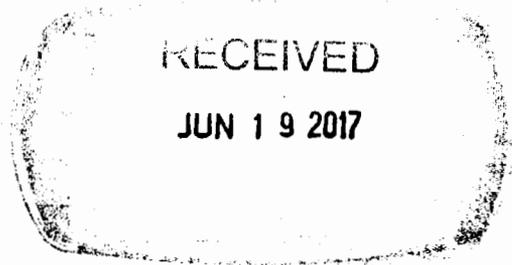




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**FINANCIAL STATEMENTS**  
**City of Verona, Mississippi**

**For the year ended  
September 30, 2016**



**Franks, Franks, Jarrell & Wilemon, P.A.**  
**Certified Public Accountants**



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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen  
City of Verona, 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 City of Verona, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Verona, 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 on pages 3 through 11, the schedule of the City's proportionate share of the net pension liability on page 39, and the schedule of the City's contributions on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Verona, Mississippi's basic financial statements. The combining and individual non-major fund financial statements and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and other supplemental information are 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 March 30, 2017 on our consideration of the City of Verona, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Verona's internal control over financial reporting and compliance.

*Franks, Franks, Jarrell + Wilemon, P.A.*

FRANKS, FRANKS, JARRELL & WILEMON, P.A.  
Tupelo, Mississippi  
March 30, 2017



# **CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Required Supplementary Information for the Year Ended September 30, 2016**

This section of the City of Verona's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2016. Please read it in conjunction with the City of Verona financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$2,953,845. Of this amount, \$0 may be used to meet the City of Verona ongoing obligations. This compares to the previous year when assets exceed liabilities by \$2,878,649, of which \$0 was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Verona governmental funds reported combined ending fund balances of \$138,889 compared to \$156,146, a decrease of \$17,257 in comparison to the prior year. Approximately 33% of the combined fund balances, \$46,061 is considered unassigned and is available for spending at the City of Verona discretion.
- The City of Verona's total debt is \$151,600. No new debt was issued in the current fiscal year. Debt in the amount of \$25,540 was repaid during the current fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City of Verona.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City of Verona's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City of Verona's operations in more detail than the government-wide statements.

The Governmental Funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending. The City of Verona has three Governmental Fund types: General, Special Revenue, and Capital Projects.

Proprietary fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and include the Water and Sewer fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.



# CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 summarizes the major features of the City of Verona's financial statements, including the portion of the City of Verona they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

### Major Features of the City of Verona's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks and recreation	Activities the City operates similar to private businesses: Water and Sewer System.
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Net Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid



# CITY OF VERONA, MISSISSIPPI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Government-wide Statements

The government-wide statements report information about the City of Verona as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City of Verona's net position and how they have changed. Net position—the difference between the City of Verona's assets and liabilities—is one way to measure the City of Verona's financial health, or position.

- Over time, increases or decreases in the city of Verona's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City of Verona, the reader should consider additional non-financial factors such as changes in the City of Verona's property tax base.
- *Governmental activities* – Most of the City of Verona's basic services are included here, such as the police, fire, public works, and parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City of Verona charges fees to customers to help it cover the costs of certain services it provides. The City of Verona's water and sewer system services are included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the City of Verona's most significant funds—not the City as a whole. The "fund" level is where the basic unit of financial organization and operation within the City of Verona exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Alderman establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.



## CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Verona has two kinds of funds:

- **Governmental funds**—most of the City of Verona's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Verona's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City of Verona utilizes three types of governmental funds: the General Fund, Special Revenue Funds, and Capital Projects Funds.
  
- **Proprietary funds**—Services for which the City of Verona charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary fund—enterprise funds. The City of Verona's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows are all required statements.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City Verona's assets exceeded liabilities by \$2,953,845 at the close of the most recent fiscal year.

A large portion, 107%, of the City's net position reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



## CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-1

### City of Verona's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 688,890	\$ 646,717	\$ 1,060,032	\$ 951,411	\$ 1,748,922	\$ 1,598,128
Capital Assets	1,230,016	1,233,707	2,068,100	1,969,769	3,298,116	3,203,476
<b>Total Assets</b>	<b>1,918,906</b>	<b>1,880,424</b>	<b>3,128,132</b>	<b>2,921,180</b>	<b>5,047,038</b>	<b>4,801,604</b>
Deferred Outflows	181,203	194,547	78,212	82,475	259,415	277,022
<b>Total Deferred Outflows</b>	<b>181,203</b>	<b>194,547</b>	<b>78,212</b>	<b>82,475</b>	<b>259,415</b>	<b>277,022</b>
Current and Other Liabilities	350,321	270,852	98,115	84,717	448,436	355,569
Long-Term Liabilities	1,278,099	1,285,310	497,670	469,786	1,775,769	1,755,096
<b>Total Liabilities</b>	<b>1,628,420</b>	<b>1,556,162</b>	<b>595,785</b>	<b>554,503</b>	<b>2,224,205</b>	<b>2,110,665</b>
Deferred Inflows	89,690	62,722	38,713	26,590	128,403	89,312
<b>Total Deferred Inflows</b>	<b>89,690</b>	<b>62,722</b>	<b>38,713</b>	<b>26,590</b>	<b>128,403</b>	<b>89,312</b>
<b>Net Position (Deficit):</b>						
<b>Net Investment in</b>						
Capital Assets	1,078,416	1,056,567	2,068,100	1,969,769	3,146,516	3,026,336
Restricted	86,695	68,145	0	0	86,695	68,145
Unrestricted	(783,112)	(668,625)	503,746	452,793	(279,366)	(215,832)
<b>Total Net Position</b>	<b>\$ 381,999</b>	<b>\$ 456,087</b>	<b>\$ 2,571,846</b>	<b>\$ 2,422,562</b>	<b>\$ 2,953,845</b>	<b>\$ 2,878,649</b>

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position of our business-type activities were \$503,746 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City of Verona generally can only use this net position to finance the continuing operations of the business type activities.

**Changes in net position.** Approximately 19.63 percent of the City of Verona's revenue comes from property taxes, with 36.19 percent of all revenue coming from some type of tax. (See Table A-2.) Another 47.24 percent comes from fees charged for services, 5.22 percent comes from intergovernmental revenues and the balance is from investment earnings, operating and capital grants and contributions and other miscellaneous receipts.



## CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2

### Changes in The City of Verona's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 57,111	\$ 46,196	\$ 837,867	\$ 819,282	\$ 894,978	\$ 865,478
Operating Grants & Contributions	45,939	66,223	0	0	45,939	66,223
Capital Grants & Contributions	0	40,203	99,914	0	99,914	40,203
General Revenues:						
Property Taxes	371,928	379,320	0	0	371,928	379,320
Other Taxes	313,690	315,735	0	0	313,690	315,735
Intergovernmental Revenues	98,973	82,132	0	0	98,973	82,132
Investment Income	1,185	391	0	725	1,185	1,116
Other	<u>69,692</u>	<u>36,652</u>	<u>(1,765)</u>	<u>0</u>	<u>67,927</u>	<u>36,652</u>
Total Revenues	<u>958,518</u>	<u>966,852</u>	<u>936,016</u>	<u>820,007</u>	<u>1,894,534</u>	<u>1,786,859</u>
<b>Expenses</b>						
General Government	151,199	152,583	0	0	151,199	152,583
Public Safety	777,359	812,114	0	0	777,359	812,114
Public Works	109,632	80,954	0	0	109,632	80,954
Culture & Recreation	12,816	13,142	0	0	12,816	13,142
Water & Sewer	<u>0</u>	<u>0</u>	<u>768,332</u>	<u>724,986</u>	<u>768,332</u>	<u>724,986</u>
Total Expenses	<u>1,051,006</u>	<u>1,058,793</u>	<u>768,332</u>	<u>724,986</u>	<u>1,819,338</u>	<u>1,783,779</u>
Excess of Revenue Over Expenses	(92,488)	(91,941)	167,684	95,021	75,196	3,080
Transfers	<u>18,400</u>	<u>50,540</u>	<u>(18,400)</u>	<u>(50,540)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>(74,088)</u>	<u>(41,401)</u>	<u>149,284</u>	<u>44,481</u>	<u>75,196</u>	<u>3,080</u>
Net Position—Beginning, as previously stated	456,087	1,382,006	2,422,562	2,753,054	2,878,649	4,135,060
Prior Period Adjustment	<u>0</u>	<u>(884,518)</u>	<u>0</u>	<u>(374,973)</u>	<u>0</u>	<u>(1,259,491)</u>
Net Position—Beginning, as restated	<u>456,087</u>	<u>497,488</u>	<u>2,422,562</u>	<u>2,378,081</u>	<u>2,878,649</u>	<u>2,875,569</u>
Net Position—Ending	<u>\$ 381,999</u>	<u>\$ 456,087</u>	<u>\$ 2,571,846</u>	<u>\$ 2,422,562</u>	<u>\$ 2,953,845</u>	<u>\$ 2,878,649</u>

#### Governmental Activities

Governmental activities decreased the City's net position by \$74,088, thereby accounting for 0% of the total increase in the net position of the City. Key elements of this increase are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are property taxes (39%), other taxes (33%), intergovernmental revenues (10%) and operating grants and contributions (5%).



