



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

**CITY OF OKOLONA, MISSISSIPPI**

**Audited Financial Statements  
and Special Reports**

**September 30, 2016**

**WATKINS, WARD AND STAFFORD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS**

CITY OF OKOLONA, MISSISSIPPI

Contents

FINANCIAL SECTION

Independent Auditors' Report	1
------------------------------	---

MANAGEMENT'S DISCUSSION AND ANALYSIS	4
--------------------------------------	---

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	11

Governmental Funds Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	15

Proprietary Funds Financial Statements	
Statement of Fund Net Position – Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19

Fiduciary Funds Financial Statements	
Statement of Fiduciary Assets and Liabilities	20

Notes to Financial Statements	21
-------------------------------	----

REQUIRED SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Balances	
Budgetary Comparison Schedule – General Fund	40
Schedule of the City's Proportionate Share of the Net Pension Liability	41
Schedule of City Contributions	42
Notes to Required Supplementary Information	43

OTHER INFORMATION

Schedule of Surety Bonds for City Officials	45
Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections	46

COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	48
---	----

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

WITH STATE LAWS AND REGULATIONS	51
---------------------------------	----

SCHEDULE OF FINDINGS AND RESPONSES	53
------------------------------------	----

## FINANCIAL AUDIT REPORT



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

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

Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, Jr., CPA  
Perry C. Rackley, Jr., CPA  
Jerry L. Gammel, CPA  
Michael C. Knox, CPA  
Clifford P. Stewart, CPA

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen  
City of Okolona, Mississippi

**Report on the Financial Statements**

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

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

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

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Okolona, Mississippi, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of the City's Proportionate Share of the Net Pension Liability, and Schedule of City Contributions on pages 4-7 and 40-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Okolona, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds of City Officials and the Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Surety Bonds for City Officials and the Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Surety Bonds for City Officials and the Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2017, on our consideration of the City of Okolona, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Okolona, Mississippi's internal control over financial reporting and compliance.

Okolona, Mississippi  
October 8, 2017

*Watkins Ward and Stafford, PLLC*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF OKOLONA, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016

The following discussion and analysis of the City of Okolona's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2016. The intent of this discussion and analysis is to look at the city's performance as a whole; readers should also review the notes to financial statements and the financial statements to enhance their understanding of the city's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this city's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the city's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

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

### FINANCIAL HIGHLIGHTS

- General revenues account for \$2,517,034 in revenue, or 17% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,050,032 or 83% of total revenues.
- The City had \$14,386,863 in expenses; only \$12,050,032 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$2,517,034 were adequate to provide for these programs.
- The major fund, the General Fund, had \$2,060,082 in revenues and \$2,112,663 in expenditures. The General Fund's fund balance decreased \$19,433 under the prior year. The Other Governmental Funds had \$461,091 in revenues and \$433,684 in expenditures. The Other Governmental Fund's fund balance increased \$34,259 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$1,864,141 over the prior year, mainly due to construction projects in governmental and business-type activities.
- Long-term debt, including current maturities, increased by \$1,296,982 over the prior year. In addition, the liability for compensated absences decreased by \$6,698 under the prior year.

### OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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



CITY OF OKOLONA, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016

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

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

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

**Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation that can be found on pages 13 and 15.

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

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position:** Net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$16,990,577 as of September 30, 2016 and by \$16,810,376 as of September 30, 2015.

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

CITY OF OKOLONA, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Current and other assets</b>	\$ 696,398	648,905	6,639,051	6,703,032	7,335,449	7,351,937
<b>Capital assets</b>	6,170,742	6,215,704	16,072,697	14,163,594	22,243,439	20,379,298
<b>Total Assets</b>	<u>6,867,140</u>	<u>6,864,609</u>	<u>22,711,748</u>	<u>20,866,626</u>	<u>29,578,888</u>	<u>27,731,235</u>
<b>Deferred outflows</b>	<u>444,436</u>	<u>355,147</u>	<u>985,828</u>	<u>524,021</u>	<u>1,430,264</u>	<u>879,168</u>
<b>Current and other liabilities</b>	268,844	218,905	2,827,661	2,753,847	3,096,505	2,972,752
<b>Long-term liabilities</b>	1,077,202	1,163,685	4,056,674	2,801,077	5,133,876	3,964,762
<b>Net pension liability</b>	<u>2,247,100</u>	<u>1,944,619</u>	<u>3,407,650</u>	<u>2,585,661</u>	<u>5,654,750</u>	<u>4,530,280</u>
<b>Total Liabilities</b>	<u>3,593,146</u>	<u>3,327,209</u>	<u>10,291,985</u>	<u>8,140,585</u>	<u>13,885,131</u>	<u>11,467,794</u>
<b>Deferred inflows</b>	<u>39,310</u>	<u>41,784</u>	<u>94,134</u>	<u>290,449</u>	<u>133,444</u>	<u>332,233</u>
<b>Net Position:</b>						
<b>Net investment in capital assets</b>	4,969,374	4,955,319	11,638,481	11,085,377	16,607,855	16,040,696
<b>Restricted</b>	349,965	316,819	59,219	58,955	409,184	375,774
<b>Unrestricted</b>	<u>(1,640,219)</u>	<u>(1,421,375)</u>	<u>1,613,757</u>	<u>1,815,281</u>	<u>(26,462)</u>	<u>393,906</u>
<b>Total Net Position</b>	<u>\$ 3,679,120</u>	<u>3,850,763</u>	<u>13,311,457</u>	<u>12,959,613</u>	<u>16,990,577</u>	<u>16,810,376</u>

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

- The addition of \$1,864,141 of capital assets, net of accumulated depreciation.
- The increase of long-term liabilities of \$1,169,114 due to issuance of new debt obligations.

