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**CITY OF WATER VALLEY, MISSISSIPPI**  
**SEPTEMBER 30, 2016**  
**FINANCIAL STATEMENTS**

**City of Water Valley, Mississippi**  
**Financial Statements**  
**For the Year Ended September 30, 2016**  
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Based on an Audit of Financial Statements Performed in accordance with Government  
Auditing Standards



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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Water Valley, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Water Valley, Mississippi, as of and for the year ended September 30, 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.

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Water Valley, Mississippi as of September 30, 2017, and the respective

changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

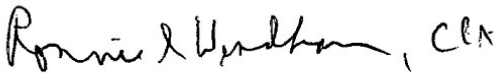
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2017, on our consideration of the City of Water Valley, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Water Valley, Mississippi's internal control over financial reporting and compliance.



Ronnie S. Windham, CPA, PLLC  
Oxford, MS  
September 20, 2017

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

Our discussion and analysis of the City of Water Valley's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2016. Readers should also review the basic financial statements and disclosures to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Water Valley exceeded its liabilities at the close of the most recent fiscal year by \$3,873,097 (net position). The net position decreased by \$1,064,327 or 27.48% percent under the previous year. The primary reason for the large decrease was the adoption of a new accounting standard (GASB 68) which relates to pensions.
- The City had \$3,436,123 in total revenues. Property tax revenues account for \$630,873 or 18.36% percent of total revenues. Sales taxes account for \$526,220 or 15.31% percent of total revenues. Charges for services account for \$1,393,071 or 40.54% percent of total revenues. The remainder of revenue is from federal and state grants, franchise taxes and other sources.
- The City had \$4,500,470 in total expenses which represents an increase of \$141,523 or 3.25% percent increase over the prior fiscal year. Expenses in the amounts of \$4,500,470 were offset by grants and charges for services. General revenues of \$2,042,812 were not adequate to provide for the remainder of the expenses.
- Among major funds, the General Fund had \$1,967,181 in revenues and \$2,108,633 in expenditures. The General Fund's fund balance decreased \$141,446 over the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Water Valley, Mississippi 's basic financial statements which are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements, presented on pages 13 through 14 are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

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

The government-wide financial statements distinguish functions of the City of Water Valley, Mississippi that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The government activities of the City include general government, public safety, public works, highways and streets, health and sanitation, shop department, education and recreation and economic and community development.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Water Valley maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Airport, and Industrial Special of which are considered to be Major Funds. All other funds are considered non-major and are presented in single column. The governmental fund financial statements are presented on pages 13 through 19.

The City of Water Valley adopts an annual budget. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds. The City maintains three types of proprietary Funds as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for water and sewer operations, and Solid Waste. The fund is financed primarily through user fees. The internal service fund accounts for the accumulation of amounts used to pay health insurance claims and life insurance premiums for City employees.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are presented on pages 19 through 22.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds are much like that used for proprietary funds. Its financial statement can be found on page 23.

**Notes to the financial statements.** The notes, presented on pages 25 through 42, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.



**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Water Valley's budgetary control on pages 44 through 47.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Water Valley, assets and deferred outflows exceeded liabilities and deferred inflows by \$3,873,097.

By far the largest portion of the City of Water Valley's net position, \$5,527,917 or 142.73% reflects its investment in capital assets (land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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 because the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the City's net position for the fiscal year ended September 30, 2016. GASB 68 was implemented in fiscal year 2016. Prior year amounts were not restated to reflect the implementation of GASB 68.

|   | City of Water Valley Net Position |                     |                      |                      |                    |                    |                        |                      |
|---|-----------------------------------|---------------------|----------------------|----------------------|--------------------|--------------------|------------------------|----------------------|
|   | 2016                              | 2015                | 2016                 | 2015                 | 2016               | 2015               | Increase<br>(Decrease) | Percentage<br>Change |
| <b>Assets:</b>                          | <b>Governmental</b>               | <b>Governmental</b> | <b>Business-type</b> | <b>Business-type</b> |                    |                    |                        |                      |
| Current and other assets                | Activities                        | Activities          | Activities           | Activities           | TOTAL              | TOTAL              |                        |                      |
| Capital Assets, Net                     |                                   |                     |                      |                      |                    |                    |                        |                      |
| Total Assets                            | 1,744,254                         | 1,835,970           | 773,634              | 632,874              | 2,517,888          | 2,468,844          | 49,044                 | 1.95%                |
|   | <u>2,731,057</u>                  | <u>3,099,069</u>    | <u>3,007,958</u>     | <u>3,433,206</u>     | <u>5,739,015</u>   | <u>6,532,275</u>   | <u>-793,260</u>        | <u>-13.82%</u>       |
|   | <u>4,475,311</u>                  | <u>4,935,039</u>    | <u>3,781,592</u>     | <u>4,066,080</u>     | <u>8,256,903</u>   | <u>9,001,119</u>   | <u>-744,216</u>        | <u>-9.01%</u>        |
| Deferred Outflows of Resources          |                                   |                     |                      |                      |                    |                    |                        |                      |
|   | <u>319,525</u>                    | <u>327,399</u>      | <u>-</u>             |                      | <u>319,525</u>     | <u>327,399</u>     | <u>-7,874</u>          | <u>-2.46%</u>        |
| <b>Liabilities:</b>                     |                                   |                     |                      |                      |                    |                    |                        |                      |
| Current and other liabilities Long-term |                                   |                     |                      |                      |                    |                    |                        |                      |
| liabilities:                            | 391,246                           | 356,968             | 59,545               | 102,621              | 450,791            | 459,589            | -8,798                 | -1.95%               |
| Due Within One Year                     | -                                 | -                   | -                    | -                    | -                  | -                  | -                      | -                    |
| Due in more than one year               | 56,333                            | 71,135              | 33,267               | 37,918               | 89,600             | 109,053            | -19,453                | -21.71%              |
| Net Pension Liability                   | 121,500                           | 179,600             | -                    | 30,610               | 121,500            | 210,210            | -88,710                | -73.01%              |
| Total Liabilities                       | <u>2,776,947</u>                  | <u>2,403,197</u>    | <u>694,236</u>       | <u>600,799</u>       | <u>3,471,183</u>   | <u>3,003,996</u>   | <u>467,187</u>         | <u>13.46%</u>        |
|   | <u>3,346,026</u>                  | <u>3,010,900</u>    | <u>787,048</u>       | <u>771,948</u>       | <u>4,133,074</u>   | <u>3,782,848</u>   | <u>350,226</u>         | <u>8.47%</u>         |
| Deferred Inflows of Resources           | <u>650,138</u>                    | <u>690,078</u>      | <u>-</u>             |                      | <u>650,138</u>     | <u>690,078</u>     | <u>-39,940</u>         | <u>-6.14%</u>        |
| <b>Net Position</b>                     | <b>2,553,224</b>                  | <b>2,848,334</b>    | <b>2,974,693</b>     |                      | <b>5,527,917</b>   | <b>5,740,293</b>   | <b>-212,376</b>        | <b>-3.84%</b>        |
| Invested in Capital Assets Net of       | -                                 | -                   | -                    | -                    | -                  | -                  | 0                      | 0.00%                |
| Debt Restricted: Debt Service           | 401,159                           | 481,653             | 110,926              | 2,891,959            | 512,085            |                    | -63,610                | -12.42%              |
| Capital Projects                        | -                                 | -                   | 27,022               |                      | 27,022             | 575,695            | 397                    | 1.47%                |
| Other Purposes                          | <u>(2,155,711)</u>                | <u>(1,768,527)</u>  | <u>(38,216)</u>      |                      | <u>(2,193,927)</u> | <u>26,625</u>      | <u>-788,757</u>        | <u>35.95%</u>        |
| Unrestricted                            | <u>798,672</u>                    | <u>1,561,460</u>    | <u>3,074,425</u>     | 94,042               | <u>3,873,097</u>   | <u>(1,405,170)</u> | <u>-1,064,346</u>      | <u>-27.48%</u>       |
| Total Net Position                      |                                   |                     |                      | 26,625               | <u>3,873,097</u>   | <u>4,937,443</u>   |                        |                      |
|   |                                   |                     |                      | <u>363,357</u>       |                    |                    |                        |                      |
|   |                                   |                     |                      | <u>3,375,983</u>     |                    |                    |                        |                      |

The City's total assets decreased \$752,090 during 2016 with business-type activities showing a decrease of \$284,488 and governmental activities showing a decrease of \$459,728. The decrease in business-type activities is attributed to depreciation of assets.

The City's total liabilities increased \$295,186. The implementation of new pension standards from GASB 68 and 71 increased debt by \$333,810. Payments on long-term debt of \$72,902 were made from governmental funds and \$33,267 from business-type activities fund.

The City's net position decreased \$333,810 as a result of the above mentioned items.

The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2016.