## CITY OF VERONA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The largest expense categories for the City's governmental activities are public safety (74%) and general government (14%).

### **Business-type Activities**

Business-type activities increased the City's net position by \$149,284, thereby accounting for 100% of the increase in the City's net position.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$837,867 for water and sewer.

### **Financial Analysis of the Government's Funds**

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

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

**General Fund**—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$46,061. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total fund balance represents 8.32% of total fund expenditures. The fund balance of the City's general fund decreased by \$34,196 during the current fiscal year.

**Capital Projects Fund**—The capital projects fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$0. There was no change in the fund balance for the current fiscal year.

**Special Revenue Fund**—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$57,421, which will be used for future expenditures.

**Proprietary Funds**—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$2,571,846.

### **Budgetary Highlights**

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the governmental funds.

The City's 2015-2016 general fund operating budget increased by \$72,111. This increase was primarily related to an increase in the Culture and Recreation budget. The City's tax millage for the 2016 fiscal year remained constant with no change.



**CITY OF VERONA, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016 amounted to \$3,298,116, net of accumulated depreciation of \$4,331,005. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3

**City of Verona's Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 258,889	\$ 258,889	\$ 260,052	\$ 260,052	\$ 518,941	\$ 518,941
Plant, Buildings & Improvements	680,686	630,734	4,920,125	4,720,297	5,600,811	5,351,031
Machinery & Equipment	995,743	1,010,149	424,454	510,963	1,420,197	1,521,112
Infrastructure	89,172	89,172	0	0	89,172	89,172
Construction-in-progress	0	0	0	0	0	0
Accumulated Depreciation	<u>(794,474)</u>	<u>(755,237)</u>	<u>(3,536,531)</u>	<u>(3,521,543)</u>	<u>(4,331,005)</u>	<u>(4,276,780)</u>
<b>Total</b>	<u>\$ 1,230,016</u>	<u>\$ 1,233,707</u>	<u>\$ 2,068,100</u>	<u>\$ 1,969,769</u>	<u>\$ 3,298,116</u>	<u>\$ 3,203,476</u>

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**CITY OF VERONA, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Long-term Debt** - At year-end, the city had \$151,600 in debt outstanding. More detailed information about the City of Verona's long-term liabilities is presented in the notes to the financial statements.

Table A-4

**City of Verona's Outstanding Debt**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General Obligation Bonds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Revenue Bonds	0	0	0	0	0	0
CAP Loans	0	0	0	0	0	0
Promissory Notes & Capital Lease	151,600	177,140	0	0	151,600	177,140
<b>Total</b>	<b>\$ 151,600</b>	<b>\$ 177,140</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 151,600</b>	<b>\$ 177,140</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2017 budget. The total budgeted appropriations for the City's operations is \$880,731. This budget reflects a decrease of approximately \$126,480. This decrease is primarily related to a significant decrease in public safety and culture and recreation.

**CONTACTING THE CITY OF VERONA  
FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Verona's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Verona's Finance Department, P.O. Box 420, Verona, MS 38879.



**CITY OF VERONA, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash on Deposit	\$ 355,591	\$ 343,369	\$ 698,960
Money Market, CD's	-	357,255	357,255
Restricted CD's	29,193	-	29,193
Accounts Receivable, Net	74,883	80,320	155,203
Other Receivable	-	759	759
Court Fines Receivable, Net	199,810	-	199,810
Property Taxes Receivable	29,413	-	29,413
Due From Other Funds	-	278,329	278,329
Capital Assets:			
Land	258,889	260,052	518,941
Plant, Buildings and Improvements	680,686	4,920,125	5,600,811
Machinery and Equipment	995,743	424,454	1,420,197
Infrastructure	89,172	-	89,172
Accumulated Depreciation	(794,474)	(3,536,531)	(4,331,005)
<b>TOTAL ASSETS</b>	<u>1,918,906</u>	<u>3,128,132</u>	<u>5,047,038</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Amounts Related to Pensions	<u>181,203</u>	<u>78,212</u>	<u>259,415</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 181,203</u>	<u>\$ 78,212</u>	<u>\$ 259,415</u>



**CITY OF VERONA, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>LIABILITIES:</u></b>			
Accounts Payable and Accrued Expenses	\$ 15,611	\$ 25,734	\$ 41,345
Accrued Compensated Absences	3,039	2,842	5,881
Due to Other Funds	278,329	-	278,329
Due to Cemetery Patrons	26,838	-	26,838
Noncurrent Liabilities:			
Due Within One Year	26,504	-	26,504
Due in More Than One Year	125,096	-	125,096
Net Pension Liability	1,153,003	497,670	1,650,673
Refundable Meter Deposits	-	69,539	69,539
<b>TOTAL LIABILITIES</b>	<b><u>1,628,420</u></b>	<b><u>595,785</u></b>	<b><u>2,224,205</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
Deferred Amounts Related to Pensions	<u>89,690</u>	<u>38,713</u>	<u>128,403</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>89,690</u></b>	<b><u>38,713</u></b>	<b><u>128,403</u></b>
<b><u>NET POSITION (DEFICIT):</u></b>			
Net Investment in Capital Assets	1,078,416	2,068,100	3,146,516
Restricted for:			
Cemetery	29,193	-	29,193
Municipal Court	81	-	81
Special Revenue	57,421	-	57,421
Unrestricted	<u>(783,112)</u>	<u>503,746</u>	<u>(279,366)</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<b><u>\$ 381,999</u></b>	<b><u>\$ 2,571,846</u></b>	<b><u>\$ 2,953,845</u></b>

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



**CITY OF VERONA, MISSISSIPPI  
STATEMENT OF ACTIVITIES  
For the year ended September 30, 2016**

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position PRIMARY GOVERNMENT			
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>								
Government Activities:								
General Government	\$ 151,199	\$ -	\$ -	\$ -	\$ -	(151,199)	\$ -	\$ (151,199)
Public Safety	777,359	36,610	45,939	-	82,549	(694,810)	-	(694,810)
Public Works	109,632	20,501	-	-	20,501	(89,131)	-	(89,131)
Culture and Recreation	12,816	-	-	-	-	(12,816)	-	(12,816)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>1,051,006</b>	<b>57,111</b>	<b>45,939</b>	<b>-</b>	<b>103,050</b>	<b>(947,956)</b>	<b>-</b>	<b>(947,956)</b>
Business-Type Activities:								
Water and Sewer System	768,332	837,867	-	99,914	937,781	-	169,449	169,449
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>768,332</b>	<b>837,867</b>	<b>-</b>	<b>99,914</b>	<b>937,781</b>	<b>-</b>	<b>169,449</b>	<b>169,449</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,819,338</b>	<b>\$ 894,978</b>	<b>\$ 45,939</b>	<b>\$ 99,914</b>	<b>\$ 1,040,831</b>	<b>\$ (947,956)</b>	<b>\$ 169,449</b>	<b>\$ (778,507)</b>
<b>GENERAL REVENUES:</b>								
Taxes:								
Property Taxes, Levied for General Purposes					\$ 371,928	\$ -	\$ 371,928	
Sales Taxes					232,242	-	232,242	
Licenses and Permits					61,048	-	61,048	
In Lieu Taxes					14,419	-	14,419	
Franchise Taxes					67,029	-	67,029	
Gasoline Taxes and Other Taxes					4,109	-	4,109	
Homestead Reimbursement					31,761	-	31,761	
Other Intergovernmental Revenues					63,103	-	63,103	
Gain (Loss) on Asset Disposal					201	(1,765)	(1,564)	
Investment Earnings					1,185	-	1,185	
Miscellaneous					8,443	-	8,443	
Transfers					18,400	(18,400)	-	
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>873,868</b>	<b>(20,165)</b>	<b>853,703</b>	
<b>CHANGE IN NET POSITION</b>					<b>(74,088)</b>	<b>149,284</b>	<b>75,196</b>	
<b>NET POSITION--BEGINNING</b>					<b>456,087</b>	<b>2,422,562</b>	<b>2,878,649</b>	
<b>NET POSITION--ENDING</b>					<b>\$ 381,999</b>	<b>\$ 2,571,846</b>	<b>\$ 2,953,845</b>	