**Changes in Net Position:** The City's total revenues for the fiscal year ended September 30, 2016 and 2015 were \$14,567,066 and \$14,443,024. The total cost of all programs and services was \$14,386,863 and \$14,264,391. The following table presents a summary of the changes in net position for the fiscal year ended September 30:

	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>		
Program revenues	\$ 12,050,032	12,353,145
General revenues	<u>2,517,034</u>	<u>2,089,879</u>
<b>Total revenues</b>	<u>14,567,066</u>	<u>14,443,024</u>
<b>Expenses:</b>		
Governmental activities	2,702,612	2,513,023
Business-type activities	<u>11,684,251</u>	<u>11,751,368</u>
<b>Total expenses</b>	<u>14,386,863</u>	<u>14,264,391</u>
<b>Increase (decrease) in net position</b>	<u>\$ 180,203</u>	<u>178,633</u>

CITY OF OKOLONA, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2016

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$557,544, which represents an increase of \$14,826 over the prior year. \$171,812, or 31%, of the fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion.

The General Fund is the principal operating fund of the City. The General Fund's fund balance decreased \$19,433 under the prior year. The Other Governmental Fund's fund balance increased \$34,259 over the prior year.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City revised the annual operating budget.

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplemental information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of September 30, 2016, the City's total net capital assets were \$22,243,439 including land, buildings, improvements, infrastructure, vehicles, and furniture and equipment. This amount represents an increase of \$1,864,141 over the previous year.

Additional information of the City's capital assets can be found in Note 4 in the notes to the financial statements.

**Debt Administration.** At September 30, 2016, the City had \$5,635,585 in long-term debt outstanding, of which \$501,708 is due within one year. In addition, the liability for compensated absences decreased by \$6,998 under the prior year.

Additional information of the City's long-term debt can be found in Note 6 in the notes to the financial statements.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the City Clerk's Office at P.O. Box 111, Okolona, Mississippi 38860.

## BASIC FINANCIAL STATEMENTS

**CITY OF OKOLONA**  
**Statement of Net Position**  
**September 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 510,177	4,347,320	4,857,497
Certificates of deposit	116,436	170,258	286,694
Cushion of credit		11,574	11,574
Accounts receivable, net		1,469,060	1,469,060
Intergovernmental receivables	21,696	-	21,696
Other receivables, net	48,089		48,089
Materials and supplies		123,463	123,463
Due from and Due to	-	1,748	1,748
Prepaid items		73,878	73,878
Other current assets		166,606	166,606
Restricted assets	-	111,440	111,440
Conservation loan receivable		115,040	115,040
Regulatory assets	-	48,664	48,664
Capital assets, net	6,170,742	16,072,697	22,243,439
Total assets	6,867,140	22,711,748	29,578,888
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred outflows related to pensions	444,436	985,828	1,430,264
Total deferred outflows of resources	444,436	985,828	1,430,264
<b><u>LIABILITIES</u></b>			
Accounts payable	40,789	1,485,245	1,526,034
Intergovernmental payable	70,556		70,556
Accrued wages payable	18,696	96,006	114,702
Customer deposits	350	738,072	738,422
Due from and Due to	6,463		6,463
Advances from TVA for conservation loans		117,634	117,634
Accrued interest payable	3,056	8,593	11,649
Long-term liabilities, due within one year:			
Capital related debt	124,166	377,542	501,708
Non-capital related debt	4,768	4,569	9,337
Long-term liabilities, due beyond one year:			
Capital related debt	1,077,202	4,056,674	5,133,876
Net pension liability	2,247,100	3,407,650	5,654,750
Total liabilities	3,593,146	10,291,985	13,885,131
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred revenue	2,000	10,707	12,707
Deferred inflows related to pensions	37,310	83,427	120,737
Total deferred inflows of resources	39,310	94,134	133,444

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

**CITY OF OKOLONA**  
**Statement of Net Position**  
**September 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	4,969,374	11,638,481	16,607,855
Restricted for:			
Expendable:			
Capital projects	202,266		202,266
Debt service	63,880	59,219	123,099
Fire protection	83,793		83,793
Cemetary	26		26
Unrestricted	(1,640,219)	1,613,757	(26,462)
Total Net Position	<u>\$ 3,679,120</u>	<u>13,311,457</u>	<u>16,990,577</u>

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

**CITY OF OKOLONA**  
**Statement of Activities**  
**For the Year Ended September 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 1,074,558	117,358	15,200	307,975	(634,025)
Public safety	953,234	2,462	20,265	10,980	(919,527)
Public works	271,775	400	-	-	(271,375)
Culture and recreation	143,337	572	2,050	-	(140,715)
Economic development	8,638	-	2,500	-	(6,138)
Pension expense	208,718				(208,718)
Interest on long-term debt	42,352	-	-	-	(42,352)
Total governmental activities	2,702,612	120,792	40,015	318,955	(2,222,850)
Business-type Activities:					
Water and Sewer	1,030,162	876,244			(153,918)
Solid Waste	221,457	247,560			26,103
Electric Department	10,432,632	10,446,466			13,834
Total business-type activities	11,684,251	11,570,270	-	-	(113,981)
Total primary government	\$ 14,386,863	11,691,062	40,015	318,955	(2,336,831)
			Governmental Activities	Business-type Activities	Total
Changes in Net Position:					
Net (expense) / revenue			\$ (2,222,850)	(113,981)	(2,336,831)
General revenues					
Taxes:					
Property taxes			1,070,670		1,070,670
Sales taxes			288,799		288,799
Franchise taxes			28,429		28,429
Licenses and permits			4,180		4,180
Fines and report fees			18,036		18,036
Intergovernmental revenues			68,561	419,409	487,970
Unrestricted investment income			1,220	6,983	8,203
Refund salaries			243,270		243,270
Insurance reimbursements			195,141	4,730	199,871
Miscellaneous			132,901	34,705	167,606
Total general revenues			2,051,207	465,827	2,517,034
Change in net position			(171,643)	351,846	180,203
Net Position - Beginning			3,850,763	12,959,611	16,810,374
Net Position - Ending			\$ 3,679,120	13,311,457	16,990,577