**City of Water Valley Changes in Net Position**

|                                    | Governmental Activities: |           | Business-Type Activities: |           | Total     | Total     | (Decrease) | Change    |            |          |
|------------------------------------|--------------------------|-----------|---------------------------|-----------|-----------|-----------|------------|-----------|------------|----------|
|                                    | \$                       | 68,766    | \$                        | 67,823    | 1,306,485 | 1,365,249 | 1,375,251  | 1,433,072 | (57,821)   | -4.03%   |
|                                    |                          | 0         |                           | 0         | 0         | 0         | 0          | 0         | 0          | 0.00%    |
|                                    |                          | 17,820    |                           | 50,260    | 0         | 0         | 17,820     | 50,260    | (32,440)   | -64.54%  |
|                                    |                          | 86,586    |                           | 118,083   | 1,306,485 | 1,365,249 | 1,393,071  | 1,483,332 | (90,261)   | -6.09%   |
|                                    |                          | 630,873   |                           | 631,540   |           |           | 630,873    | 631,540   | (667)      | -0.11%   |
|                                    |                          | 602,985   |                           | 634,903   |           |           | 602,985    | 634,903   | (31,918)   | -5.03%   |
|                                    |                          | 82,956    |                           | 83,876    |           |           | 82,956     | 83,876    | (920)      | -1.10%   |
|                                    |                          | 600,383   |                           | 631,558   |           |           | 600,383    | 631,558   | (31,175)   | -4.94%   |
|                                    |                          | 125,040   |                           | 97,453    | 815       | 1,402     | 125,855    | 98,855    | 27,000     | 27.31%   |
|                                    |                          | 160,132   |                           | 233,534   | 865,700   | 905,515   | 1,025,832  | 1,139,049 | (113,217)  | -9.94%   |
|                                    |                          | 2,202,369 |                           | 2,312,864 | 866,515   | 906,917   | 3,068,884  | 3,219,781 | (150,897)  | -4.69%   |
|                                    | \$                       | 2,288,955 | \$                        | 2,430,947 | 2,173,000 | 2,272,166 | 4,461,955  | 4,703,113 | (241,158)  | -5.13%   |
|                                    |                          | 565,274   |                           | 602,453   |           |           | 565,274    | 602,453   | (37,179)   | -6.17%   |
|                                    |                          | 787,656   |                           | 752,949   |           |           | 787,656    | 752,949   | 34,707     | 4.61%    |
|                                    |                          | 470,403   |                           | 436,691   |           |           | 470,403    | 436,691   | 33,712     | 7.72%    |
|                                    |                          | 871,961   |                           | 669,836   |           |           | 871,961    | 669,836   | 202,125    | 30.18%   |
|                                    |                          | 276,317   |                           | 286,876   |           |           | 276,317    | 286,876   | (10,559)   | -3.68%   |
|                                    |                          | 0         |                           | 3,581     |           |           | 0          | 3,581     | (3,581)    | -100.00% |
|                                    |                          | 0         |                           | 0         | 1,246,366 | 1,334,829 | 1,246,366  | 1,334,829 | (88,463)   | -6.63%   |
|                                    |                          | 0         |                           | 0         | 282,493   | 271,732   | 282,493    | 271,732   | 10,761     | 3.96%    |
|                                    |                          | 80,132    |                           | 89,332    | 945,700   | 1,049,718 | 1,025,832  | 1,139,050 | (113,218)  | -9.94%   |
|                                    |                          | 3,051,743 |                           | 2,841,718 | 2,474,559 | 2,656,279 | 5,526,302  | 5,497,997 | 28,305     | 0.51%    |
| 2016                               |                          | 2015      |                           | 2016      | 2015      | 2016      | 2015       | Increase  | Percentage |          |
| Governmental Activities:           |                          |           |                           |           |           |           |            |           |            |          |
| Revenues:                          |                          |           |                           |           |           |           |            |           |            |          |
| Program Revenues:                  |                          |           |                           |           |           |           |            |           |            |          |
| Charges for services               |                          |           |                           |           |           |           |            |           |            |          |
| Operating grants and contributions |                          |           |                           |           |           |           |            |           |            |          |
| Capital Grant and contributions    |                          |           |                           |           |           |           |            |           |            |          |
| Property taxes                     |                          |           |                           |           |           |           |            |           |            |          |
| Other taxes and licenses           |                          |           |                           |           |           |           |            |           |            |          |
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|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
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|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |
|                                    |                          |           |                           |           |           |           |            |           |            |          |

Fines and forfeitures  
Intergovernmental  
Investment and other revenues

Transfers in

Total General Revenues

Total Revenues

Program Expenses:

General government

Public Safety

Fire

Streets

Parks

Interest and fiscal charges

Water and Sewer

Solid Waste

Transfers out

Total Program Expenses

Increase (Decrease) in Net Position \$ (762,788) \$ (410,771) (301,559) (384,113) (1,064,347) (794,884) (269,463) 33.90%

The City's governmental activities continue to be funded by sources other than property taxes, which comprise 18.36% of the total revenues. The other major revenue sources were sales taxes 15.31%, charges for services 40.54%, and grants and contributions 0.52%. The major expense activities were public safety 26.51%, General Government 19.02%, Fire 15.83%, and Streets 29.34%. The City remains totally committed to providing the services our residents expect and need.

Business-type activities are accounted for similar to businesses and are primarily supported by user fees. The City makes every effort to keep these fees as low as possible.

## FUND FINANCIAL ANALYSIS

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

**Governmental funds.** The focus of governmental fund reporting 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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the year ended, the City's governmental funds reported a combined fund balance of \$798,672 which is \$762,788 below last year's total of \$1,561,460 due to GASB 68 Pension Liability. Total revenues were down \$68,590 and total expenditures were up \$219,225.

Governmental funds meeting the requirements for being reported as major funds include the General Fund, Airport and Industrial Special Grant Fund. Remaining governmental funds were combined and reported as non-major governmental funds.

**Business-type funds.** Revenue from the Solid Waste, Water and Sewer Fund decreased 4.30% percent to \$1,306,485 and expenses decreased 4.83% percent to \$1,528,859.

## Major Fund Budgeting Highlights

The City's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. One of the most significant budgeted funds is the General Fund.

During the course of 2016, the City did not amend its general fund budget. All recommendations for budget changes come from the Chief Administrative Officer and are presented to the whole Mayor and City Council for ordinance enactment on the change. The City does not allow budget changes that modify line items within departments without board approval. With the general fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2016, the City had \$5,739,017 invested in a broad range of capital assets, including police and fire equipment, buildings, park and recreation facilities, streets, bridges, and water and sewer lines. This amount represents a net decrease (including additions and deductions) of approximately \$793,260 or 12.14% percent over the prior year.

#### City of Water Valley Capital Assets

|                                   | Governmental Activities: |              | Business-type Activities: |              |              |              | (Decrease)   | Change     |
|-----------------------------------|--------------------------|--------------|---------------------------|--------------|--------------|--------------|--------------|------------|
|                                   | \$                       | \$           |                           |              | Totals       | Totals       | \$           |            |
| Land                              | -                        | -            | 0                         | 0            |              |              | (47,589)     | 0.00%      |
| Buildings                         | 653,685                  | 701,274      | 0                         | 0            |              |              |              | -          |
| Improvements other than buildings | 0                        | 0            | 0                         | 0            | 653,685      | 701,274      |              | 6.79%      |
| Machinery and equipment           | 223,452                  | 266,619      | 876,675                   | 975,717      | -            | -            | (142,209)    | 0.00%      |
| Infrastructure                    | 1,837,121                | 2,096,241    | 0                         | 0            | 1,100,127    | 1,242,336    |              | 11.45%     |
| Construction in progress          | 0                        | 0            | 0                         | 0            | 1,837,121    | 2,096,241    | (259,120)    | -          |
| Water and Sewer system            | 0                        |              | 2,121,395                 | 2,443,480    | -            | -            |              | 12.36%     |
| Vehicles                          | 16,800                   | 34,936       | 9,889                     | 14,010       |              |              |              | 0.00%      |
| Construction in progress          | 0                        | 0            | 0                         | 0            | 2,121,395    | 2,443,480    | (322,085)    | 13.18%     |
|                                   |                          |              |                           |              | 26,689       | 48,946       | (22,257)     | 45.47%     |
|                                   |                          |              |                           |              | -            | -            |              | 0.00%      |
|                                   | 2016                     | 2015         | 2016                      | 2015         | 2016         | 2015         | Increase     | Percentage |
| Total Governmental Activities     | \$ 2,731,058             | \$ 3,099,070 | \$ 3,007,959              | \$ 3,433,207 | \$ 5,739,017 | \$ 6,532,277 | \$ (793,260) | -12.14%    |

The City of Water Valley continues to provide for the growth and stability of its citizenry through various construction and rehabilitation projects. The following highlights summarize the major project for the fiscal year of 2015-2016

- The airport project continued with expenditures of \$30,854 during the year. The project is fund under an FAA federal grant providing 90% of construction costs. An additional 5% of funding is being provided by the State of Mississippi from the Mississippi Department of Transportation matching grant.

## Long-term Debt

At year-end, the City had \$211,100 in leases outstanding compared to \$319,263 last year, a decrease of \$108,163. Of the total debt outstanding \$211,100 is backed by the full faith and credit of the City with debt service funded by voter-approved property taxes.

The City has assets under capital lease obligations consisting of Police Cars and Street Equipment.

The following table illustrates the total Long-term Debt of the City of Water Valley as of September 30, 2016:

| <b>City of Water Valley Long-Term Obligations at Year End</b> |              |         |               |            |            |            |              |            |
|---|--------------|---------|---------------|------------|------------|------------|--------------|------------|
|   | 2016         | 2015    | 2016          | 2015       | 2016       | 2015       | Increase     | Percentage |
| Governmental Activities:                                      | Governmental |         | Business-type | Activities | Totals     | Totals     | (Decrease)   | Change     |
| General obligations bond                                      | Activities:  |         |               | \$         | -          |            | \$           | \$ 0.00%   |
| Revenue bonds   | \$ -         |         | \$ 0          | 0          | -          |            | -            | - 0.00%    |
| Loans and Capital Leases                                      | -            |         | 33,267        | 68,528     | 211,100    |            | (            | -51.24%    |
|   |              |         | 4,005         | 5,612      | 39,000     | 319,263    | 108,163)     | -4.12%     |
| Compensated absences  | -            |         |               |            |            | 40,607     |              |            |
|   | 177,833      | 250,735 |               |            |            |            | (1,607)      |            |
|   | 34,995       | 34,995  |               |            |            |            |              |            |
| <hr/>   |              |         |               |            |            |            |              |            |
| Total Governmental Activities                                 | 212,828      | 285,730 | 37,272        | 74,140     | \$ 250,100 | \$ 359,870 | \$ (109,770) | -55.36%    |

Not included above but reported as long-term debt in the financial statements is the accumulated employee leave time that would be paid as employees take leave or retire. Under GAAP reporting, this liability must be reported as compensated absence at year-end, due to contract language to the effect that the employee has "earned" this compensation.

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

The City's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget, tax rates, and fees that will be charged for the business-type activities. The total property tax millage rate of 37.0 mills is expected for the following year.

## Contacting the City's Finance Department

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional information, contact City Clerk, Vivian Snider at (662) 473-2431 at P. O. Box 888, Water Valley, MS 38965.