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



**CITY OF VERONA, MISSISSIPPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2016**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b><u>ASSETS:</u></b>			
Cash on Deposit	\$ 298,170	\$ 57,421	\$ 355,591
Money Market, CD's	29,193	-	29,193
Accounts Receivable	74,883	-	74,883
Due From Other Funds	-	-	-
<b>TOTAL ASSETS</b>	<b><u>402,246</u></b>	<b><u>57,421</u></b>	<b><u>459,667</u></b>
<b><u>LIABILITIES:</u></b>			
Accounts Payable and Accrued Expenses	15,611	-	15,611
Due to Other Funds	278,329	-	278,329
Due to Cemetery Patrons	26,838	-	26,838
<b>TOTAL LIABILITIES</b>	<b><u>320,778</u></b>	<b><u>-</u></b>	<b><u>320,778</u></b>
<b><u>FUND BALANCES:</u></b>			
Nonspendable:			
Unemployment Trust Fund	6,133	-	6,133
Restricted for:			
Cemetery	29,193	-	29,193
Municipal Court	81	-	81
Fire Rebate	-	52,973	52,973
Police/Narcotics	-	3,164	3,164
Energy Grant	-	1,284	1,284
Unassigned	46,061	-	46,061
<b>TOTAL FUND BALANCES</b>	<b><u>81,468</u></b>	<b><u>57,421</u></b>	<b><u>138,889</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 402,246</u></b>	<b><u>\$ 57,421</u></b>	<b><u>\$ 459,667</u></b>

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



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

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	138,889
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		1,230,016
Accrued compensated absences are not due in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(3,039)
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(151,600)
Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(1,153,003)
Deferred outflows and inflows related to pensions are applicable to future periods and therefore they are not reported in the Governmental Funds Balance Sheet.		
Deferred outflows of resources related to defined benefit pension plan		181,203
Deferred inflows of resources related to defined benefit pension plan		(89,690)
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.		29,413
Accrual of court fine revenues to qualify as financial resources.		199,810
		381,999
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	381,999

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



**CITY OF VERONA, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2016**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
General Property Taxes	\$ 374,460	\$ -	\$ 374,460
Sales and Use Taxes	232,242	-	232,242
Licenses and Permits	61,048	-	61,048
In Lieu of Taxes	14,419	-	14,419
Franchise Taxes	67,029	-	67,029
Intergovernmental Revenues	98,973	-	98,973
Charges for Services	20,501	-	20,501
Fines and Forfeits	28,505	-	28,505
Interest Income	1,185	-	1,185
Grant Income	17,499	28,440	45,939
Miscellaneous Revenues	8,443	-	8,443
<b>TOTAL REVENUES</b>	<u>924,304</u>	<u>28,440</u>	<u>952,744</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	130,249	-	130,249
Public Safety	704,319	3,955	708,274
Public Works	94,958	9,952	104,910
Culture and Recreation	50,169	-	50,169
<b>TOTAL EXPENDITURES</b>	<u>979,695</u>	<u>13,907</u>	<u>993,602</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(55,391)</u>	<u>14,533</u>	<u>(40,858)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from Sale of Assets	5,201	-	5,201
Proceeds from Long Term Debt Issued	-	-	-
Transfers (to) from Other Funds	15,994	2,406	18,400
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>21,195</u>	<u>2,406</u>	<u>23,601</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(34,196)</u>	<u>16,939</u>	<u>(17,257)</u>
<b>FUND BALANCES - Beginning</b>	<u>115,664</u>	<u>40,482</u>	<u>156,146</u>
<b>FUND BALANCES - Ending</b>	<u>\$ 81,468</u>	<u>\$ 57,421</u>	<u>\$ 138,889</u>

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





**CITY OF VERONA, MISSISSIPPI**  
**RECONCILIATION OF 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	\$	(17,257)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		85,546
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(84,237)
Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds.		(2,532)
(Increase) decrease in accrual of compensated absences		892
Proceeds from the disposition of capital assets is reported as income in the Governmental Funds. The gain or loss on the sale of the capital assets and not the gross proceeds are reported as income in the Government-Wide Statement of Activities.		(5,000)
Payments received related to deferred revenues reported as revenue on the Governmental Funds financial statements as received.		8,105
Charges to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.		(85,145)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.		
This amount represents proceeds from long-term debt issued.		-
This amount represents long-term debt repayments and issuance costs.		25,540
		25,540
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(74,088)

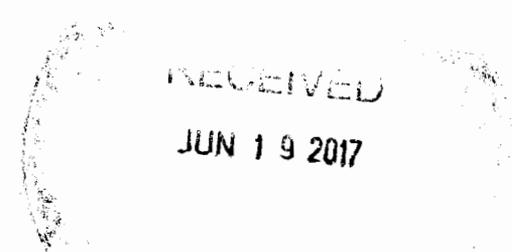
The accompanying notes are an integral part of these financial statements.



**CITY OF VERONA, MISSISSIPPI**  
**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-BUDGET AND ACTUAL -**  
**BUDGETARY BASIS**  
**For the year ended September 30, 2016**

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
General Property Taxes	\$ 383,067	\$ 383,067	\$ 370,451	\$ (12,616)
Sales and Use Taxes	235,800	235,800	231,373	(4,427)
Licenses and Permits	11,200	11,200	61,048	49,848
In Lieu of Taxes	21,925	21,925	14,419	(7,506)
Franchise Taxes	70,735	70,735	66,653	(4,082)
Intergovernmental Revenues	103,417	103,417	98,973	(4,444)
Charges for Services	20,898	20,898	20,501	(397)
Fines and Forfeits	40,315	40,315	28,505	(11,810)
Interest Revenues	250	250	1,185	935
Grant Income	-	10,000	17,499	7,499
Miscellaneous Revenues	9,300	9,300	8,443	(857)
<b>TOTAL REVENUES</b>	<u>896,907</u>	<u>906,907</u>	<u>919,050</u>	<u>12,143</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	139,050	135,961	130,249	5,712
Public Safety	680,451	709,177	704,319	4,858
Public Works	100,207	99,746	94,958	4,788
Culture and Recreation	15,392	62,327	50,169	12,158
<b>TOTAL EXPENDITURES</b>	<u>935,100</u>	<u>1,007,211</u>	<u>979,695</u>	<u>27,516</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(38,193)</u>	<u>(100,304)</u>	<u>(60,645)</u>	<u>39,659</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Sale of Assets	-	35,000	5,201	(29,799)
Proceeds from Long Term Debt Issued	-	-	-	-
Transfers (to) from Other Funds	50,000	217,000	15,994	(201,006)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>50,000</u>	<u>252,000</u>	<u>21,195</u>	<u>(230,805)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES</b>	<u>\$ 11,807</u>	<u>\$ 151,696</u>	<u>\$ (39,450)</u>	<u>\$ (191,146)</u>

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





**CITY OF VERONA, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2016**

**ASSETS:**

Current Assets:

Cash and Cash Equivalents	\$	343,369
Money Market, CD's		357,255
Accounts Receivable		80,320
Other Receivables		759
Due From Other Funds		278,329
Prepaid Expenses		-
Total Current Assets		1,060,032

Restricted Assets:

Investments		-
Total Restricted Assets		-

Fixed Assets:

Water and Sewer System Machinery and Equipment		5,604,631
Less: Accumulated Depreciation		(3,536,531)
Net Fixed Assets		2,068,100
Total Assets		3,128,132

**DEFERRED OUTFLOWS OF RESOURCES:**

Deferred Amounts Related to Pensions		78,212
Total Deferred Outflows of Resources		78,212

**LIABILITIES:**

Current Liabilities:

Accounts Payable and Accrued Expenses		25,734
Accrued Compensated Absences		2,842
Refundable Meter Deposits		69,539
Current Maturities of Notes Payable		-
Total Current Liabilities		98,115