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

**CITY OF OKOLONA**  
**Balance Sheet – Governmental Funds**  
**September 30, 2016**

	<u>Major Funds</u>		
	General	Other	Total
	Fund	Governmental	Governmental
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 108,451	401,726	510,177
Certificate of deposit	116,436	-	116,436
Intergovernmental receivables	8,483	13,213	21,696
Other receivables	48,089	-	48,089
Due from other funds	11,666	3,999	15,665
Total assets	<u>\$ 293,125</u>	<u>418,938</u>	<u>712,063</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Claims payable	\$ 29,390	11,399	40,789
Intergovernmental payables	20,056	50,500	70,556
Accrued payroll	18,696	-	18,696
Due to other funds	11,386	10,742	22,128
Deposits	-	350	350
Unearned revenue	2,000	-	2,000
Total Liabilities	<u>81,528</u>	<u>72,991</u>	<u>154,519</u>
<b>Fund Balances:</b>			
Restricted:			
Capital projects		202,266	202,266
Debt service		66,936	66,936
Fire protection		83,793	83,793
Cemetery		26	26
Assigned	28,000	4,711	32,711
Unassigned	183,597	(11,785)	171,812
Total Fund Balances	<u>211,597</u>	<u>345,947</u>	<u>557,544</u>
Total Liabilities and Fund Balances	<u>\$ 293,125</u>	<u>418,938</u>	<u>712,063</u>

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



**CITY OF OKOLONA****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position****September 30, 2016**

**Total fund balances for governmental funds** \$ 557,544

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

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

Land	\$ 335,753	
Construction in progress	298,394	
Buildings	4,729,693	
Building improvements	2,806,244	
Infrastructure	2,772,551	
Equipment	205,227	
Vehicles	541,375	
Accumulated depreciation	<u>(5,518,495)</u>	6,170,742

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

Net pension liability	(2,247,100)	
-----------------------	-------------	--

Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	444,436	
Deferred inflows of resources related to pensions	<u>(37,310)</u>	(1,839,974)

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

General obligation bonds	\$ (1,115,000)	
Loans payable	(40,000)	
Capital lease payable	(46,368)	
Accrued interest payable	(3,056)	
Compensated absences	<u>(4,768)</u>	(1,209,192)

**Net position of governmental activities** \$ 3,679,120

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

**CITY OF OKOLONA**

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

**For the Year Ended September 30, 2016**

	Major Funds		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<b>Revenues:</b>			
Property taxes	\$ 969,235	101,435	1,070,670
Privilege licenses and permits	4,180	-	4,180
Franchise taxes	28,429	-	28,429
Fines and forfeitures	16,387	1,649	18,036
Intergovernmental revenues	391,089	325,241	716,330
Charges for services	102,696	18,096	120,792
Interest income	1,220	-	1,220
Refund salary - W/S	102,620	-	102,620
Refund salary - S/W	58,632	-	58,632
Refund salary - OED	82,018	-	82,018
Insurance reimbursements	195,141	-	195,141
Miscellaneous revenues	108,435	14,670	123,105
Total Revenues	2,060,082	461,091	2,521,173
<b>Expenditures:</b>			
General government	873,654	178,235	1,051,889
Public safety	945,440	13,736	959,176
Public works	100,675	151,900	252,575
Economic development	8,638	-	8,638
Culture and recreation:			-
Library	87,715	-	87,715
Park and recreation	44,799	-	44,799
Debt service:			-
Principal	49,017	50,000	99,017
Interest	2,725	39,813	42,538
Total Expenditures	2,112,663	433,684	2,546,347
Excess (Deficiency) of Revenues over (under) Expenditures	(52,581)	27,407	(25,174)
<b>Other Financing Sources (Uses):</b>			
Loan Proceeds	40,000	-	40,000
Transfers in	-	13,343	13,343
Transfers out	(6,852)	(6,491)	(13,343)
Total Other Financing Sources (Uses)	33,148	6,852	40,000
Net Change in Fund Balances	(19,433)	34,259	14,826
Fund Balances - Beginning	231,030	311,688	542,718
Fund Balances - Ending	\$ 211,597	345,947	557,544

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

**CITY OF OKOLONA**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended September 30, 2016**

**Net change in fund balances - total governmental funds** **\$ 14,826**

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

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

Capital outlay	\$ 191,595	
Depreciation expense	<u>(231,853)</u>	(40,258)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (4,704)

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

Loan Proceeds	(40,000)	
Payments of debt principal	99,017	
Accrued interest payable	<u>186</u>	59,203

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

Change in compensated absences	8,008	
Net change in unfunded pension liability	<u>(208,718)</u>	(200,710)

<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>(171,643)</u></b>
--	-----------	-------------------------