## **BASIC FINANCIAL STATEMENTS**

Primary Government

|  | Governmental<br>Activities | Business-type<br>Activities | Total       |
|--|----------------------------|-----------------------------|-------------|
| <b>ASSETS AND OTHER DEBITS</b>                                   |                            |                             |             |
| Cash and cash equivalents  |                            | 229,441                     | 1,101,928   |
|  | 872,487                    | 111,407                     | 963,274     |
| Receivables, net of allowance for uncollectibles                 | 851,867                    | 294,838                     | 314,738     |
| Due from other funds   | 19,900                     | 0                           | 0           |
| Restricted Assets  | 0                          | 110,926                     | 110,926     |
| Cash Bond Reserves   | 0                          | 27,022                      | 27,022      |
| Customer deposits  | 0 2,731,057                | 3,007,958                   | 5,739,015   |
|  | 4,475,311                  | 3,781,592                   | 8,256,903   |
| Capital assets, net  |                            |                             |             |
| Total Assets   | 319,525                    | 79,881                      | 399,406     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                            |                            |                             |             |
| Deferred Outflows Related to Pensionas                           |                            |                             | 34,584      |
|  |                            | 24,192                      | 66,933      |
|  | 10,392                     | 10,048                      | 290,112     |
| <b>LIABILITIES AND OTHER CREDITS</b>                             | 56,885                     | 76                          | 21,225      |
| Accounts Payable   | 290,036                    | 21,225                      | 37,937      |
| Other payables   | 0 33,933                   | 4,004                       | 89,600      |
|  | 56,333                     | 33,267                      | 0           |
|  |                            | 0                           | 3,471,183   |
| Due to other Funds   | 2,776,947 121,500          | 694,236 0                   | 121,500     |
| Customer deposits  | 3,346,026                  | 787,048                     | 4,133,074   |
| Compensated absences   |                            |                             |             |
| Capital related debt due within one year Noncurrent liabilities: |                            |                             |             |
|  | 650,138                    |                             | 650,138     |
| Net Pension Liability  |                            |                             |             |
| Capital related debt due in more than one year                   | 2,553,224                  | 2,974,693                   | 5,527,917   |
| Total Liabilities  |                            |                             |             |
| Noncurrent liabilities:  | 401,159                    | 110,926                     | 512,085     |
|  | 0                          | 27,022                      | 27,022      |
|  |                            |                             | 0           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                             | (2,155,711)                | (38,216)                    | (2,193,927) |
| Property Tax for Future Reporting Period                         | 798,672                    | 3,074,425                   | 3,873,097   |
| <b>NET POSITION</b>  | 4,794,836                  | 3,861,473                   | 8,656,309   |
| Invested in capital assets, net of related debt                  |                            |                             |             |
| Restricted for:  |                            |                             |             |
| Capital Projects   |                            |                             |             |
| Other Purposes   |                            |                             |             |



Restricted for debt covenants

Unrestricted

Total Net Position

Total Liabilities and Net Position

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

**CITY OF WATER VALLEY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| Functions/Programs                             | Program Revenues |                      |                                    | Net (Expense) Revenue and Changes in Net Position |                         |                          | Total       |
|--|------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|-------------|
|  | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                  | Governmental Activities | Business-type Activities |             |
|  |                  |                      | 0                                  | 17,820  |                         |                          |             |
| Governmental activities:                       |                  | 68,766               |                                    |   |                         |                          |             |
|  | 565,274          | 0                    |                                    |   |                         |                          | 478,688     |
| General government                             | 782,409          |                      |                                    |   | 478,688                 |                          | 782,409     |
|  | 470,403          |                      |                                    |   | 782,409                 |                          | 470,403     |
| Public safety                                  | 871,961          | 0                    |                                    |   | 470,403                 |                          | 871,961     |
|  | 276,317          | 0                    |                                    |   | 871,961                 |                          | 276,317     |
|  | 5,247            |                      |                                    |   | 276,317                 | 5,247                    | 5,247       |
| Fire   | 2,971,611        | 68,766               | 0                                  | 17,820  | 2,885,025               | 0                        | 2,885,025   |
| Streets  |                  |                      |                                    |   |                         |                          |             |
| Parks and recreation                           |                  |                      |                                    |   |                         |                          |             |
| Interest on long-term debt                     | 1,246,366        |                      |                                    |   |                         | (302,668)                | 302,668     |
| Total governmental activities                  | 282,493          | 943,698              | 362,787                            | 0   | 0                       | 80,294                   | (80,294)    |
|  | 1,528,859        | 1,306,485            | 0                                  | 0   | 0                       | (222,374)                | 222,374     |
| Business-type activities:                      | 4,500,470        | 1,375,251            | 0                                  | 17,820  | 2,885,025               | (222,374)                | 3,107,399   |
| Water and Sewer                                |                  |                      |                                    |   |                         |                          |             |
| Sanitation                                     |                  |                      |                                    |   |                         |                          |             |
| Total business-type activities                 |                  |                      |                                    |   |                         |                          |             |
| Total  |                  |                      |                                    |   |                         |                          |             |
| General revenues:                              |                  |                      |                                    |   |                         |                          |             |
| Taxes:   |                  |                      |                                    |   |                         |                          | 630,873     |
| Taxes levied for general purpose               |                  |                      |                                    |   | 630,873                 |                          | 526,220     |
| Sales taxes and gas taxes                      |                  |                      |                                    |   | 526,220                 |                          | 76,765      |
| Franchise taxes and licenses                   |                  |                      |                                    |   | 76,765                  | 82,956                   | 82,956      |
| Fines and Forfeitures                          |                  |                      |                                    |   | 65,117                  |                          | 65,117      |
| Grants and contributions not restricted to spe |                  |                      |                                    |   | 535,266                 |                          | 535,266     |
| Homestead Exemption Reimbursement              |                  |                      |                                    |   | 4,970                   | 815                      | 5,785       |
| Other Intergovernmental revenues and grants    |                  |                      |                                    |   | 120,070                 |                          | 120,070     |
| Investment Earnings                            |                  |                      |                                    |   | 160,132                 | 865,700                  | 1,025,832   |
| Miscellaneous                                  |                  |                      |                                    |   | (80,132)                | (945,700)                | (1,025,832) |
| Transfers in                                   |                  |                      |                                    |   | 2,122,237               | (79,185)                 | 2,043,052   |
| Transfers out                                  |                  |                      |                                    |   | (762,788)               | (301,559)                | (1,064,347) |
| Total General Revenues and Transfers           |                  |                      |                                    |   | 1,561,460               | 3,375,983                | 4,937,443   |
| Change in net position                         |                  |                      |                                    |   | 798,672                 | 3,074,424                | 3,873,096   |
| Net position- beginning                        |                  |                      |                                    |   |                         |                          |             |
| Net position- ending                           |                  |                      |                                    |   |                         |                          |             |

**CITY OF WATER VALLEY    BALANCE SHEET- GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

|              |         |         | Other<br>Industrial | Total<br>Governmental |
|--------------|---------|---------|---------------------|-----------------------|
| General Fund | Airport | Special | Funds               | Funds                 |
| 358,138      | 315     | 401,138 | 112,875             | 872,466               |
| 604,213      | 0       | 0       | 45,925              | 650,138               |
| 240,110      | 0       | 0       |                     | 240,110               |
| (129,613)    |         |         |                     | (129,613)             |
| 91,232       |         |         |                     | 91,232                |
| 7,142        | 0       | 0       | 12,758              | 19,900                |
| 1,171,222    | 315     | 401,138 | 171,558             | 1,744,233             |
| 10,100       | 0       | 0       | 292                 | 10,392                |
| 53,506       | 0       | 0       | 2,318               | 55,824                |
| 290,035      |         |         | 1                   | 290,036               |
| 33,933       |         |         | 1,061               | 34,994                |

|                              |         |   |   |       |         |
|------------------------------|---------|---|---|-------|---------|
| ASSETS AND OTHER DEBITS      | 387,574 | 0 | 0 | 3,672 | 391,246 |
| Cash and cash equivalents    |         |   |   |       |         |
| Taxes Receivable             |         |   |   |       |         |
| Fines Receivable             |         |   |   |       |         |
| allowance for uncollectibles |         |   |   |       |         |
| Due from other governments   |         |   |   |       |         |
| Due from other funds         |         |   |   |       |         |

Total Assets and Other Debits

#### LIABILITIES AND OTHER CREDITS

Accounts Payable

Other Payables

Due to Other Funds

Accrued Leave

Total Liabilities

#### DEFERRED INFLOWS OF RESOURCES

|                                 |         |  |  |        |         |
|---------------------------------|---------|--|--|--------|---------|
| Deferred Inflows-Property Taxes | 604,213 |  |  | 45,925 | 650,138 |
|---------------------------------|---------|--|--|--------|---------|

#### FUND BALANCES

Restricted

Unassigned: 0

General fund 179,435 179,435

Capital projects funds 315 401,138 121,961 523,414

Total fund balances 179,435 315 401,138 121,961 702,849

Total Liabilities, Deferred Inflows and 1,171,222 315 401,138 171,558 1,744,233

Fund Balances

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

# CITY OF WATER VALLEY

## RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

Total Fund Balance- Governmental Funds \$ 702,849

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the government funds

2,731,057

Long-term liabilities, including bonds payable are not due and  
payable in the current period and, therefore, are not  
reported in the  
funds.