Noncurrent Liabilities

Net Pension Liability		497,670
Notes Payable, Less Current Maturities		-
Total Noncurrent Liabilities		497,670
Total Liabilities		595,785

**DEFERRED INFLOWS OR RESOURCES:**

Deferred Amounts Related to Pensions		38,713
Total Deferred Inflows of Resources		38,713

**NET POSITION:**

Net Investment in Capital Assets		2,068,100
Restricted for Debt Service		-
Unrestricted		503,746
Total Net Position	\$	2,571,846

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



**CITY OF VERONA, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION - PROPRIETARY FUNDS**  
**For the year ended September 30, 2016**

<b><u>OPERATING REVENUES</u></b>	
Charges for Services	\$ 794,606
Service Charges and Penalties	37,726
Other Receipts	<u>5,535</u>
Total Operating Revenues	<u>837,867</u>
<b><u>OPERATING EXPENSES</u></b>	
Personal Services	349,076
Supplies	183,353
Depreciation and Amortization	92,845
Bad Debt Expense	2,116
Other Services	<u>140,942</u>
Total Operating Expenses	<u>768,332</u>
Operating Income	<u>69,535</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>	
Interest Income	-
Grant Income	99,914
Gain (Loss) on Sale of Assets	(1,765)
Interest and Fiscal Charges	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>98,149</u>
TRANSFERS (TO) FROM OTHER FUNDS	<u>(18,400)</u>
CHANGE IN NET POSITION	149,284
NET POSITION - OCTOBER 1	<u>2,422,562</u>
NET POSITION - SEPTEMBER 30	<u>\$ 2,571,846</u>

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

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**CITY OF VERONA, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
For the year ended September 30, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Customers	\$	834,660
Cash Payments for Personal Services		(304,956)
Cash Payments for Supplies		(174,507)
Cash Payments for Other Services		(140,942)
Net Cash Provided By Operating Activities		214,255

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Operating Transfers - In from (Out) to Other Funds		(75,287)
Net Cash Flows Provided By (Used In) Noncapital Financing Activities		(75,287)

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Acquisition of Fixed Assets		(199,828)
Proceeds from Sale of Assets		6,887
Capital Grant Received		99,914
Net Cash Provided By (Used In) Noncapital Financing Activities		(93,027)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest on Investments		-
Net Cash Provided By Investing Activities		-
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH		45,941
CASH AND CASH EQUIVALENTS, OCTOBER 1		654,683
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	\$	700,624

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income (Loss)	\$	69,535
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Depreciation and Amortization		92,845
Net Pension Expense		44,270
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		(5,872)
(Increase) Decrease in Other Receivables		79
Increase (Decrease) in Accounts Payable - Operating Activities		8,846
Increase (Decrease) in Accrued Compensated Absences		(150)
Increase (Decrease) in Refundable Meter Deposits		4,702
Total Adjustments		144,720
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	214,255

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



**CITY OF VERONA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

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

The City of Verona, Mississippi operates under the Home-Rule authority granted by the 1985 Mississippi Legislature. A mayor-board of aldermen form of government is used and the City provides the following services: public safety (police and fire), street maintenance, water and sewer services and general administrative services.

**Government-Wide and Fund Financial Statements**

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information on all nonfiduciary activities of the primary government and its component units. The statements distinguish between those activities of the City that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net position presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.



**CITY OF VERONA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Non-major funds, where applicable, are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

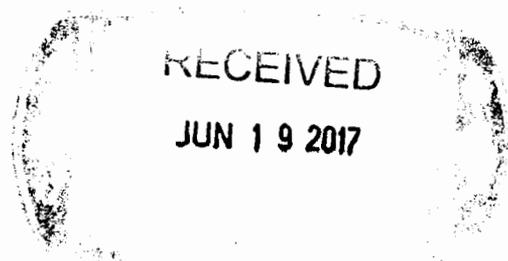
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

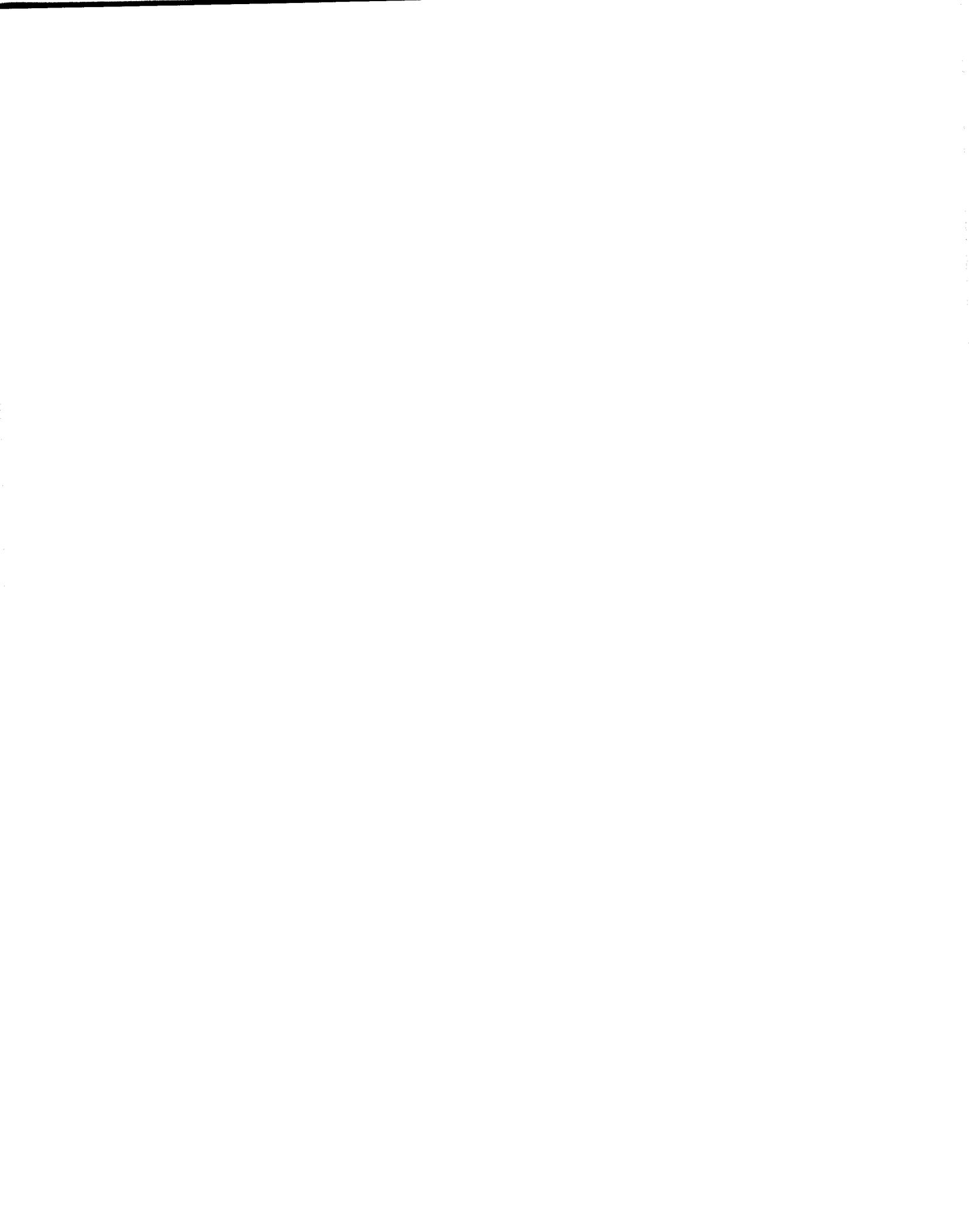
Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purposes, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants.

The City reports the following major governmental fund:

*General Fund* – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds.





**CITY OF VERONA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Additionally the City reports the following governmental fund types:

*Capital Projects Funds* – Capital Projects Funds are used to account for financial resources such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing or acquiring permanent or semi-permanent capital improvements. Capital improvements intended for Enterprise Fund use are not included in the Capital Projects Funds. These are non-major governmental funds.

*Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes. These are non-major governmental funds.

The City reports the following major proprietary funds:

*The Water & Sewer Fund* – This fund is used to account for the City's water treatment and distribution system. This fund is responsible for water delivery to the residents of the City of Verona.