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

**CITY OF OKOLONA**  
**Statement of Fund Net Position – Proprietary Funds**  
**September 30, 2016**

	<b>Water and Sewer</b>	<b>Solid Waste</b>	<b>Electric Department</b>	<b>Total Proprietary Funds</b>
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 417,839	58,450	3,871,031	4,347,320
Certificates of deposit	166,347	3,911		170,258
Cushion of credit			11,574	11,574
Accounts receivables, net	81,727	20,374	1,366,959	1,469,060
Materials and supplies			123,463	123,463
Due from and Due to	-	24,925		24,925
Prepaid expenses			73,878	73,878
Special funds			77,632	77,632
Interest receivable	-	-	98	98
Other current assets			88,876	88,876
Total current assets	<u>665,913</u>	<u>107,660</u>	<u>5,613,511</u>	<u>6,387,084</u>
Non-current assets:				
Restricted cash and cash equivalents			111,440	111,440
Conservation loan receivables			115,040	115,040
Regulatory assets			48,664	48,664
Capital assets:				
Land	26,541	1,699	21,317	49,557
Construction in progress	-		362,574	362,574
Electric plant in service			20,298,382	20,298,382
Infrastructure	7,798,817			7,798,817
Machinery	353,052			353,052
Vehicles	80,561	118,620		199,181
Less accumulated depreciation	<u>(2,777,734)</u>	<u>(106,759)</u>	<u>(10,104,373)</u>	<u>(12,988,866)</u>
Total non-current assets	<u>5,481,237</u>	<u>13,560</u>	<u>10,853,044</u>	<u>16,347,841</u>
Total Assets	<u>\$ 6,147,150</u>	<u>121,220</u>	<u>16,466,555</u>	<u>22,734,925</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred outflows related to pensions	114,112	42,041	829,675	985,828
Total deferred outflows of resources	<u>114,112</u>	<u>42,041</u>	<u>829,675</u>	<u>985,828</u>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	\$ 3,497	4,650	1,477,098	1,485,245
Accrued wages payable	6,879	7,317	81,810	96,006
Due from and Due to	23,177	-		23,177
Customer deposits	87,352	-	650,720	738,072
Unearned revenue	-	-	10,707	10,707
Advances - conservation loans			117,634	117,634
Compensated absences	1,350	3,219		4,569
Bonds, notes and loans payable	<u>172,011</u>		<u>205,531</u>	<u>377,542</u>
Total current liabilities	<u>294,266</u>	<u>15,186</u>	<u>2,543,500</u>	<u>2,852,952</u>

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

**CITY OF OKOLONA**  
**Statement of Fund Net Position – Proprietary Funds**  
**September 30, 2016**

	<b>Water and Sewer</b>	<b>Solid Waste</b>	<b>Electric Department</b>	<b>Total Proprietary Funds</b>
<b><u>LIABILITIES</u></b>				
Non-current liabilities:				
Accrued interest payable	1,077	-	7,516	8,593
Bonds, notes and loans payable	3,086,953	-	969,721	4,056,674
Net pension liability	576,959	212,565	2,618,126	3,407,650
Total non-current liabilities	3,664,989	212,565	3,595,363	7,472,917
Total Liabilities	3,959,259	227,751	6,138,863	10,325,869
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred inflows related to pensions	9,579	3,529	70,319	83,427
Total deferred inflows of resources	9,579	3,529	70,319	83,427
<b><u>NET POSITION</u></b>				
Net investment in capital assets	2,222,273	13,560	9,402,648	11,638,481
Restricted for debt service	59,219			59,219
Unrestricted (deficit)	10,936	(81,579)	1,684,400	1,613,757
Total Net Position	\$ 2,292,428	(68,019)	11,087,048	13,311,457

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

## CITY OF OKOLONA

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
For the Year Ended September 30, 2016

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Electric Department</u>	<u>Total Proprietary Funds</u>
<b><u>OPERATING REVENUES</u></b>				
Water sales	\$ 458,186			458,186
Sewer service	418,058			418,058
Solid waste fees		247,560		247,560
Electric services			10,446,466	10,446,466
Intergovernmental revenues	419,409	-		419,409
Insurance Reimbursements	4,730			4,730
Miscellaneous	34,705	-		34,705
Total operating revenues	<u>1,335,088</u>	<u>247,560</u>	<u>10,446,466</u>	<u>12,029,114</u>
<b><u>OPERATING EXPENSES</u></b>				
Operating and maintenance	762,011	221,457	2,406,654	3,390,122
Purchased power			7,450,201	7,450,201
Depreciation	206,014	-	464,918	670,932
Miscellaneous	-	-	43,031	43,031
Total operating expenses	<u>968,025</u>	<u>221,457</u>	<u>10,364,804</u>	<u>11,554,286</u>
Operating income (loss)	367,063	26,103	81,662	474,828
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Interest income	809	-	6,174	6,983
Interest and amortization expense	(62,137)	-	(67,828)	(129,965)
Total non-operating revenues (expenses)	<u>(61,328)</u>	<u>-</u>	<u>(61,654)</u>	<u>(122,982)</u>
Change in net position	305,735	26,103	20,008	351,846
Net Position - beginning	<u>1,986,693</u>	<u>(94,122)</u>	<u>11,067,040</u>	<u>12,959,611</u>
Net Position - ending	<u>\$ 2,292,428</u>	<u>(68,019)</u>	<u>11,087,048</u>	<u>13,311,457</u>