(177,812)

Net pension obligations are not due in the current period

(2,776,947)

Deferred outflows and inflows of pension resources are not applicable to  
the current period

319,525 *The notes to  
the*

798,672 *financial*

Total Net Position-Governmental Activities

\$

*statements are an integral part of this statement*

**CITY OF WATER VALLEY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES-GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
**Major Funds**

---

|              |         |                       |                          |                                |
|--------------|---------|-----------------------|--------------------------|--------------------------------|
| General Fund | Airport | Industrial<br>Special | Total Non-Major<br>Funds | Total<br>Governmental<br>Funds |
|--------------|---------|-----------------------|--------------------------|--------------------------------|

|   |           |        |          |          |           |
|---|-----------|--------|----------|----------|-----------|
| REVENUES:                                 |           |        |          |          |           |
| Property taxes                            | 588,582   |        |          | 42,291   | 630,873   |
| Sales and Gas Tax                         | 526,220   |        |          |          | 526,220   |
|   | 572,134   |        |          | 6,495    | 578,629   |
| Unrestricted intergovernmental            | 0         | 17,820 |          | 21,755   | 39,575    |
|   | 19,067    |        | 47,400   | 0        | 66,467    |
| Grants                                    | 76,765    |        |          |          | 76,765    |
| Charge for services                       | 82,955    |        |          |          | 82,955    |
| Franchise Tax and Permits                 | 101,464   | 1,986  | 2,026    | 21,846   | 127,322   |
| Fines                                     | 1,967,187 | 19,806 | 49,426   | 92,387   | 2,128,806 |
| Miscellaneous                             |           |        |          |          |           |
| TOTAL REVENUES                            | 368,279   |        |          | 61,787   | 430,066   |
|   | 631,137   |        |          | 4,995    | 636,132   |
| EXPENDITURES                              | 301,726   |        |          | 20,234   | 321,960   |
| General governmental                      | 567,405   |        |          | 0        | 567,405   |
|   | 194,984   |        |          | 17,568   | 212,552   |
| Public safety                             | 17,669    | 19,800 |          | 11,148   | 48,617    |
| Fire                                      |           |        |          |          | 0         |
| Streets                                   | 72,902    |        |          | 0        | 72,902    |
| Parks and recreation                      | 5,247     |        |          | 0        | 5,247     |
| Capital Outlay                            |           | 0      |          |          | 0         |
|   | 2,159,349 | 19,800 | 0        | 115,732  | 2,294,881 |
| Debt services                             |           |        |          |          |           |
| Principal                                 |           |        |          |          |           |
| Interest                                  | (192,162) | 6      | 49,426   | (23,345) | (166,075) |
| Other                                     | 100,000   | 0      |          | 60,132   | 160,132   |
| TOTAL EXPENDITURES                        | 0         |        | (50,000) | (30,132) | (80,132)  |
| Excess (deficiency) of revenues           | 0         |        |          | 0        | 0         |
|   | 0         |        |          |          | 0         |
| over expenditures                         | 100,000   | 0      | (50,000) | 30,000   | 80,000    |
| Other financing sources (uses):           |           |        |          |          |           |
| Transfers in                              |           |        |          |          |           |
| Transfers out                             |           |        |          |          |           |
| Proceeds from debt                        |           |        |          |          |           |
| Sales of Capital Assets                   |           |        |          |          |           |
| Total other financing sources (uses):     |           |        |          |          |           |
| Excess (deficiency) of revenues and other |           |        |          |          |           |
| sources over expenditures and other u     | (92,162)  | 6      | (574)    | 6,655    | (85,501)  |

|                            |         |     |         |         |         |
|----------------------------|---------|-----|---------|---------|---------|
| Fund Balances - Beginning, | 271,597 | 309 | 401,712 | 115,306 | 788,924 |
| <hr/>                      |         |     |         |         |         |
| Fund Balances - Ending     | 179,435 | 315 | 401,138 | 121,961 | 702,849 |
| <hr/>                      |         |     |         |         |         |

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

**CITY OF WATER VALLEY      RECONCILIATION OF THE GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND      BALANCES TO  
THE STATEMENT OF ACTIVITIES      FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

Net change in fund balances- total government funds

\$ (85,501)

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

(367,712)

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

0

exceeds the gain on the sale of assets.

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces

72,902 0  
0

long-term liabilities in the Statement of Net Position. This is the amount that debt proceeds exceeded debt payments in the current period.

proceeds of debt

repayment of principal

(378,000)

Items reported in the Statement of Activities relating to the implementation of GASB

68 are not reported in the governmental funds. These activities include:

(4,477)

Recognition of pension expense for the current year less contributions made after the measurement date

0

0

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

Some expenses reported in the Statement of Activities do not require the use of

current financial resources and, therefore, are not reported as expenditures in governmental funds

This is the amount of decrease in compensated absences.

Change in Net Position of Governmental Activities

\$ (762,788)

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



| Water and<br>Sewer Fund<br>Current | Solid Waste<br>Fund<br>Current | Totals<br>Current Year |
|------------------------------------|--------------------------------|------------------------|
| 218,864                            | 10,577                         | 229,441                |
| 81,012                             | 30,395                         | 111,407 0              |
| 7,987                              | 286,851                        | 294,838                |
| 0                                  |                                | 0                      |
|                                    |                                | 0                      |
|                                    |                                | 0                      |
| 110,926                            |                                | 110,926                |
| 27,022                             |                                | 27,022                 |
| 2,969,800                          | 38,158                         | 3,007,958 0            |
| <u>3,415,611</u>                   | <u>365,981</u>                 | <u>3,781,592</u>       |
| 63,905                             | 15,976                         | 79,881                 |
| 24,192                             | 0                              | 24,192                 |
| 77                                 |                                | 77                     |
| 7,051                              | 2,997                          | 10,048                 |
| 21,225                             |                                | 21,225                 |
| 0                                  | 0                              | 0                      |
| 3,026                              | 979                            | 4,005                  |
| 2,657                              | 30,610                         | 33,267                 |
| 555,388                            | 138,847                        | 694,235                |
| 0                                  | 0                              | 0                      |
| <u>613,616</u>                     | <u>173,433</u>                 | <u>787,049</u>         |
| 2,967,143                          | 7,548                          | 2,974,691              |
| 21,225                             |                                | 21,225                 |
| (122,468)                          | 200,976                        | 78,508                 |
| <u>2,865,900</u>                   | <u>208,524</u>                 | <u>3,074,424</u>       |

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

|  |           |         | <b>2016</b> |
|--|-----------|---------|-------------|
|  | 3,479,516 | 381,957 | 3,861,473   |

**ASSETS**

Cash and cash equivalents  
     Customer receivables, net of allowance  
 Unbilled Income  
     Due from other funds  
 Other receivables  
 Inventory, at cost

**Prepays**

Restricted Assets  
     Cash Bond Reserves

    Customer deposits  
 Capital assets, net  
     Capitalized interest and bond costs (net)  
 Total Assets

**DEFERRED OUTFLOWS of RESOURCES**

Deferred Outflows Related to Pensions

**LIABILITIES**

Accounts Payable  
 Due to other funds  
  
 Other payable  
 Customer deposits  
     Employer Contribution Payable

Compensated absences

Capital related debt due within one year      Noncurrent liabilities:

    Net Pension liability  
     Capital related debt due in more than one year  
 Total Liabilities

NET POSITION

Invested in capital assets, net of related debt

Restricted

Unrestricted

Total Net Position

Total Liabilities and Net Position

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

**CITY OF WATER VALLEY**

**STATEMENT OF REVENUES, EXPENSES AND**

**CHANGES IN FUND NET POSITION   PROPRIETARY FUND   FOR  
YEAR ENDED SEPTEMBER 30, 2016**

|                            | Water and<br>Sewer Fund<br>Current | Solid Waste<br>Fund Current<br>Year | Totals Current<br>Year |
|----------------------------|------------------------------------|-------------------------------------|------------------------|
| Operating revenues:        | 556,815                            | 362,789                             | 919,604                |
| Charges for services       | 1,859                              |                                     | 1,859                  |
| Tap fees                   | 2,500                              |                                     | 2,500                  |
| Other Operating Revenues   | 381,743                            |                                     | 381,743                |
| Sewer treatment charges    | 942,917                            | 362,789                             | 1,305,706              |
| Operating expenses:        | 327,743                            | 92,023                              | 419,766                |
|                            | 217,812                            | 33,881                              | 251,693                |
| Personnel services         | 222,228                            | 112,592                             | 334,820                |
| Supplies and material      | 76,995                             | 19,001                              | 95,996                 |
| Other services and charges | 401,480                            | 23,768                              | 425,248                |
| Capital repairs            |                                    |                                     |                        |
| Depreciation               |                                    |                                     |                        |
|                            | 1,246,258                          | 281,265                             | 1,527,523              |
| Total operating expenses   | (303,341)                          | 81,524                              | (221,817)              |
| Operating income (loss)    | 0                                  |                                     | 0                      |
| Other sources (uses)       | (1,524)                            | (70)                                | (1,594)                |
| Intergovernmental          | 107                                | 1,229                               | 1,336                  |
| Investment earnings        | (865,700)                          | 0                                   | (865,700)              |
|                            | 945,700                            | 0                                   | 945,700                |
| Interest expense           | 78,583                             | 1,159                               | 79,742                 |
| Operating transfers in     |                                    |                                     |                        |
| Operating transfers out    | (381,924)                          | 80,365                              | (301,559)              |
|                            | 3,247,824                          | 128,159                             | 3,375,983              |
| Change in net position     | 2,865,900                          | 208,524                             | 3,074,424              |

Total net position - beginning

Total net position - ending

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

**CITY OF WATER VALLEY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR YEAR ENDED SEPTEMBER 30, 2016**

Water and Solid Waste

|  | Sewer Fund | Fund      | Totals      |
|--|------------|-----------|-------------|
| Cash flow from operating activities:                     |            |           |             |
| Cash received from customers (excluding deposit)         | 910,528    | 362,773   | 1,273,301   |
| Cash paid to suppliers                                   | (509,985)  | (196,705) | (706,690)   |
|  | (266,444)  | (80,265)  | (346,709)   |
| Cash paid to employees                                   | 134,099    | 85,803    | 219,902     |
| Net cash provided (used) by operating activities         |            |           |             |
|  | (945,700)  | (54,572)  | (1,000,272) |
| Cash flow from non-capital financing activities:         | 865,700    | 0         | 865,700     |
| Operating transfers out                                  | (80,000)   | (54,572)  | (134,572)   |
| Operating transfers in                                   |            |           |             |
| Net cash provided by non-                                |            |           |             |
| capital financing activities                             | 0          |           | 0           |
| Cash flow from capital and related financing activities: | 0          | 0         | 0           |
| Grants Received  | (5,259)    | (30,002)  | (35,261)    |
|  | (107)      | (1,229)   | (1,336)     |
| Loans made   | (5,366)    | (31,231)  | (36,597)    |
| Principal paid on notes                                  |            |           |             |
| Interest paid  |            |           |             |
| Net cash provided (used) by capital and related          | 0          | 0         | 0           |
| financing activities                                     | 1,524      | 70        | 1,594       |
|  | 1,524      | 70        | 1,594       |
| Cash flow from investing activities:                     |            |           |             |
| Purchase of fixed assets                                 | 50,257     | 70        | 50,327      |
|  | 306,555    | 10,507    | 317,062     |
| Interest received  |            |           |             |
| Net cash provided (used) by investing activities         | 356,812    | 10,577    | 367,389     |
| Net increase (decrease) in cash for the year             |            |           |             |