The City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water for the Water Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



**CITY OF VERONA, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The Mayor and Board of Aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.



**CITY OF VERONA, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash and Investments

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

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

General Obligation Enterprise Bonds

The enterprise funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements. Since the enterprise funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Enterprise Funds and have been reported on the balance sheets of the Enterprise Funds.

Although the general obligation enterprise bonds are reported on the balance sheets of the Enterprise Funds, they are backed by the full faith and credit of the City and are therefore a contingent liability to the general government.

Encumbrances

State law does not require that funds be available when goods or services are ordered, only when paid for. Due to this circumstance, the City does not employ an encumbrance system.

Compensated Absences

The City's policy allows employees to accumulate unused sick leave. The City also allows employees to accumulate comp time. Upon termination, any accumulated comp time will be paid to the employee.



**CITY OF VERONA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the allowance for uncollectible court fines and defined benefit pension plan liability. It is at least reasonably possible that the significant estimate used will change within the next year.

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 City of Verona's participation in the Public Employees' Retirement System of Mississippi (PERS), and additions to/deductions from the City of Verona's fiduciary net position have been determined on the same basis as they are reported by the Public Employees' Retirement System of Mississippi (PERS). For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employees' Retirement System of Mississippi (PERS).

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Fund Balance Classification

The Town has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. In accordance with GASB Statement No. 54, the governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
  
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.



**CITY OF VERONA, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
  
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board of Aldermen delegating this responsibility to the City's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
  
- **Unassigned:** This classification includes the residual fund balance for the General Fund and all other amounts not included in other spendable classifications.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

Business Information

The City of Verona provides water and sewer services to customers located within the City limits of Verona, Mississippi as well as a limited number of customers outside the City limits. Credit is extended to all of these customers for services.

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements.

**NOTE 2 - PROPERTY TAXES**

Property taxes, except motor vehicles, attach as an enforceable lien on property as of January 1st. The City bills and collects its own property taxes, except motor vehicle taxes. Motor vehicle taxes are collected by the County Tax Collector and remitted to the City. Taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year end.

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**CITY OF VERONA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 - FIXED ASSETS**

The following is a summary of capital asset activity as of September 30, 2016:

Primary Government:

	<u>Balance</u> <u>10-01-15</u>	<u>Additions</u>	<u>Reclass/ Disposals</u>	<u>Balance</u> <u>09-30-16</u>
Capital Assets, not being depreciated:				
Land	\$ 258,889	\$ 0	\$ 0	\$ 258,889
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being depreciated	258,889	0	0	258,889
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	630,734	49,952	0	680,686
Infrastructure	89,172	0	0	89,172
Machinery and Equipment	<u>1,010,149</u>	<u>35,594</u>	<u>(50,000)</u>	<u>995,743</u>
Total Capital Assets being depreciated	1,730,055	85,546	(50,000)	1,765,601
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(121,957)	(16,557)	0	(138,514)
Infrastructure	(41,912)	(3,121)	0	(45,033)
Machinery and Equipment	<u>(591,368)</u>	<u>(64,559)</u>	<u>45,000</u>	<u>(610,927)</u>
Total Accumulated Depreciation	(755,237)	(84,237)	45,000	(794,474)
Total Capital Assets, depreciated, net Governmental Activities	<u>974,818</u>	<u>1,309</u>	<u>(5,000)</u>	<u>971,127</u>
Capital Assets, net	<u>\$ 1,233,707</u>	<u>\$ 1,309</u>	<u>\$ (5,000)</u>	<u>\$ 1,230,016</u>

The City adopted a capitalization threshold of \$1,000 for general fixed assets and a threshold of \$5,000 for infrastructure assets effective for the current fiscal year. The City has retroactively applied these thresholds to all general fixed assets in service at September 30, 2016.



**CITY OF VERONA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 3 - FIXED ASSETS (continued)**

A summary of business-type capital asset activity at September 30, 2016 follows:

	<u>Balance</u> <u>10-01-15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>09-30-16</u>
Capital Assets, not being depreciated:				
Land	\$ 260,052	\$ 0	\$ 0	\$ 260,052
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being depreciated	260,052	0	0	260,052
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	4,720,297	199,828	0	4,920,125
Machinery and Equipment	<u>510,963</u>	<u>0</u>	<u>(86,509)</u>	<u>424,454</u>
Total Capital Assets being depreciated	<u>5,231,260</u>	<u>199,828</u>	<u>(86,509)</u>	<u>5,344,579</u>
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(3,160,545)	(57,132)	0	(3,217,677)
Machinery and Equipment	<u>(360,998)</u>	<u>(35,713)</u>	<u>77,857</u>	<u>(318,854)</u>
Total Accumulated Depreciation	<u>(3,521,543)</u>	<u>(92,845)</u>	<u>77,857</u>	<u>(3,536,531)</u>
Total Capital Assets, depreciated, net Business-type Activities	<u>1,709,717</u>	<u>106,983</u>	<u>(8,652)</u>	<u>1,808,048</u>
Capital Assets, net	<u>\$ 1,969,769</u>	<u>\$ 106,983</u>	<u>\$ (8,652)</u>	<u>\$ 2,068,100</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

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

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

Governmental Activities:	
General Government	\$ 13,033
Public Safety	58,397
Public Works	10,755
Culture and Recreation	<u>2,052</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 84,237</u>



**CITY OF VERONA, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 3 - FIXED ASSETS (continued)**

Business-type Activities:

Water and Sewer	\$ <u>92,845</u>
Total Depreciation Expense – Business-type Activities	\$ <u>92,845</u>

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2016, consisted primarily of taxes, court fines, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

An allowance for doubtful accounts in the amount of \$33,045 has been recorded in the Water and Sewer Fund at September 30, 2016. An allowance has also been recorded in the Governmental Activities for uncollectable court fine receivables in the amount of \$405,290. The City believes that all other accounts receivable are collectible.

**NOTE 5 - LONG-TERM DEBT**

The following is a summary of bond transactions of the City for the year ended September 30, 2016:

	<u>General Obligation Bonds Payable</u>	<u>Notes Payable</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/01/15	\$ 0	\$ 177,140	\$ 177,140
Add: Bonds and Other Long-Term Debt Acquired	0	0	0
Less: Bonds and Other Long-Term Debt Retired	<u>0</u>	<u>25,540</u>	<u>25,540</u>
Bonds and Other Long-Term Debt at 09/30/16	\$ <u>0</u>	\$ <u>151,600</u>	\$ <u>151,600</u>



**CITY OF VERONA, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 5 - LONG-TERM DEBT (continued)**

Bonds and other long-term debt at September 30, 2016 are comprised of the following issues:

**Governmental Activities:**

**Notes Payable and Capital Leases Payable:**

Capital Lease Payable - \$145,000 due in annual payments of \$15,262 through November 1, 2026; interest at 3.79%.	\$ 135,233
Capital Lease Payable - \$47,437 due in 2 annual payments of \$16,864 and 1 annual payment of \$16,914 through March 24, 2017; interest at 3.29 %.	<u>16,367</u>
<b>Total Debt</b>	<b>\$ <u>151,600</u></b>

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

The Annual requirements to amortize all debt outstanding as of September 30, 2016 including interest payments of \$33,200 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 26,504	\$ 5,672	\$ 0	\$ 0	\$ 26,504	\$ 5,672
2018	10,521	4,741	0	0	10,521	4,741
2019	10,920	4,342	0	0	10,920	4,342
2020	11,334	3,929	0	0	11,334	3,929
2021	11,763	3,499	0	0	11,763	3,499
2022-2026	65,852	10,460	0	0	65,852	10,460
2027-2031	<u>14,706</u>	<u>557</u>	<u>0</u>	<u>0</u>	<u>14,706</u>	<u>557</u>
	<b>\$ <u>151,600</u></b>	<b>\$ <u>33,200</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>151,600</u></b>	<b>\$ <u>33,200</u></b>

**NOTE 6 - LITIGATION**

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.



**CITY OF VERONA, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN**

Plan Description - Employees of the City of Verona are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing agent multiple-employer pension plan. The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. 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 - For the cost-sharing plan participating members who are vested and retire at or after age 60 or those 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 2.00% 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 2.50% 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 the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Retirees and beneficiaries who have been receiving benefit payments for at least one full fiscal year are eligible to receive an annual Cost-of-Living Adjustment (COLA). Designed to help offset the effects of inflation, the COLA is equal to 3 percent of your annual base benefit for each full fiscal year of retirement prior to the year in which you reach age 55 (Retirement Tiers 1 through 3) or age 60 (Retirement Tier 4), plus 3 percent compounded for each fiscal year thereafter, beginning with the fiscal year in which you turn age 55.