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

**CITY OF OKOLONA**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended September 30, 2016**

	<b>Water and Sewer</b>	<b>Solid Waste</b>	<b>Electric Department</b>	<b>Total Proprietary Funds</b>
<b><u>Cash Flows from Operating Activities</u></b>				
Receipts from customers	\$ 886,645	247,540	10,391,908	11,526,093
Payments to suppliers	(387,953)	(39,910)	(8,627,756)	(9,055,619)
Payments to employees	(375,346)	(148,944)	(1,023,384)	(1,547,674)
Other receipts (payments)	458,844	-	(50,417)	408,427
Net Cash Flows from Operating Activities	<u>582,190</u>	<u>58,686</u>	<u>690,351</u>	<u>1,331,227</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Proceeds from issuance of debt	1,666,748		-	1,666,748
Principal payment on capital debt	(81,915)		(228,834)	(310,749)
Interest payment on capital debt	(62,846)		(58,454)	(121,300)
Other receipts (payments)		-	(118,065)	(118,065)
Net Cash Flows from Capital and Related Financing Activities	<u>1,521,987</u>	<u>-</u>	<u>(405,353)</u>	<u>1,116,634</u>
<b><u>Cash Flows from Investing Activities</u></b>				
Purchase of capital assets	(2,026,637)		(553,787)	(2,580,424)
Interest revenue	809	-	5,916	6,725
(Increase) decrease in conservation loan receivable			25,747	25,747
(Increase) decrease in other investments	-	-	(2,064)	(2,064)
Increase (decrease) in conservation loans			(26,135)	(26,135)
Net Cash Flows from Investing Activities	<u>(2,025,828)</u>	<u>-</u>	<u>(550,323)</u>	<u>(2,576,151)</u>
<b>Net Change in Cash</b>	<b>78,349</b>	<b>58,686</b>	<b>(265,325)</b>	<b>(128,290)</b>
<b>Cash and Cash Equivalents - Beginning</b>	<u><b>505,837</b></u>	<u><b>3,675</b></u>	<u><b>4,247,796</b></u>	<u><b>4,757,308</b></u>
<b>Cash and Cash Equivalents - Ending</b>	<u><u><b>\$ 584,186</b></u></u>	<u><u><b>62,361</b></u></u>	<u><u><b>3,982,471</b></u></u>	<u><u><b>4,629,018</b></u></u>
<b>Reconciliation of Operating Income (Loss) to Cash</b>				
<b>Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 367,063	26,103	81,662	474,828
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>				
Depreciation expense	206,014		464,918	670,932
Net pension expense	52,504	18,868	200,759	272,131
<b>Changes in assets and liabilities:</b>				
(Increase) decrease in accounts receivable	(5,745)	(20)	(85,654)	(91,419)
(Increase) decrease in other assets	-		(7,386)	(7,386)
Increase (decrease) in accounts payable	(53,970)	4,153	7,542	(42,275)
Increase (decrease) in wages payable	1,683	6,767	(2,586)	5,864
Increase (decrease) in unearned revenue	-	-	10,707	10,707
Increase (decrease) in customer deposits	16,146	-	20,389	36,535
Increase (decrease) in compensated absences	(1,505)	2,815	-	1,310
Total Adjustments	<u>215,127</u>	<u>32,583</u>	<u>608,689</u>	<u>856,399</u>
Net Cash Provided (Used) by Operating Activities	<u><u><b>\$ 582,190</b></u></u>	<u><u><b>58,686</b></u></u>	<u><u><b>690,351</b></u></u>	<u><u><b>1,331,227</b></u></u>

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

**CITY OF OKOLONA**  
**Fiduciary Funds**  
**Statement of Fiduciary Assets and Liabilities**  
**September 30, 2016**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 74,416
Certificates of deposit	25,534
Internal balances	4,715
Total Assets	<u>104,665</u>
<b>Liabilities</b>	
Intergovernmental payables	104,665
Total Liabilities	<u>\$ 104,665</u>

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



CITY OF OKOLONA  
Notes to Financial Statements

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

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

**a. Financial Reporting Entity**

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

Included within the reporting entity:

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

Excluded within the reporting entity:

**Okolona Municipal Separate School District.** The Okolona Municipal Separate School District's governing board is appointed primarily by the City's governing body (three of the five members). The City does not hold the title to any of the school's assets, nor does it have any right to the school's surpluses. The City does not have the ability to exercise influence over the daily operations or approve budgets.

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

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

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

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

CITY OF OKOLONA  
Notes to Financial Statements

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

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

The City reports the following major governmental fund:

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

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

The City reports the following proprietary funds:

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

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

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

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

The City's fiduciary funds include the following:

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

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

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

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

Additionally, the city reports the following fund types:

**Governmental Funds**

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

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

CITY OF OKOLONA  
Notes to Financial Statements

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

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

**Proprietary Funds**

Enterprise Funds – Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City's enterprise funds consist of the Water and Sewer Fund, the Solid Waste Fund, and the City of Okolona Electric Department.

**Fiduciary Funds (Not included in government wide statements)**

Expendable Trust Fund – The expendable trust fund is used to account for funds that are to be used for book purchases by the City.

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

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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

CITY OF OKOLONA  
Notes to Financial Statements

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

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied.

Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**d. Encumbrances**

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

**e. Assets, liabilities, and net position / fund balance**

**1. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City deposits excess funds in the financial institutions selected by the board of aldermen. State statutes specify how these depositories are to be selected.

**Investments**

The City can invest its excess funds, as permitted by Section 29-3-113, Miss Code Ann. (1972), in interest bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

**2. Receivables and payables**

Activities 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” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Receivables are reported net of allowances for uncollectible accounts, where applicable.

CITY OF OKOLONA  
Notes to Financial Statements

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

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.

**3. Due from Other Governments**

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

**4. Inventories and Prepaid Items**

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

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

**5. Restricted Assets**

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

**6. Capital Assets**

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

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

The following schedule details the capitalization thresholds.

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

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

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

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

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

See Note 7 for further details.