Cash and restricted cash - October 1, 2015

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

**CITY OF WATER VALLEY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND    FOR YEAR  
ENDED SEPTEMBER 30, 2016**

Other Required Disclosures:

Reconciliation of Operating Income to Net

Interest expense

|   | Water and<br>Sewer Fund | Solid Waste<br>Fund | Totals    |
|---|-------------------------|---------------------|-----------|
| Cash Provided by Operating Activities           |                         |                     |           |
| Income (loss) from operations                   |                         |                     |           |
| Adjustment to reconcile operating income to net | (303,341)               | 81,524              | (221,817) |
| cash provided by operating income activities:   |                         |                     |           |
| Depreciation                                    | 401,480                 | 23,768              | 425,248   |
| Other nonoperating revenue                      | (4,614)                 | (15)                | (4,629)   |
|   | 77                      | (85,804)            | (85,727)  |
| ( Increase) decrease in accounts receivable     | (1,575)                 | 394                 |           |
| ( Increase) decrease in due from other funds    | (11,601)                | 47,249              | 35,648    |
| ( Increase) decrease) in deferred outflows      | (21,076)                | 0                   | (21,076)  |
| Increase (decrease) in other liabilities        | 74,749                  | 18,687              | 93,436    |
| Increase (decrease) in accounts payable         | 134,099                 | 85,803              | 221,083   |
| Increase (decrease) in net pension liability    | 107                     | 1,229               | 1,336     |
| Net Cash provided by operating activities       |                         |                     |           |

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

**CITY OF WATER VALLEY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**SEPTEMBER 30, 2016**

|   | Total<br>Fiduciary<br>Funds |
|---|-----------------------------|
| ASSETS  |                             |
| Cash  | 43,717                      |
| Interfund Receivables                               | 0                           |
|   | <u>\$ 43,717</u>            |
| Total Assets  |                             |
| LIABILITIES AND NET POSITION                        |                             |
| Interfund Payables 19,824 Payables to others 23,893 |                             |
| Total Liabilities                                   | <u>\$ 43,717</u>            |
| NET POSITION  |                             |
| Unassigned  | 0                           |
| Total net position                                  | <u><u>\$ -</u></u>          |



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

## **NOTES TO FINANCIAL STATEMENTS**

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Water Valley, Mississippi (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant of the government's accounting policies are described below.

**A. Financial Reporting Entity**

The City of Water Valley is located in Yalobusha County, Mississippi, and operates under a Mayor and Board of Aldermen form of government. The City provides the following services to the citizenry: general administration; police and fire protection; street repair; water, sanitary sewer, and garbage disposal; parks and library services. The primary sources of revenues are property taxes, sales taxes, and utility billings. For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the City's governing board. As required by generally accepted accounting principles, various criteria are applied in order to determine any component units that should be reported as part of the City. Such criteria include management oversight responsibility by the elected officials such as decision-making authority, accountability to the City, legal and financial responsibility, and inter-agency relationships. Based upon the application of these criteria, there are no component units required by GAAP to be reported as part of the reporting entity of the City.

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

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54

- *Fund Balance Reporting and Government Fund Type Definitions*. This Statement establishes fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

The City made the decision to implement this standard effective October 1, 2010.

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all non-fiduciary activities of the government. For the most part the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities-and business-type activities of the City at year-end. The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues.

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

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

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

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity. However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report uses the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, tourism taxes, property taxes, franchise taxes, and intergovernmental revenues. In general, revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The City reports deferred revenue on its financial statements. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

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

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

Government Accounting Standards Board (GASB) Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

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

Airport Fund – This fund accounts for the proceeds and expenditures of the Airport. Expenditures are primarily for capital expenditures.

Industrial Special – Accounts for resources in the construction of Industrial Projects.

The City reports the following proprietary funds.

Water & Sewer Fund- This fund accounts for revenues and expenses related to potable water and sanitary sewer services provided to residents of the City.

Solid Waste Fund – This fund accounts for revenues and expenses for Solid Waste Disposal for residents of the city.

## **GOVERNMENTAL FUND TYPES**

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds- These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds- These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

## **PROPRIETARY FUND TYPES**

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

## **FIDUCIARY FUND TYPES**

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

## **D. Cash and Cash Equivalents**

Cash of all funds, including restricted cash, is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. The City deposits excess funds in financial institutions selected by the board. State statutes specify how these depositories are to be selected.

Cash consists of amounts on deposit in demand accounts. Cash Equivalents consist of certificates of deposit with an original maturity of three months or less. Cash and cash equivalents are valued at cost which approximates their fair value.

## **E. Inventories**

Inventories in the governmental and enterprise funds consist of expendable supplies held for consumption. These inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) basis. The costs of these governmental fund type inventories are recorded as expenditures when purchased.

## **F. Capital Assets, Depreciation, and Amortization**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The following are the estimated useful lives used for computing depreciation:

|                           |              |
|---------------------------|--------------|
| Building and improvements | 10- 20 years |
| Equipment and fixtures    | 5- 10 years  |
| Infrastructure            | 20- 40 years |
| Water and sewer plant     | 20- 40 years |

## **G. Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable, and accrued compensated absences.

Long-term debt of governmental funds is not reported in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for long-term debt in the proprietary funds report the liability as it is incurred.

## **H. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of*

*resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

## **I. Fund Equity**

Government-wide Financial Statements:

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

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

Restricted net position - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation or other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - Consists of all other assets not meeting the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

In October 2010 the City of Water Valley, Mississippi adopted GASB No. 54, Fund Balance Reporting and Government Fund Type Definitions.

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-- spendable, restricted, committed, assigned, or unassigned. Non-spendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Council through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the City Council.. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Propriety fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

## **J. Compensated Employee Absences**

Employees can accumulate vacation days and sick days up to a maximum at which point any additional days are not lost. Employees are completely vested in vacation days up to the maximum that they can take or be paid for upon termination.

## **K. Revenues- Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before they can be recognized.

## **L. Risk Management**

The City carries commercial insurance with respect to risks including, but not limited to, property damage and personal injury. Insurance coverage remains relatively constant, and settlement amounts have not exceeded insurance coverage for the current year or the prior three years.

## **M. Estimates and Assumptions**

A number of estimates and assumptions relating to the reporting of revenues, expense expenditures, assets and liabilities, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

## **N. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes levied on October 1<sup>st</sup> and are due and payable at that time. All unpaid taxes levied October 1<sup>st</sup> become delinquent February 1<sup>st</sup> of the following year. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. The millage rate for the City for the 2015 tax roll was 37.0 mills.

## **Note 2 BUDGET POLICY**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to August 1<sup>st</sup> the City Clerk and Chief Administrative Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
- B. Public notice is given of the City's budget meetings being open to the public, so that public hearings are conducted at City Hall to obtain taxpayer comments.
- C. Prior to September 15<sup>th</sup> the budget is legally enacted through adoption by the City Council.
- D. The budget is formally revised during the year and properly amended by the City Council.
- E. Budgetary comparisons are employed by management as a management control device during the year for all funds.
- F. Appropriations lapse at the end of each fiscal year



Mississippi laws require that municipalities budget revenue and expenditures on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principle. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the statement of revenues, expenditures, and fund balance be prepared according to the modified-accrual basis (GAAP). The major reconciling items between the budgetary and GAAP presentations are presented on the "budget to actual" statements.

### **NOTE 3 CASH**

#### Cash

The carrying amount of the City's total deposits with financial institutions at September 30, 2016 was \$1,283,592 and the bank balance was \$1,562,327. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depositary Insurance Corporation.

Custodial Credit Risk- Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

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

## NOTE 4 RECEIVABLES, UNCOLLECTIBLES, AND DEFERRED REVENUE

### Enterprise Receivables

Significant receivables include amounts due from customers for utility services that are based on monthly cycle billings. These accounts receivables and related revenues are reported net of estimated uncollectible amounts.

|  |                        |
|--|------------------------|
| Accounts receivable at September 30, 2016 were | \$890,248              |
| Less Allowance for Uncollectible               | <u>(\$129,613)</u> Net |
| Accounts Receivable                            | <u>\$760,635</u>       |

### Governmental Receivables

In the government-wide financial statements, the receivables and related revenues include all amounts due the City regardless of when cash is received. In the governmental fund financial statements, the revenues are offset and revenue recognition deferred by the amounts not received within 60 days of fiscal year-end. Intergovernmental receivables at September 30, 2016 include the following:

|                              |           |          |
|------------------------------|-----------|----------|
| <u>State of Mississippi:</u> | Sales Tax | \$91,232 |
|------------------------------|-----------|----------|

## NOTE 5 CAPITAL ASSETS

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

|                          | CITY OF WATER VALLEY - FIXED ASSETS |                  |                    |                |
|--------------------------|-------------------------------------|------------------|--------------------|----------------|
|                          | Beginning                           |                  |                    | Ending         |
|                          | <u>Balance</u>                      | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> |
| Governmental Activities: | 10/1/15                             |                  |                    | 9/30/16        |
| Non-depreciable assets:  |                                     |                  |                    |                |
| Land                     |                                     |                  |                    |                |
| Depreciable assets:      |                                     |                  |                    |                |
| Buildings                | 1,075,305                           | 0                | 0                  | 1,075,305      |
| Vehicles                 | 293,684                             | 0                | 0                  | 293,684        |
| Machinery and equipment  | 1,038,685                           | 48,616           | 0                  | 1,087,301      |
| Infrastructure           | 7,792,314                           | 0                | 0                  | 7,792,314      |

|  |            |          |   |            |
|--|------------|----------|---|------------|
| Totals at historical cost                      | 10,199,988 | 48,616   | 0 | 10,248,604 |
| Less accumulated depreciation for:             |            |          |   |            |
| Buildings                                      | 374,031    | 47,589   | 0 | 421,620    |
| Vehicles                                       | 258,748    | 18,136   | 0 | 276,884    |
| Machinery and equipment                        | 772,066    | 91,783   | 0 | 863,849    |
| Infrastructure                                 | 5,696,073  | 259,120  | 0 | 5,955,193  |
| Total accumulated depreciation                 | 7,100,918  | 416,628  | 0 | 7,517,546  |
| Governmental activities capital assets,<br>net | 3,099,070  | -368,012 | 0 | 2,731,058  |

#### **NOTE 6 LONG-TERM DEBT**

The City's long-term debt is made up of notes payable and capital leases. The City incurs debt in the form of various notes payable which are to be repaid through daily operations.