Employee membership data related to the Plan, as of June 30, 2016 was as follows:

Retirees and Survivors	99,483
Terminated Vested Employees	19,400
Inactive Nonvested Members	123,235
Active Members	154,104
Total	<u>396,222</u>



**CITY OF VERONA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)**

Contributions - The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and the City of Verona is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the City to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

For the year ended September 30, 2016, the City of Verona's total payroll for all employees was \$629,081. Total covered payroll was also \$586,420. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* - At September 30, 2016, the City of Verona reported a liability of \$1,650,673 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 percentage used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Verona's proportion of the net pension was based on a projection of the City of Verona's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City of Verona's proportion was 0.0092 percent.

For the year ended September 30, 2016, the City of Verona recognized pension expense of \$221,778. At September 30, 2016, the City of Verona reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 46,042	\$ 0
Net Difference Between Projected and Actual Investment Earnings	111,825	0
City Pension Contributions Subsequent to the Measurement Date	23,732	0
Changes of Assumptions	77,816	4,386
Changes in Proportion and Differences Between ER Contributions and Proportionate Share of ER Contributions	0	124,016
Total	\$ 259,415	\$ 128,403



**CITY OF VERONA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)**

The \$23,732 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Amount
2017	\$ 30,294
2018	10,454
2019	33,923
2020	32,609
Total	\$ <u>107,280</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 -19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including Inflation

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

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

The long-term expected rate of return on pension plan investments 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.



**CITY OF VERONA, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

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

Discount Rate - The discount rate used to measure the total pension liability was 7.75%. 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 of Verona's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following presents the City of Verona's proportionate share of the net pension liability using the discount rate of 7.75 percent, as well as what the City of Verona'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:

	Discount Rate	City of Verona's Proportionate Share of Net Pension Liability
1% Decrease	6.75%	\$ 2,116,533
Current Discount Rate	7.75%	1,650,673
1% Increase	8.75%	1,264,161

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

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**CITY OF VERONA, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE 8 - FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS**

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$5,254 more than cash revenues.

**NOTE 9 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 30, 2017, the date on which the financial statements were available to be issued.



REQUIRED SUPPLEMENTAL INFORMATION

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**CITY OF VERONA, MISSISSIPPI**  
**SCHEDULE OF THE CITY'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**For the year ended September 30, 2016**

	<u>2016</u>	<u>2015</u>
A. Verona's proportion of net pension liability (%)	0.0092%	0.0102%
B. Verona's proportionate share of net pension liability	\$ 1,650,673	\$ 1,577,956
C. Verona's covered employee payroll	\$ 586,420	\$ 606,110
D. Verona's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	281.48%	260.34%
E. Plan fiduciary net position as a percentage of total pension liability	57.47%	61.70%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.



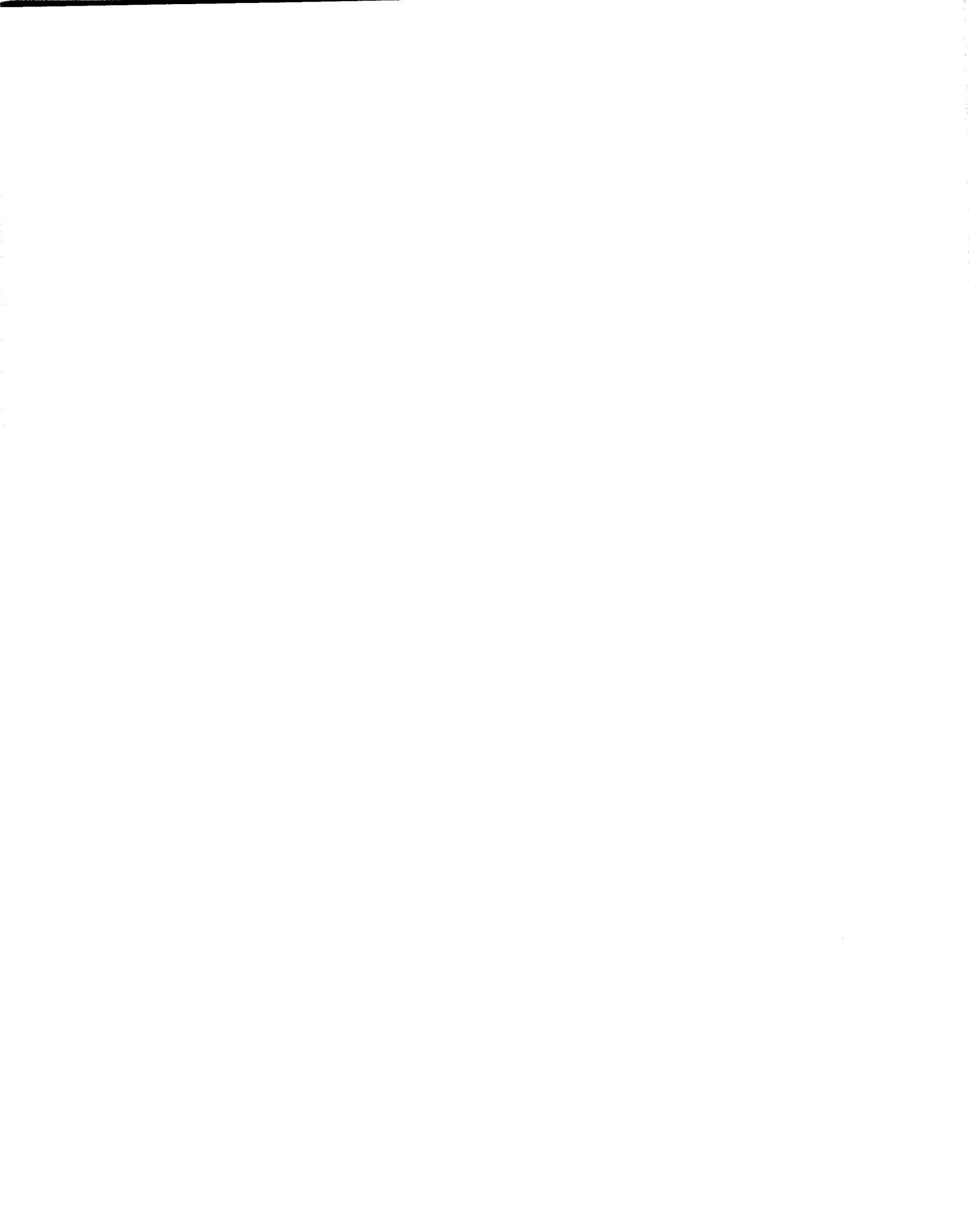
**CITY OF VERONA, MISSISSIPPI**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**For the year ended September 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. Statutorily required contributions	\$ 92,363	\$ 95,463	\$ 96,393
B. Contributions in relation to statutorily required contributions	\$ 92,363	\$ 95,463	\$ 96,393
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -
D. Verona's covered employee payroll	\$ 586,420	\$ 606,110	\$ 612,015
E. Contributions as a percentage of covered employee payroll	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

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**CITY OF VERONA, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended September 30, 2016**

Pension Schedules

(1) Changes in benefit provisions

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

(2) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively. In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

(3) The comparative information presented on the Schedule of the Department's Contributions does not include information for years prior to 2014 because GASB 68 was implemented in the 2015 fiscal year. Information for the 2014 year was included because it was necessary to record the prior period adjustment in the implementation of GASB 68.