**8. Compensated Absences**

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

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

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

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

**10. Pensions**

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

**11. Net Position**

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

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

CITY OF OKOLONA  
Notes to Financial Statements

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

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

**12. Fund Balances**

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

- a) *Nonspendable fund balance* – amounts that cannot be spent due to form, (such as inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund. The City has the following nonspendable assets: capital assets, net of related debt, inventory, and prepaid expenses.
- b) *Restricted fund balance* – amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation. The City has the following restricted assets: restricted for fire protection, restricted for police protection, restricted for airport activities, restricted for parks and recreation, restricted for debt service and restricted for capital projects.
- c) *Committed fund balance* – amounts constrained for a specific purpose by an entity using its highest level of decision-making authority. It would require the same group to remove or change the constraints placed on the resources. The City does not have any committed assets.
- d) *Assigned fund balance* – for all funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted, or committed. The City does not have any assigned assets.
- e) *Unassigned fund balance* – for general fund, any remaining amounts not classified as nonspendable, restricted, or committed. The City has the following unassigned assets: cash and cash equivalents, accounts receivable, other receivables, notes receivables and other assets.

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

**f. Use of Estimates**

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

CITY OF OKOLONA  
Notes to Financial Statements

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

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

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

**h. Economic Dependency**

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

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

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

**Deposits.** The city must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the city's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. All of the City's funds eligible to be included in the state's collateral pool program were properly included and were fully collateralized as of September 30, 2016.

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

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



CITY OF OKOLONA  
Notes to Financial Statements

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

**Cash and Cash Equivalents**

The carrying amount of the City's deposits with financial institutions at September 30, 2016, reported in the governmental funds, enterprise funds, and fiduciary fund was \$534,093, \$4,335,457, and \$99,950, respectively.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the city. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the city. As of September 30, 2016, none of the City's bank balance of \$5,510,434 was exposed to custodial credit risk.

**Investments**

As of September 30, 2016, the city had no investments.

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

The following is a summary of inter-fund balances at September 30, 2016:

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

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

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

CITY OF OKOLONA  
Notes to Financial Statements

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

**B. Transfers In/Out:**

	<u>Transfer In</u>	<u>Transfer Out</u>
<b><u>Major Governmental Funds</u></b>		
City General Fund	\$	6,852
<b><u>Non-major Governmental Funds</u></b>		
Airport Fund		6,491
Airport Construction Fund	13,343	
	\$ <u>13,343</u>	<u>13,343</u>

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

**C. Intergovernmental Receivables:**

The following is a summary of intergovernmental receivables at September 30, 2016:

Airport Construction Fund - Local	\$ 8,395
Airport Construction Fund - FAA	4,818
Okolona Electric Department	<u>8,483</u>
	\$ <u>21,696</u>

CITY OF OKOLONA  
Notes to Financial Statements

**Note 4 – Capital Assets**

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

	Balance 10/1/2015	Additions	Deletions	Balance 9/30/2016
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 321,253	14,500		335,753
Construction in progress	159,707	138,687		298,394
Total non-depreciable capital assets	480,960	153,187	0	634,147
<u>Depreciable capital assets:</u>				
Buildings	4,729,693			4,729,693
Improvements	2,806,244			2,806,244
Infrastructure	2,772,551			2,772,551
Furniture and equipment	197,227	8,000		205,227
Vehicles	558,011	30,408	(47,044)	541,375
Total depreciable capital assets	11,063,726	38,408	(47,044)	11,055,090
<u>Less Accumulated Depreciation:</u>				
Buildings	2,086,095	55,401		2,141,496
Improvements	1,021,647	103,860		1,125,507
Infrastructure	1,666,268	21,627		1,687,895
Furniture and equipment	146,060	10,384		156,444
Vehicles	408,912	40,581	(42,340)	407,153
Total accumulated depreciation	5,328,982	231,853	(42,340)	5,518,495
Governmental activities capital assets, net	\$ 6,215,704	-40,258	(4,704)	6,170,742
<b>Business-type Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 49,557			49,557
Construction in progress	1,419,823	2,022,637	(3,079,886)	362,574
Total non-depreciable capital assets	1,469,380	2,022,637	(3,079,886)	412,131
<u>Depreciable capital assets:</u>				
Electric plant in service	19,686,566	667,523	(55,707)	20,298,382
Infrastructure	4,776,960	3,021,857		7,798,817
Machinery and Equipment	353,052			353,052
Vehicles	195,181	4,000		199,181
Total Capital Assets	25,011,759	3,693,380	(55,707)	28,649,432
<u>Less Accumulated Depreciation:</u>				
Electric plant in service	9,639,066	546,601	(81,294)	10,104,373
Infrastructure	2,397,629	173,961		2,571,590
Machinery and Equipment	112,557	25,404		137,961
Vehicles	168,293	6,649		174,942
Total Accumulated Depreciation	12,317,545	752,615	(81,294)	12,988,866
Business-type activities capital assets, net	\$ 14,163,594	4,963,402	-3,054,299	16,072,697

CITY OF OKOLONA  
Notes to Financial Statements

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

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

	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
General Government	\$ 161,335		161,335
Public Safety	39,262		39,262
Public Works	21,452		21,452
Culture and Recreation	9,804		9,804
Water and Sewer		206,014	206,014
Electric Department		546,601	546,601
	<u>\$ 231,853</u>	<u>752,615</u>	<u>984,468</u>

Depreciation expense for the Electric Department as reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds is \$464,918. The difference in this amount and the current year increases in accumulated depreciation of \$546,601 is due to difference in salvage value and allocation of depreciation to certain maintenance and overhead lines expense accounts.

CITY OF OKOLONA  
Notes to Financial Statements

**Note 5 – Long-term Liabilities**

The following is a summary of changes in long-term debt for the year ended September 30, 2016.