**CITY OF WATER VALLEY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| Date Issued              | Definition and Purpose         | Beginning Balance |           | Reductions | Ending Balance<br>Sept. 30, 2016 | Due in One Year |
|--------------------------|--------------------------------|-------------------|-----------|------------|----------------------------------|-----------------|
|                          |                                | Oct. 1,           | Additions |            |                                  |                 |
| GOVERNMENTAL ACTIVITIES  |                                |                   |           |            |                                  |                 |
|                          | GO BONDS                       |                   |           |            |                                  |                 |
|                          | CAPITAL LEASES:                |                   |           |            |                                  |                 |
| 3/1/2011                 |                                |                   |           |            |                                  |                 |
|                          | Knuckleboom, 3.00%, 5 years    | 11,840            |           | 11,840     | -                                | 0               |
| 7/13/2011                | Police Car, 2.76%, 5 years     | 3,945             |           | 3,945      | -                                | 0               |
| 4/5/2012                 | Police Car, 2.63%, 5 years     | 7,857             |           | 4,943      | 2,914                            | 2,914           |
| 3/14/2013                |                                |                   |           |            |                                  |                 |
|                          | Police Car. 3.750%, 4 years    | 12,288            | -         | 4,649      | 7,639                            | 4,867           |
| 6/19/2014                |                                |                   |           |            |                                  |                 |
|                          | Police Car. 2.100%, 4 years    | 16,085            | -         | 5,573      | 10,512                           | 5,691           |
| 6/2/2014                 |                                |                   |           |            |                                  |                 |
|                          | 580SN Backhoe 2.000%, 5 years  | 57,820            | -         | 15,012     | 42,808                           | 15,315          |
| 7/1/2015                 |                                |                   |           |            |                                  |                 |
|                          | Street Sweeper, 2.25%, 5 years | 140,900           | 0         | 26,940     | 113,960                          | 27,546          |
|                          | Total                          | 250,735           | 0         | 72,902     | 177,833                          | 56,333          |
|                          | Compensated Absences           | 34,995            | 0         | 0          | 34,995                           |                 |
|                          | Total Governmental Activities  |                   |           |            |                                  |                 |
|                          | Long Term Debt                 | \$285,730         | \$0       | \$72,902   | \$212,828                        | \$56,333        |
|                          |                                |                   |           |            |                                  |                 |
|                          |                                |                   |           |            |                                  |                 |
|                          |                                |                   |           |            |                                  |                 |
|                          |                                |                   |           |            |                                  |                 |
|                          | 1.950%, 4 yrs                  | 7,916             | -         | 5,259      | 2,657                            | 2,657           |
|                          |                                |                   |           |            |                                  |                 |
|                          | Garbage Truck, 2.28%, 4 years  | 60,612            | -         | 30,        | 30,610                           | 30,610          |
|                          |                                |                   |           |            |                                  |                 |
|                          |                                |                   |           |            |                                  |                 |
|                          |                                |                   |           |            |                                  |                 |
|                          | Long Term Debt                 | \$74,140          | \$0       | \$36,868   | \$37,272                         | \$33,267        |
| BUSINESS TYPE ACTIVITIES |                                |                   |           |            |                                  |                 |
|                          | CAPITAL LEASES:                |                   |           |            |                                  |                 |
| 3/14/2013                | 2013 Chevrolet C2500 Truck,    |                   |           |            |                                  |                 |
|                          |                                |                   |           |            |                                  |                 |
|                          | 1.950%, 4 yrs                  |                   | -         | 5,259      | 2,657                            |                 |
| 5/10/2013                |                                |                   |           |            |                                  |                 |
|                          |                                |                   |           |            |                                  |                 |
|                          | Garbage Truck, 2.28%, 4 years  |                   | -         | 30,002     | 30,610                           |                 |
|                          |                                |                   |           |            |                                  |                 |
|                          | TOTAL                          | 68,528            | 0         | 35,261     | 33,267                           | 33,267          |
|                          | Compensated Absences           | 5,612             | 0         | 1,607      | 4,005                            |                 |
|                          | Total Business-Type Activities |                   |           |            |                                  |                 |
|                          | Long Term Debt                 |                   |           |            |                                  |                 |

**NOTE 6 LONG-TERM DEBT (continued)**

**ANNUAL DEBT SERVICE**

**City of Water Valley**

| <b><u>Year Ended September 30</u></b> | <b><u>Governmental Activities</u></b> |                        | <b><u>Business-type Activities</u></b> |                        | <b><u>Total</u></b> |
|---------------------------------------|---------------------------------------|------------------------|--|------------------------|---------------------|
|                                       | <b><u>Principal</u></b>               | <b><u>Interest</u></b> | <b><u>Principal</u></b>                | <b><u>Interest</u></b> |                     |
|                                       | 56,333                                | 3,717                  | 33,268                                 | 636                    |                     |
| <b>2017</b>                           | 51,383                                | 2,443                  | 0                                      | 0                      | 93,954              |
| <b>2018</b>                           | 40,668                                | 1,409                  | 0                                      | 0                      | 53,826              |
| <b>2019</b>                           | 29,448                                | 663                    | 0                                      | 0                      | 42,077              |
| <b>2020</b>                           |                                       |                        |  |                        | 30,111              |
| <b>Total</b>                          |                                       | <b>\$8,232</b>         | <b>\$33,268</b>                        | <b>\$636</b>           | <b>\$219,968</b>    |
|                                       |                                       | <b>\$177,832</b>       |  |                        |                     |

## NOTE 7 INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. The governmental and business-type funds financial statements reflect such transactions as transfers.

Balances at September 30, 2016 were as follows:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|---------------------|----------------------|---------------|
| General             | Water                | \$100,000     |
| Sports              | Water                | \$30,000      |
| Water               | Industrial Special   | \$50,000      |

Individual fund inter-fund advance balances at September 30, 2016 arising from these transactions were as follows:

| <u>Receivable Funds</u> | <u>Payable Funds</u> | <u>Amount</u>        |
|-------------------------|----------------------|----------------------|
| Governmental            | Proprietary          | \$76                 |
| Governmental            | Fiduciary            | \$19,826 Proprietary |
| Governmental            | <u>\$294,838</u>     |                      |
| Total                   |                      | <u>\$314,740</u>     |

Advances represent amounts due to another fund not expected to be repaid within one year.

## **NOTE 8   DEFINED BENEFIT PENSION PLAN**

### **General Information about the Pension Plan**

**Plan Description.** The City of Water Valley contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit public employee retirement system. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann.

Section 25-11-1 et seq. (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

**Contributions.** PERS members are required to contribute 9.00% of their annual covered salary that City of Water Valley is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2016, 2015 and 2014 were \$194,431, \$188,704, and \$188,167, respectively, which equaled the required contribution for each year.

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

At September 30, 2016, the City reported a liability of \$3,471,183 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that

date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2016 the City's proportion was .0909% percent.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$427,212. At September 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred                   | Deferred                |
|---|----------------------------|-------------------------|
|   | Outflows of<br>Resources   | Inflows of<br>Resources |
|   | <hr/>                      | <hr/>                   |
| Differences between expected and experience           | \$ 96,821 actual           |                         |
|   | 154,4415                   |                         |
| Changes in assumptions                                |                            |                         |
| Net difference between projected and plan investments | 235,156 actual earnings on |                         |
| Contributions subsequent to the measurement date      | 86,986                     |                         |
|   | <hr/>                      | <hr/>                   |
|   | \$ 399,406                 |                         |
|   | <hr/>                      | <hr/>                   |

**Total**

Contributions subsequent to the measurement date of \$86,986 will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                          |               |
|--------------------------|---------------|
| Year ended September 30: |               |
| 2017                     | \$ 138,664    |
| 2018 2019                | 104,404       |
| 2020                     | 100,028       |
|                          | 56,310        |
| Total                    | <hr/> 399,406 |

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

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



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

The actuarial assumptions used in the June 30, 2016 valuation was 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's

fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

- The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75% percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% - percentage point lower (7% percent) or 1% - percentage point higher (9 percent) than the current rate:

|   | 1% Decrease<br>(7.75%) | Current<br>Discount rates<br>(8.75%) | 1% Increase (7.75%) |
|---|------------------------|--------------------------------------|---------------------|
| City's proportionate share<br>the net pension liability | 4,235,288              | 3,303,079                            | 2,529,648 of        |

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

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City, after consultation with counsel, that the resolution of the matters will not have a material adverse effect on the financial condition of the government.

In the normal course of operations, the City receives grant funds from various federal and state awarding agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability of reimbursement which may arise as the result of these audits is not believed to be material.