FUND FINANCIAL STATEMENTS AND SCHEDULES



**CITY OF VERONA, MISSISSIPPI  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
September 30, 2016**

	Non-Major Capital Projects	Non-Major Special Revenue	Total Non-Major Governmental Funds
<b><u>ASSETS:</u></b>			
Cash on Deposit	\$ -	\$ 57,421	\$ 57,421
<b>TOTAL ASSETS</b>	<b>-</b>	<b>57,421</b>	<b>57,421</b>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>			
<b><u>LIABILITIES:</u></b>			
Accounts Payable and Accrued Expenses	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>FUND BALANCES:</u></b>			
Restricted for:			
Fire Rebate	-	52,973	52,973
Police/Narcotics	-	3,164	3,164
Energy Grant	-	1,284	1,284
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>57,421</b>	<b>57,421</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 57,421</b>	<b>\$ 57,421</b>





**CITY OF VERONA, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
For the year ended September 30, 2016

	Non-Major Capital Projects	Non-Major Special Revenue	Total Non-Major Governmental Funds
<b>REVENUES:</b>			
Grant Income	\$ 8,938	\$ 19,502	\$ 28,440
<b>TOTAL REVENUES</b>	<u>8,938</u>	<u>19,502</u>	<u>28,440</u>
<b>EXPENDITURES:</b>			
Current:			
Public Safety	-	3,955	3,955
Public Works	<u>9,952</u>	<u>-</u>	<u>9,952</u>
<b>TOTAL EXPENDITURES</b>	<u>9,952</u>	<u>3,955</u>	<u>13,907</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,014)</u>	<u>15,547</u>	<u>14,533</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers (to) from Other Funds	<u>1,014</u>	<u>1,392</u>	<u>2,406</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,014</u>	<u>1,392</u>	<u>2,406</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	16,939	16,939
<b>FUND BALANCES - Beginning</b>	<u>-</u>	<u>40,482</u>	<u>40,482</u>
<b>FUND BALANCES - Ending</b>	<u>\$ -</u>	<u>\$ 57,421</u>	<u>\$ 57,421</u>



**CITY OF VERONA, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**For the year ended September 30, 2016**

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>			
General Property Taxes	\$ 383,067	\$ 370,451	\$ (12,616)
Licenses and Permits	11,200	61,048	49,848
Sales and Use Taxes	235,800	231,373	(4,427)
Intergovernmental Revenues	70,505	67,212	(3,293)
Homestead Reimbursement	32,912	31,761	(1,151)
Fines and Forfeits	40,315	28,505	(11,810)
In Lieu of Taxes	21,925	14,419	(7,506)
Franchise Taxes	70,735	66,653	(4,082)
Charges for Services	20,898	20,501	(397)
Miscellaneous Revenues	9,300	8,443	(857)
Interest Income	250	1,185	935
Grant Income	10,000	17,499	7,499
<b>TOTAL REVENUES</b>	<u>906,907</u>	<u>919,050</u>	<u>12,143</u>
<b>EXPENDITURES:</b>			
<b>General Government</b>			
Personnel Services	76,814	75,410	1,404
Supplies	10,490	8,817	1,673
Other Services and Charges	48,657	46,022	2,635
Debt Service	-	-	-
Capital Outlay	-	-	-
<b>Total General Government</b>	<u>135,961</u>	<u>130,249</u>	<u>5,712</u>
<b>Public Safety</b>			
Personnel Services	548,216	530,500	17,716
Supplies	38,476	38,343	133
Other Services and Charges	69,957	67,756	2,201
Debt Service	16,864	32,126	(15,262)
Capital Outlay	35,664	35,594	70
<b>Total Public Safety</b>	<u>709,177</u>	<u>704,319</u>	<u>4,858</u>
<b>Public Works</b>			
Personnel Services	17,057	14,135	2,922
Supplies	38,744	37,818	926
Other Services and Charges	43,945	43,005	940
Capital Outlay	-	-	-
<b>Total Public Works</b>	<u>99,746</u>	<u>94,958</u>	<u>4,788</u>



**CITY OF VERONA, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued**  
**For the year ended September 30, 2016**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Cultural, Recreational and Cemetery			
Personnel Services	\$ 4,217	\$ 3,019	\$ 1,198
Supplies	13,855	4,511	9,344
Other Services and Charges	4,255	2,639	1,616
Capital Outlay	40,000	40,000	-
Total Cultural, Recreational and Cemetery	62,327	50,169	12,158
<b>TOTAL EXPENDITURES</b>	<b>1,007,211</b>	<b>979,695</b>	<b>27,516</b>
Excess (Deficit) Revenues Over (Under)			
Expenditures	(100,304)	(60,645)	39,659
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from Debt Issuance	-	-	-
Proceeds from Sale of Assets	35,000	5,201	(29,799)
Transfers (to) from Other Funds	217,000	15,994	(201,006)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>252,000</b>	<b>21,195</b>	<b>(230,805)</b>
Excess (Deficit) of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	151,696	(39,450)	(191,146)
Fund Balance - Beginning	115,664	115,664	-
Fund Balance - Ending	\$ 267,360	76,214	\$ (191,146)
Adjustments To GAAP Basis:			
Less: Accrued Revenue		5,254	
Fund Balance GAAP - Ending		\$ 81,468	





OTHER SUPPLEMENTAL INFORMATION



**CITY OF VERONA MISSISSIPPI  
SCHEDULE OF LONG TERM DEBT  
For the year ended September 30, 2016**

	BALANCE	TRANSACTIONS		BALANCE
	OUTSTANDING <u>October 1, 2015</u>	DURING FISCAL YEAR		OUTSTANDING <u>September 30, 2016</u>
		<u>ISSUED</u>	<u>REDEEMED</u>	
<b>Governmental Funds:</b>				
<u>Other Long Term Debt</u>				
Note Payable - Commercial Bank Interest Rate 3.29% Maturity 2017	\$ 32,140	\$ -	\$ 15,773	\$ 16,367
Note Payable - Commercial Bank Interest Rate 3.79% Maturity 2026	145,000	-	9,767	135,233
Total Governmental Funds	<u>177,140</u>	<u>-</u>	<u>25,540</u>	<u>151,600</u>
<b>Proprietary Fund:</b>				
<u>Other Long Term Debt</u>				
None for FY 2016	-	-	-	-
Total Proprietary Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Government-wide	<u>\$ 177,140</u>	<u>\$ -</u>	<u>\$ 25,540</u>	<u>\$ 151,600</u>



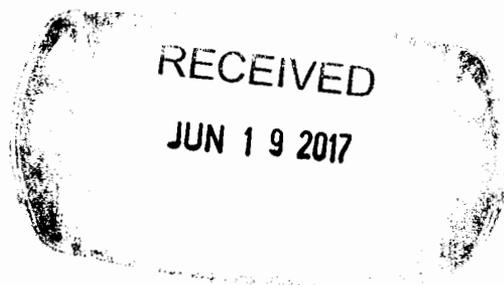
**CITY OF VERONA, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS**  
**September 30, 2016**