	<b>Adjusted Balance 10/1/2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 9/30/2016</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities</b>					
General Obligation Bonds Payable	\$ 1,165,000		50,000	1,115,000	55,000
Loans Payable	0	40,000		40,000	40,000
Capital Leases Payable	95,385		49,017	46,368	29,166
Compensated Absences	12,776		8,008	4,768	
<b>Total Governmental Activities</b>	<b>\$ 1,273,161</b>	<b>40,000</b>	<b>107,025</b>	<b>1,206,136</b>	<b>124,166</b>
<b>Business-Type Activities</b>					
Revenue Bonds Payable	\$ 535,164		41,460	493,704	42,273
Loans Payable	1,005,789	1,666,748	5,348	2,667,189	99,763
Capital Leases Payable	1,537,265		263,941	1,273,324	235,506
Compensated Absences	3,259	2,815	1,505	4,569	
<b>Total Business-Type Activities</b>	<b>\$ 3,081,477</b>	<b>1,669,563</b>	<b>312,254</b>	<b>4,438,786</b>	<b>377,542</b>

Annual debt service requirements to maturity for the following debt, not including compensated absences, reported in the Statement of Net Position are as follows:

Year Ending September 30	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Principal	Interest	Principal	Interest
2017	\$ 124,165	39,755	377,542	113,956
2018	72,203	36,076	440,000	106,281
2019	60,000	33,950	432,081	90,303
2020	60,000	31,850	446,703	74,206
2021	65,000	29,750	379,230	94,277
2022 and after	820,000	170,327	2,358,661	333,137
<b>Totals</b>	<b>\$ 1,201,368</b>	<b>341,708</b>	<b>4,434,217</b>	<b>812,160</b>

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

**Legal Debt Margin** – The amount of debt, excluding specific exempted debt that can be incurred by the city is limited by the state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the city, according to the last completed assessment for taxation. However, the limitation is increased to 20% whenever a city issues bonds to repair or replace washed out or collapsed bridges on the public roads of the city. As of September 30, 2016, the amount of outstanding debt was equal to 11% of the latest property assessments.

CITY OF OKOLONA  
Notes to Financial Statements

**Note 6 – Contingencies**

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

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

**Note 7 – Defined Benefit Pension Plan**

*Plan Description.* The city contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the city is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The city's contributions to PERS for

CITY OF OKOLONA  
Notes to Financial Statements

**Note 7 – Defined Benefit Pension Plan (Continued)**

the fiscal years ending September 30, 2016, 2015 and 2014 were \$161,672, \$163,090, and \$162,565, respectively, which equaled the required contributions for each year.

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

At September 30, 2016, the city reported a liability of \$5,654,750 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on a projection of the city's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The city's proportionate share used to calculate the September 30, 2016 net pension liability was 0.0334 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.0005 percent from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended September 30, 2016, the city recognized pension expense of \$682,408. 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
Differences between expected and actual experience	\$ 139,149	\$
Net difference between projected and actual earnings on pension plan investments	239,957	(70,319)
Changes of assumptions	330,214	(42,349)
Changes in proportion and differences between the entity's contributions and proportionate share of overall contributions	518,198	(8,069)
Entity's contributions subsequent to the measurement date	202,746	
Total	<u>\$ 1,430,264</u>	<u>\$ (120,737)</u>

CITY OF OKOLONA  
Notes to Financial Statements

**Note 7 – Defined Benefit Pension Plan (Continued)**

\$ 202,746 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Deferred Outflows	Deferred Inflows
2017	\$ 418,178	\$ 31,434
2018	373,397	31,434
2019	247,749	29,742
2020	188,194	14,064
2021	-	14,063
Thereafter	-	-
Total	<u>\$ 1,227,518</u>	<u>\$ 120,737</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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



CITY OF OKOLONA  
Notes to Financial Statements

**Note 7 – Defined Benefit Pension Plan (Continued)**

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

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Entity's proportionate share of the net pension liability	\$ 7,649,844	\$ 5,654,750	\$ 4,569,090

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

CITY OF OKOLONA  
Notes to Financial Statements

**Note 8 – Deficit Fund Balance of Individual Funds**

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

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

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

**Note 9 – Risk Management**

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

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 years.

Under GASB Statement No. 10, *Accounting and Financial Reporting for Risks Financing and Related Issues*, a liability for claims must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. As of the date of this audit report, there were no known claims above the amount of coverage purchased for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters at September 30, 2016; therefore, no liability has been accrued at this time.

**Note 10 – Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Subsequent events have been evaluated through October 8, 2017, which is the date the financial statements were available to be issued, and concluded that no subsequent event had occurred that would require disclosure in the notes to financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF OKOLONA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended September 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (GAAP Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 1,074,753	1,046,385	969,235	(77,150)
Licenses, commissions and other revenue	39,676	32,557	32,609	52
Fines and forfeitures	45,000	16,387	16,387	0
Intergovernmental revenues	370,429	467,700	391,089	(76,611)
Charges for services	45,439	55,787	102,696	46,909
Interest income	550	1,220	1,220	0
Miscellaneous revenues	448,389	548,693	546,846	(1,847)
Total Revenues	<u>2,024,236</u>	<u>2,168,729</u>	<u>2,060,082</u>	<u>(108,647)</u>
<b>EXPENDITURES</b>				
General government	798,689	864,735	873,654	8,919
Public safety	959,968	970,355	945,440	(24,915)
Public works	121,616	116,541	100,675	(15,866)
Economic development	-	-	8,638	8,638
Culture and recreation	143,963	132,522	132,514	(8)
Debt Service			51,742	51,742
Total Expenditures	<u>2,024,236</u>	<u>2,084,153</u>	<u>2,112,663</u>	<u>28,510</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>0</u>	<u>84,576</u>	<u>(52,581)</u>	<u>(137,157)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of capital lease	-	-	40,000.00	40,000.00
Transfer out	-	-	(6,852)	(6,852)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>33,148</u>	<u>33,148</u>
Net Change in Fund Balance	<u>0</u>	<u>84,576</u>	<u>(19,433)</u>	<u>(104,009)</u>
Fund Balances - Beginning	<u>231,030</u>	<u>231,030</u>	<u>231,030</u>	
Fund Balances - Ending	<u>\$ 231,030</u>	<u>315,606</u>	<u>211,597</u>	<u>(104,009)</u>