**NOTE 10 RISK MANAGEMENT**

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

**NOTE 11 SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 20, 2017, which is the date that the financial statements were issued.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WATER VALLEY, MISSISSIPPI  
BUDGET COMPARISON SCHEDULE - CASH BUDGETARY BASIS-UNAUDITED  
YEAR ENDED SEPTEMBER 30, 2016

| Budgeted<br>Amounts                |            |            |                  | Variance with<br>Final Budget<br>Positive (Negative) |
|------------------------------------|------------|------------|------------------|--|
| GEN FUND<br>REVENUE                | Original   | Final      | Actual<br>Amount |  |
| PROPERTY TAXES-FIRE                | 3,555.00   | 3,555.00   | 3,454.28         | 100.72   |
| AUTOMOBILE TAXES - GEN             | 90,939.00  | 90,939.00  | 87,464.27        | 3,474.73   |
| AUTOMOBILE TAXES - FIRE            | 668.00     | 668.00     | 642.54           | 25.46  |
| PRIOR YEAR TAXES                   | 0.00       | 0.00       | 13,435.64        | (13,435.64)  |
| HOMESTEAD - GENERAL                | 50,908.00  | 50,908.00  | 60,279.13        | (9,371.13)   |
| HOMESTEAD - FIRE                   | 374.00     | 374.00     | 442.80           | (68.80)  |
| UTILITY TAXES - GENERAL            | 10,090.00  | 10,090.00  | 9,359.64         | 730.36   |
| UTILITY TAXES - FIRE               | 74.00      | 74.00      | 68.76            | 5.24   |
| MOBILE HOME TAXES - GEN            | 472.00     | 472.00     | 390.37           | 81.63  |
| MOBILE HOME TAXES - FIRE           | 3.00       | 3.00       | 2.92             | 0.08   |
| PENALTIES/INT ON DELQ TAX          | 0.00       | 0.00       | 4,391.92         | (4,391.92)   |
| <b>TAXES - TOTAL</b>               | 640,968.00 | 640,968.00 | 649,304.28       | (8,336.28)   |
| LICENSES                           | 5,000.00   | 5,000.00   | 7,257.67         | (2,257.67)   |
| LIQUOR LICENSE                     | 2,475.00   | 2,475.00   | 3,600.00         | (1,125.00)   |
| PERMITS & OTHER TAX                | 1,080.00   | 1,080.00   | 555.00           | 525.00   |
| BLDG PERMITS                       | 3,445.00   | 3,445.00   | 3,136.55         | 308.45   |
| <b>LICENSE &amp; PERMITS TOTAL</b> | 12,000.00  | 12,000.00  | 14,549.22        | (2,549.22)   |
| LIEU OF TAXES - WVHA               | 27,000.00  | 27,000.00  | 28,859.58        | (1,859.58)   |
| <b>FEDERAL RECEIPTS TOTAL</b>      | 27,000.00  | 27,000.00  | 28,859.58        | (1,859.58)   |
| SALES TAX - GENERAL                | 490,000.00 | 490,000.00 | 529,989.43       | (39,989.43)  |
| BULLET PROOF VESTS                 | 0.00       | 0.00       | 0.00             | 0.00   |
| COPS REIMB GRANT                   | 0.00       | 0.00       | 0.00             | 0.00   |

|                                      |                   |                   |                   |                    |
|--------------------------------------|-------------------|-------------------|-------------------|--------------------|
| CRIME PREVENTION                     | 0.00              | 0.00              | 0.00              | 0.00               |
| MUNIC AIDE (GAS TAX)                 | 5,000.00          | 5,000.00          | 3,369.15          | 1,630.85           |
| MUNICIPAL FIRE AIDE                  | 0.00              | 0.00              | 0.00              | 0.00               |
| TOBACCO GRANT                        | 0.00              | 0.00              | 0.00              | 0.00               |
| LCL LAW ENFRMNT BLK GRNT             | 0.00              | 0.00              | 0.00              | 0.00               |
| HOMELAND SECURITY GRANT              | 0.00              | 0.00              | 0.00              | 0.00               |
| <b>STATE SHARED REV - TOTAL</b>      | <b>495,000.00</b> | <b>495,000.00</b> | <b>533,358.58</b> | <b>(38,358.58)</b> |
| COUNTY FIRE AIDE                     | 5,000.00          | 5,000.00          | 5,000.00          | 0.00               |
| FRANCHISES                           | 79,000.00         | 79,000.00         | 62,215.67         | 16,784.33          |
| <b>TOTAL FRANCHISE FEES</b>          | <b>79,000.00</b>  | <b>79,000.00</b>  | <b>62,215.67</b>  | <b>16,784.33</b>   |
| COURT FINES                          | 85,000.00         | 85,000.00         | 74,003.31         | 10,996.69          |
| <b>FINE &amp; FORFEITURES - TOTL</b> | <b>85,000.00</b>  | <b>85,000.00</b>  | <b>74,003.31</b>  | <b>10,996.69</b>   |
| AUDITORIUM RENTAL                    | 2,500.00          | 2,500.00          | 1,800.00          | 700.00             |
| CEMETERY - OPEN/CLOSE                | 10,000.00         | 10,000.00         | 8,800.00          | 1,200.00           |
| GARBAGE SERVICE                      | 361,000.00        | 361,000.00        | 362,772.73        | (1,772.73)         |
| RENT-ELECTRIC GENERAL EXP            | 2,000.00          | 2,000.00          | 2,744.50          | (744.50)           |
| REC FM GEN FUND - SHOP               | 0.00              | 0.00              | 0.00              | 0.00               |
| REC FM OTHER FUNDS - SHOP            | 0.00              | 0.00              | 0.00              | 0.00               |
| POLICE REPORTS                       | 600.00            | 600.00            | 400.00            | 200.00             |
| DEBRIS REMOVAL - STREET              | 3,000.00          | 3,000.00          | 3,922.16          | (922.16)           |
| <b>CHARGE FOR SVCS - TOTAL</b>       | <b>379,100.00</b> | <b>379,100.00</b> | <b>380,439.39</b> | <b>(1,339.39)</b>  |

CITY OF WATER VALLEY, MISSISSIPPI  
BUDGET COMPARISON SCHEDULE - CASH BUDGETARY BASIS-UNAUDITED  
YEAR ENDED SEPTEMBER 30, 2016

|                  | Original | Final | Actual<br>Amount | Variance with<br>Final Budget<br>Positive (Negative) |
|------------------|----------|-------|------------------|--|
| Budgeted Amounts |          |       |                  |  |

|   |              |              |              |                       |
|---|--------------|--------------|--------------|-----------------------|
| CEMETERY - LOTS                           | 4,000.00     | 4,000.00     | 1,400.00     | 2,600.00              |
| REIMB SCHL ATHLETIC PTROL                 | 0.00         | 0.00         | 0.00         | 0.00                  |
| REIMBURSEMENT                             | 25,000.00    | 25,000.00    | 6,200.97     | 18,799.03             |
| MISCELLANEOUS                             | 63,000.00    | 63,000.00    | 41,542.15    | 21,457.85 1,606.35    |
|   | 4,000.00     | 4,000.00     | 2,393.65     | 1,880.00              |
| INTEREST EARNED - MSB                     | 3,000.00     | 3,000.00     | 1,120.00     | (91.30)               |
|   | 50,000.00    | 50,000.00    | 50,091.30    | 17,326.44             |
| GARBAGE BAGS                              | 400,000.00   | 400,000.00   | 382,673.56   | 0.00                  |
| SHARED EXPENSES                           | 0.00         | 0.00         | 0.00         | (77.60)               |
| TAX EQUIV - ELECT DEPT REC'D FROM LIBRARY | 0.00         | 0.00         | 77.60        | 0.00                  |
|   | 100,000.00   | 100,000.00   | 100,000.00   | 0.00                  |
| REC'D FROM P/R CLEARING                   | 0.00         | 0.00         | 0.00         | (37.99)               |
| REC FROM W & S REVENUE                    | 0.00         | 0.00         | 37.99        | 150,000.00            |
| REC FROM W/S OPER & MAINT                 | 150,000.00   | 150,000.00   | 0.00         | (27,522.73)           |
|   | 0.00         | 0.00         | 27,522.73    | 2,000.00              |
| REC'D FM ACCT PAYABLE REC'D FROM IND SPEC | 2,000.00     | 2,000.00     | 0.00         | 0.00                  |
|   | 0.00         | 0.00         | 0.00         | 220,938.30 193,921.89 |
| 911 REIMBURSEMENT                         | 863,000.00   | 863,000.00   | 642,061.70   |                       |
| SALE OF LAND                              | 2,622,068.00 | 2,622,068.00 | 2,428,146.11 | 9,865.38              |
| SALE OF BUILDINGS                         |              |              |              | 22,122.34             |
| <b>MISCELLANEOUS - TOTAL</b>              | 215,000.00   | 215,000.00   | 205,134.62   | 8,682.10 11,109.05    |
|   | 161,300.00   | 161,300.00   | 139,177.66   | 51,778.87             |
| <b>GEN FUND REVENUE TOTAL</b>             | 16,100.00    | 16,100.00    | 7,417.90     | 0.00                  |
| <b>ADMIN EXPEND</b>                       | 31,300.00    | 31,300.00    | 20,190.95    | 51,778.87             |
| PERSONNEL SERVICES CONSUMABLE SUPPLIES    | 423,700.00   | 423,700.00   | 371,921.13   |                       |
|   | 0.00         | 0.00         | 0.00         | 93,181.39             |
| CONTRACTUAL/OTHER SERVICE                 | 423,700.00   | 423,700.00   | 371,921.13   | 26,343.50 17,141.02   |
|   |              |              |              | 8,023.29              |
| TRANSFERS                                 | 556,900.00   | 556,900.00   | 463,718.61   | 144,689.20            |
| <b>CAPITAL OUTLAY</b>                     | 186,300.00   | 186,300.00   | 159,956.50   |                       |
| <b>TOTAL TRANSFERS</b>                    | 43,800.00    | 43,800.00    | 26,658.98    | 0.00                  |
| <b>TOTAL ADMIN EXPENDITURES</b>           | 28,000.00    | 28,000.00    | 19,976.71    | 144,689.20            |
| <b>P O L I C E</b>                        | 815,000.00   | 815,000.00   | 670,310.80   |                       |
| PERSONNEL SERVICES                        |              |              |              |                       |
|   | 0.00         | 0.00         | 0.00         |                       |
| CONSUMABLE SUPPLIES                       | 815,000.00   | 815,000.00   | 670,310.80   |                       |
| CONTRACTUAL/OTHER SERVICE                 |              |              |              |                       |
| TRANSFERS                                 |              |              |              |                       |
| <b>CAPITAL OUTLAY</b>                     |              |              |              |                       |
| <b>TRANSFERS</b>                          |              |              |              |                       |
| <b>TOTAL TRANSFERS</b>                    |              |              |              |                       |
| <b>TOTAL POLICE DEPT.</b>                 |              |              |              |                       |