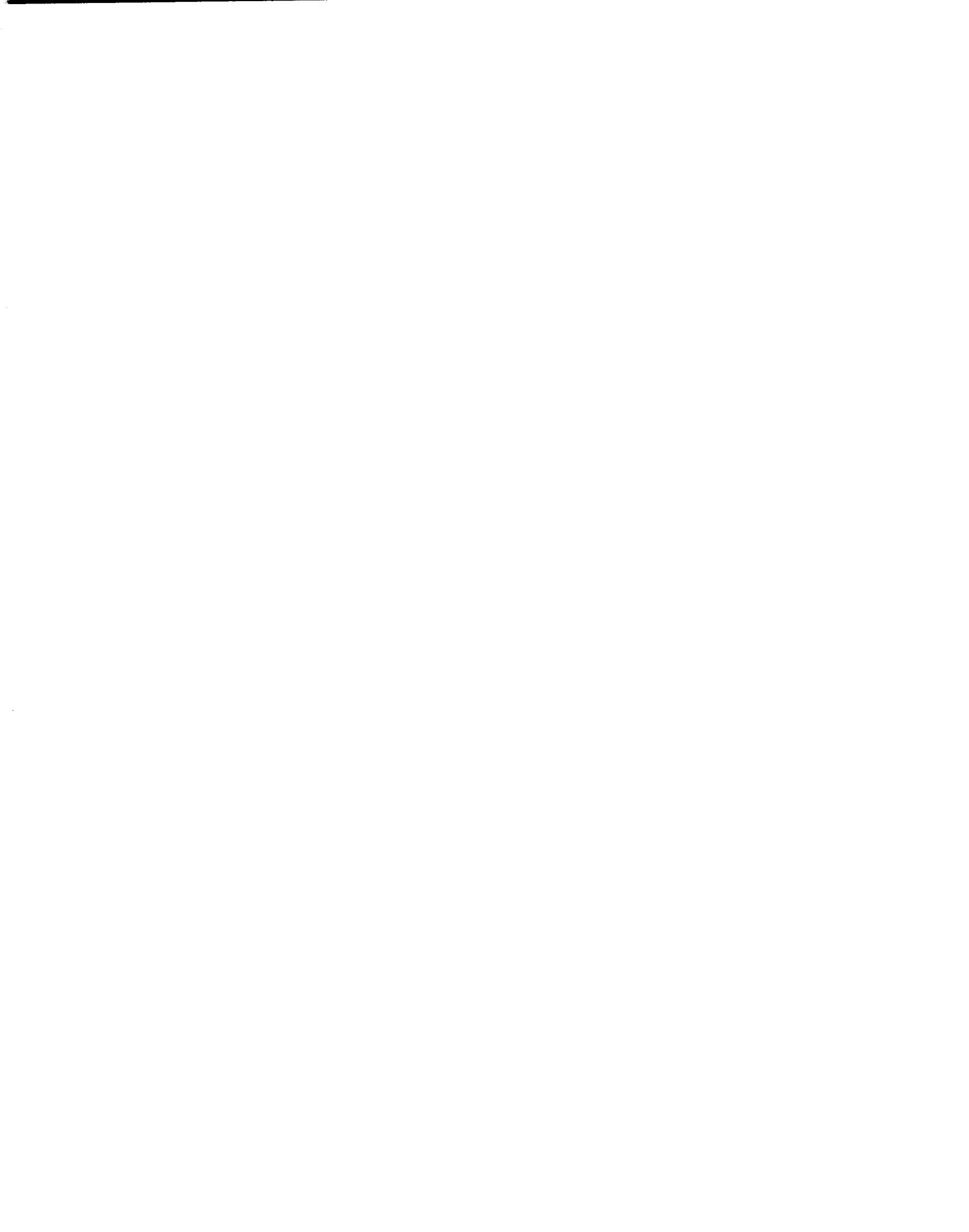
<b>NAME</b>	<b>POSITION</b>	<b>COMPANY</b>	<b>BOND</b>
Sonja Moore	City Clerk	Travelers	\$ 50,000
JB Long	Police Chief	Travelers	50,000
Robert Joseph Trice	Mayor	Travelers	50,000
Pamela Shumpert	Deputy Clerk	Travelers	50,000
Camille Lipsey	Water Clerk	Travelers	50,000
Pamela Shumpert	Court Clerk	Travelers	50,000
Eddie Tucker	Alderman	Travelers	50,000
Jessie Gilmore	Alderman	Travelers	50,000
Brenda Spurgon	Alderman	Travelers	50,000
Margaret Baker	Alderman	Travelers	50,000
Julian Riley	Alderman	Travelers	50,000
Paul Smith	Police Officer	Travelers	25,000
Jermamy Jackson	Police Officer	Travelers	25,000
Joshua Miller	Police Officer	Travelers	25,000
Johnny Patterson	Police Officer	Travelers	25,000
Stephanie Goree	Police Officer	Travelers	25,000
Jeffery Willard	Police Officer	Travelers	25,000
Jason Lessel	Police Officer	Travelers	25,000

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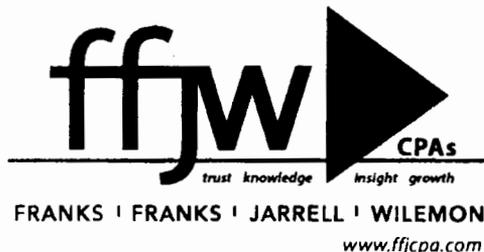
OTHER REPORTS





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Rudolph Franks, CPA (emeritus)

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

Honorable Mayor and Board of Aldermen  
City of Verona, 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 the City of Verona, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Verona, Mississippi's basic financial statements and have issued our report thereon dated March 30, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as findings no. 1, 2, 3 and 5.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Verona, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as findings no. 2, 3 and 4.

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

City of Verona, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Verona, 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.

*Franks, Franks, Jarrell & Wilemon, P.A.*

Franks, Franks, Jarrell & Wilemon, P.A.  
Tupelo, Mississippi  
March 30, 2017



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

To the Mayor and Board of Aldermen  
City of Verona, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Verona, Mississippi as of and for the year ended September 30, 2016, and have issued my report thereon dated March 30, 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*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed four material instances of noncompliance with state laws and regulations as reported in Findings No. 2, 3 and 4.

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

This report is intended for the information of the City of Verona's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Franks, Franks, Jarrell & Wilemon, P.A.*

FRANKS, FRANKS, JARRELL & WILEMON, P.A.  
Tupelo, Mississippi  
March 30, 2017



**CITY OF VERONA, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
September 30, 2016**

**FINANCIAL STATEMENT FINDINGS:**

**FINDING NO. 1 (material weakness)**

**Criteria:** The City is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records.

**Cause of Condition:** The City's internal control did not provide for adequate segregation of duties in relation to the collection, processing and administering of various revenue sources and the overall accounting system of the City. The City's size and number of personnel limit the opportunities for adequate segregation of duties.

**Recommendation:** The City should consider segregation of duties in all areas of the accounting system. The City should consider job descriptions for various employees. Due to the size and number of employees, optimal segregation of duties will be difficult; however, the City should strengthen segregation of duties in all areas possible.

**Response:** The City will analyze the accounting system and establish procedures that provide clear segregation of duties.

**FINDING NO. 2 (material weakness, noncompliance)**

**Criteria:** The City is to maintain adequate subsidiary records substantiating the existence, completeness, and valuation of fixed assets.

**Cause of Condition:** The City did not conduct an annual inventory observations of fixed assets pursuant to guidelines set forth by the Mississippi Office of the State Auditor. The City does not have a complete, compliant listing of fixed assets.

**Recommendation:** The City should conduct a year-end inventory of its fixed assets. The City has prepared a listing of assets owned by the City; however, it did not include all necessary information for each asset.

**Response:** The City will establish an inventory policy that will require a complete annual inventory of all fixed assets. All assets will be properly tagged and numbered and relevant information will be gathered on all assets and included on the master fixed asset listing.



**CITY OF VERONA, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**September 30, 2016**

**FINDING NO. 3 (material weakness, noncompliance)**

**Criteria:** The City is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. Mississippi Code Section 21-35-11, Miss. Code Ann. (1972) requires the City Clerk to open and keep the books and records of the accounting system. The City Clerk is responsible for the accounting records and at all times should assure that they are secure from loss, damage or alteration.

**Cause of Condition:** The City did not maintain adequate internal controls over its general ledger accounting functions. The City did not ensure that bank reconciliations were prepared timely and necessary adjustments were made to the City's general ledger. The City did not ensure that accurate budget to actual reports were prepared and presented to the Board on a monthly basis. The City did not ensure that revenues or expenses were properly recorded in the correct function of the government or the correct account classification for budget purposes. Numerous adjustments were necessary to correct various general ledger accounts to supporting documentation and subsidiary ledgers.

**Recommendation:** The City should implement adequate internal controls over all accounting functions sufficient to provide timely information to provide for management control and oversight.

**Response:** The City will take necessary steps to ensure that bank reconciliations are prepared on a monthly basis and necessary adjustments are posted timely. The City will review current methods for the posting of revenues and expenditures to correct revenue accounts and functional expense categories and ensure that all expenses are posted to accurate functional categories in the future.

**FINDING NO. 4 (noncompliance)**

**Criteria:** The City is required, by state statutes, to prepare a budget for all funds of the City. Section 21-35-5, Mississippi Code Ann. (1972), requires the City to adopt a budget where expenditures are defined to the minimum level prescribed by the State Auditor.

**Cause of Condition:** The City did not adopt a proposed budget where expenditures were defined to the minimum level prescribed by the State Auditor.

**Recommendation:** The City should adopt a proposed budget where the expenditures are at a minimum defined to the minimum level prescribed by the State Auditor.

**Response:** The City will review current methods of adopting budgets and ensure that budgets adopted in the future are done so with expenditures budgeted at least to the minimum level prescribed by the State Auditor.



**CITY OF VERONA, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
September 30, 2016**

**FINDING NO. 5 (material weakness)**

**Criteria:** The City is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records.

**Cause of Condition:** The City did not apply consistent and accurate rates to a customer of the water and sewer system of the City. We noted one instance of incorrect rates being applied to a sewer customer account.

**Recommendation:** The City should review the rates being charged to current customers to ensure proper rates.

**Response:** The City will review all rates to ensure that the correct rates are being charged for all customers. Procedures have been established to ensure that all collections are properly recorded and deposited to the proper account.

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