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

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

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0334%	0.0339%
City's proportionate share of the net pension liability	\$ 5,654,750	4,530,280
City's covered-employee payroll	\$ 2,093,422	1,989,873
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	270.12%	227.67%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%

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

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

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

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

	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 319,960	329,714
Contribution in relation to the contractually required contribution	319,960	329,714
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>
City's covered-employee payroll	2,031,492	2,093,422
Contributions as a percentage of its covered-employee payroll	15.75%	15.75%

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

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

CITY OF OKOLONA  
Notes to Required Supplementary Information

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

Pension Schedules

(1) Changes of Assumptions.

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 experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual 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.

(2) Method and assumption used in calculations of actuarially determined contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (2015 Employer contributions are developed from 2013 valuation). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	32.2 years
Asset valuation method	5-year smoothed market
Price Inflation	3.50 percent
Salary increase	4.25 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment Expense, including inflation

## OTHER INFORMATION



**CITY OF OKOLONA**  
**Schedule of Surety Bonds for City Officials**  
**For the Year Ended September 30, 2016**

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

**CITY OF OKOLONA**  
**Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections**  
**For the Year Ended September 30, 2016**

**Assessed Valuation in Millage:**

	<b><u>Municipal</u></b>	
Realty	\$ 7,168,072	
Personal	2,608,531	
Personal - auto	1,379,302	
Personal - mobile home	45,750	
Utilities	<u>400,314</u>	
Total Municipal at <u>53.70</u> Mills	<u>11,601,969</u>	\$ 623,026

**Collections Adjustments:**

Add: Prior year tax collection	40,524	
Penalties and interest	<u>6,962</u>	47,485
Less: Homestead exemptions	(54,249)	
Special real and personal exemptions	(20,290)	
Refunded taxes and adjustments	(45,897)	
Cost of collections (counties)	<u>(4,118)</u>	<u>(124,554)</u>

**Total to be Accounted for** **\$ 545,957**

**Collection Credits to Funds:**

	<b><u>Taxes</u></b>	<b><u>Homestead</u></b>	<b><u>Total</u></b>
Municipal General Fund	\$ 370,544	49,914	420,458
Fire Protection Fund	8,938	1,210	10,148
Recreation Fund	17,878	2,420	20,298
Street Improvement Bond Fund	84,774		84,774
Total	<u>\$ 482,134</u>	<u>53,544</u>	<u>535,678</u>

**Balance Represented By:**

Unpaid property taxes	4,812	
Unaccounted for (shortage)	<u>5,467</u>	<u>10,279</u>

**Total Accounted For** **\$ 545,957**

## COMPLIANCE SECTION



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

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

Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, Jr., CPA  
Perry C. Rackley, Jr., CPA  
Jerry L. Gammel, CPA  
Michael C. Knox, CPA  
Clifford P. Stewart, CPA

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

Honorable Mayor and Board of Aldermen  
City of Okolona, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Okolona, Mississippi as of and for the year ended September 30, 2016, and the related notes to financial statements, which collectively comprise the City of Okolona, Mississippi's basic financial statements, and have issued our report thereon dated October 8, 2017.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2016-01 to be a material weakness.

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

**Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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

Okolona, Mississippi  
October 8, 2017

*Watkins Ward and Stafford, PLLC*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS



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

James L. Stafford, CPA	Thomas J. Browder, CPA
Harry W. Stevens, CPA	Stephen D. Flake, CPA
S. Keith Winfield, CPA	John N. Russell, CPA
William B. Staggers, CPA	Thomas A. Davis, CPA
Michael W. McCully, CPA	Anita L. Goodrum, CPA
Mort Stroud, CPA	Ricky D. Allen, CPA
R. Steve Sinclair, CPA	Jason D. Brooks, CPA
Marsha L. McDonald, CPA	Robert E. Cordle, Jr., CPA
Wanda S. Holley, CPA	Perry C. Rackley, Jr., CPA
Robin Y. McCormick, CPA/PFS	Jerry L. Gammel, CPA
J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Aldermen  
City of Okolona, Mississippi

We have audited the financial statements of the City of Okolona, Mississippi, as of and for the year ended September 30, 2016, and have issued our report thereon dated October 15, 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.

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

The results of our tests and our audit of the financial statements disclosed no material instance of noncompliance with state laws and regulations.

This report is intended for the information and use of the Board of Aldermen, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Okolona, Mississippi  
October 8, 2017

*Watkins Ward and Stafford, PLLC*

## SCHEDULE OF FINDINGS AND RESPONSES



CITY OF OKOLONA  
Schedule of Findings and Responses  
For the Year Ended September 30, 2016

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

Financial Statements:

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

CITY OF OKOLONA  
Schedule of Findings and Responses  
For the Year Ended September 30, 2016

**Section II: Financial Statement Findings**

**Material Weakness**

**2016-01**

**Condition**

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

**Criteria**

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

**Cause of Condition**

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

**Effect of Condition**

The City of Okolona's net revenues over expenditures decreased by \$63,640 as a result of these audit entries.

**Recommendation**

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

**Response**

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