause: The accounting software change, coinciding with a complete turnover in accounting clerks, created a situation where the accounting information was unreliable. Because the bank reconciliations were not performed timely, grant monies were not always recorded, or recorded properly, and checks issued may or may not have been charged to the proper fund.

Effect: The overall accounting system did not provide support to the various department heads for their needs in grant reporting.

Recommendation: Management must design and implement a system of controls for recording and reporting financial information. That system should consider adequate segregation of duties and have positions for reviewing information monthly. The current staff should have opportunities available to them for training, both on the basics of fund accounting in a government environment and on the most efficient uses of the City's software.

Management's Response: Management is improving the internal control system by reviewing the various duties, cross training employees, and developing processes for monthly reconciliation, other than cash.

**CITY OF NATCHEZ, MISSISSIPPI**  
**AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED SEPTEMBER 30, 2016**

**2015-003 Accounting Records**

Condition: It was noted in the prior year that reconciling from federal grant supporting documentation to the general ledger was difficult due to errors and unrecorded transactions on the general ledger. It was also noted that the detail kept by the department heads over the various grants was adequate and was the source for all reimbursement requests or other reporting requirements, not the general ledger itself.

Recommendation: Management must design and implement a system of controls for recording and reporting financial information. That system should consider adequate segregation of duties and have positions for reviewing information monthly. The current staff should have opportunities available to them for training, both on the basics of fund accounting in a government environment and on the most efficient uses of the City's software.

Management's Response: Significant turnover in the City Clerk's office since fiscal year 2013 has contributed to the errors and the delay in developing a solid system of internal controls that will allow for a greater, and timelier, review of transactions. The current City Clerk is working on putting the appropriate systems in place.

## CITY OF NATCHEZ CORRECTIVE ACTION PLAN

The responses provided for each finding are the views of the current management and governance. Effective July 1, 2016, the offices of Mayor and City Clerk, as well as three members of the Board of Aldermen, were all new. Prior to the end of the fiscal year, another new City Clerk was appointed.

As a collective, current processes with respect to financial reporting and internal controls are being reviewed and changes are being implemented.

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

**Independent Auditors' Report on Compliance  
With State Laws and Regulations**

Mayor and Board of Aldermen  
City of Natchez, Mississippi

We were engaged to audit the basic financial statements of the City of Natchez, Mississippi, as of and for the year ended September 30, 2016, and have issued our report dated December 7, 2017. Our opinion on the basic financial statements, and this report, insofar as they relate to the Natchez Water Works and Judge George Armstrong Library component units, is based solely on the reports of other auditors. 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*.

We were engaged to audit the accompanying financial statements 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, and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

Items specifically noted as findings as they relate to items required to be tested by the State of Mississippi are as follows:

1. The Municipal Questionnaire was not signed and provided to the auditor.
2. Inventory was not taken as prescribed for the year ended September 30, 2016.

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

*The Gillon Group, PLLC*

December 7, 2017  
Natchez, Mississippi