CITY OF WATER VALLEY, MISSISSIPPI  
BUDGET COMPARISON SCHEDULE - CASH BUDGETARY BASIS-UNAUDITED YEAR  
ENDED SEPTEMBER 30, 2016

Budgeted Amounts

|                                     | Original     | Final        | Actual<br>Amount | Variance with<br>Final Budget<br>Positive (Negative) |
|-------------------------------------|--------------|--------------|------------------|--|
| <b>F I R E</b>                      |              |              |                  |  |
| PERSONNEL SERVICES                  | 336,500.00   | 336,500.00   | 289,076.72       | 47,423.28  |
| CONSUMABLE SUPPLIES                 | 37,800.00    | 37,800.00    | 27,615.41        | 10,184.59  |
| CONTRACTUAL/OTHER SERVICE           | 3,500.00     | 3,500.00     | 1,874.89         | 1,625.11   |
| TRANSFERS                           | 20,000.00    | 20,000.00    | 18,326.99        | 1,673.01   |
| <b>CAPITAL OUTLAY</b>               | 397,800.00   | 397,800.00   | 336,894.01       | 60,905.99  |
| <b>TOTAL FIRE DEPT.</b>             | 397,800.00   | 397,800.00   | 336,894.01       | 60,905.99  |
| <b>MUNICIPAL FIRE PROTECTION</b>    |              |              |                  |  |
| CONTRACTUAL/OTHER SERVICE           | 2,400.00     | 2,400.00     | 1,017.77         | 1,382.23   |
| CAPITAL OUTLAY                      | 0.00         | 0.00         | 0.00             | 0.00   |
| <b>TOTAL MUNIC FIRE PROTECT</b>     | 2,400.00     | 2,400.00     | 1,017.77         | 1,382.23   |
| <b>S T R E E T</b>                  |              |              |                  |  |
| PERSONNEL SERVICES                  | 302,000.00   | 302,000.00   | 262,779.06       | 39,220.94  |
| CONSUMABLE SUPPLIES                 | 279,500.00   | 279,500.00   | 250,231.86       | 29,268.14  |
| CONTRACTUAL/OTHER SERVICE           | 73,100.00    | 73,100.00    | 44,017.17        | 29,082.83  |
| TRANSFERS                           | 62,900.00    | 62,900.00    | 64,168.30        | (1,268.30)   |
| <b>CAPITAL OUTLAY</b>               | 717,500.00   | 717,500.00   | 621,196.39       | 96,303.61  |
| <b>TRANSFERS</b>                    |              |              |                  |  |
| <b>TOTAL TRANSFERS</b>              | 0.00         | 0.00         | 0.00             | 0.00   |
| <b>TOTAL STREET DEPT.</b>           | 717,500.00   | 717,500.00   | 621,196.39       | 96,303.61  |
| <b>S A N I T A T I O N</b>          |              |              |                  |  |
| PERSONNEL SERVICES                  | 104,000.00   | 104,000.00   | 80,264.82        | 23,735.18  |
| CONSUMABLE SUPPLIES                 | 130,700.00   | 130,700.00   | 136,017.37       | (5,317.37)   |
| CONTRACTUAL/OTHER SERVICE           | 28,300.00    | 28,300.00    | 27,034.84        | 1,265.16   |
| TRANSFERS                           | 32,000.00    | 32,000.00    | 33,652.60        | (1,652.60)   |
| <b>CAPITAL OUTLAY</b>               | 295,000.00   | 295,000.00   | 276,969.63       | 18,030.37  |
| <b>TRANSFERS</b>                    |              |              |                  |  |
| <b>TOTAL TRANSFERS</b>              | 0.00         | 0.00         | 0.00             | 0.00   |
| <b>TOTAL SANITATION DEPT.</b>       | 295,000.00   | 295,000.00   | 276,969.63       | 18,030.37  |
| <b>C E M E T E R Y</b>              |              |              |                  |  |
| PERSONNEL SERVICES                  | 200,000.00   | 200,000.00   | 137,376.38       | 62,623.62  |
| CONSUMABLE SUPPLIES                 | 53,900.00    | 53,900.00    | 48,661.76        | 5,238.24   |
| CONTRACTUAL/OTHER SERVICE           | 12,700.00    | 12,700.00    | 10,445.50        | 2,254.50   |
| TRANSFERS                           | 16,000.00    | 16,000.00    | 5,021.00         | 10,979.00  |
| <b>CAPITAL OUTLAY</b>               | 282,600.00   | 282,600.00   | 201,504.64       | 81,095.36  |
| <b>TOTAL PARKS &amp; RECREATION</b> | 282,600.00   | 282,600.00   | 201,504.64       | 81,095.36  |
| <b>TOTAL GEN FUND EXPENDTRS</b>     | 2,934,000.00 | 2,934,000.00 | 2,479,814.37     | 454,185.63   |
| <b>TOTAL GEN FUND BALANCE</b>       | 311,932.00   | 3 11,932.00  | 51,668.26        | 260,263.74   |

**CITY OF WATER VALLEY, MISSISSIPPI**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**



**A.BUDGETARY INFORMATION**

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

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

**B.BASIS OF PRESENTATION**

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

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

**C.BUDGET/GAAP RECONCILIATION**

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

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

|                                      |                    |
|--------------------------------------|--------------------|
|                                      | General Fund       |
| Budget (Cash Basis)                  | 51,668             |
| Increase (Decrease)                  |                    |
| Net Adjustments for Revenue Accruals | 1,814 Net          |
| Adjustments for Expenditure Accruals | <u>(788,963)</u>   |
| GAAP Basis                           | <u>\$(735,481)</u> |

**SCHEDULE OF LONG TERM DEBT  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| GOVERNMENTAL ACTIVITIES  |   | Beginning Balance |           | Ending Balance |                |                 |
|--------------------------|---|-------------------|-----------|----------------|----------------|-----------------|
| Date Issued              | Definition and Purpose                    | Oct. 1, 2015      | Additions | Reductions     | Sept. 30, 2016 | Due in One Year |
|                          | GO BONDS                                  |                   |           |                |                |                 |
|                          | CAPITAL LEASES:                           |                   |           |                |                |                 |
| 3/1/2011                 | Knuckleboom, 3.00%, 5 years               | 11,840            |           | 11,840         | -              | 0               |
| 7/13/2011                | Police Car, 2.76%, 5 years                | 3,945             |           | 3,945          | -              | 0               |
| 4/5/2012                 | Police Car, 2.63%, 5 years                | 7,857             |           | 4,943          | 2,914          | 2,914           |
| 3/14/2013                | Police Car. 3.750%, 4 years               | 12,288            | -         | 4,649          | 7,639          | 4,867           |
| 6/19/2014                | Police Car. 2.100%, 4 years               | 16,085            | -         | 5,573          | 10,512         | 5,691           |
| 6/2/2014                 | 580SN Backhoe 2.000%, 5 years             | 57,820            | -         | 15,012         | 42,808         | 15,315          |
| 7/1/2015                 | Street Sweeper, 2.25%, 5 years            | 140,900           | 0         | 26,940         | 113,960        | 27,546          |
|                          | Total Governmental Long Term Debt         | 250,735           | 0         | 72,902         | 177,833        | 56,333          |
| BUSINESS TYPE ACTIVITIES |   | Beginning Balance |           | Ending Balance |                |                 |
| Date Issued              | Definition and Purpose                    | Oct. 1, 2015      | Additions | Reductions     | Sept. 30, 2016 | Due in One Year |
|                          | CAPITAL LEASES:                           |                   |           |                |                |                 |
| 3/14/2013                | 2013 Chevrolet C2500 Truck, 1.950%, 4 yrs | 7,916             | -         | 5,259          | 2,657          | 2,657           |
| 5/10/2013                | Garbage Truck, 2.28%, 4 years             | 60,612            | -         | 30,002         | 30,610         | 30,610          |
|                          | Total Business-Type Long Term Debt        | 68,528            | 0         | 35,261         | 33,267         | 33,267          |

**CITY OF WATER VALLEY, MISSISSIPPI**

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS**

**September 30, 2016**

|             |                 |                |             |
|-------------|-----------------|----------------|-------------|
| <b>Name</b> | <b>Position</b> | <b>Company</b> | <b>Bond</b> |
|-------------|-----------------|----------------|-------------|

|                 |              |                    |          |
|-----------------|--------------|--------------------|----------|
| Larry Hart      |              | Western Surety Co. | \$50,000 |
|                 |              | Western Surety Co. | \$50,000 |
|                 |              | Western Surety Co. | \$50,000 |
| Donald Gray     |              | Western Surety Co. | \$50,000 |
|                 |              | Western Surety Co. | \$50,000 |
| Fred E White    |              | Western Surety Co. | \$50,000 |
|                 |              | Western Surety Co. | \$50,000 |
| Bobby Cox       | Mayor        | Western Surety Co. | \$50,000 |
| Phillip Tallant | Alderman     | Western Surety Co. | \$50,000 |
|                 |              | Western Surety Co. | \$50,000 |
| Larry Bell      | Alderman     |                    |          |
|                 | Alderman     |                    |          |
| Vivian Snider   | Alderman     |                    |          |
| Audra Haireston | Alderman     |                    |          |
| Kristy Tatum    | City Clerk   |                    |          |
|                 | Court Clerk  |                    |          |
| Michael W King  | Deputy Clerk |                    |          |
|                 | Police Chief |                    |          |

# RONNIE S. WINDHAM, CPA, PLLC

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

Honorable Mayor and City Council  
City of Water Valley, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Water Valley, Mississippi, as of and for the year ended September 30, 2016, which collectively comprise the City of Water Valley, Mississippi's basic financial statements and have issued our report thereon dated September 20, 2017. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of those procedures and our audit of the financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of management, City Council, others within the entity, State of Mississippi Department of audit, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



RONNIE S. WINDHAM, CPA, PLLC  
Oxford, Mississippi  
September 20, 2017



# RONNIE S. WINDHAM, CPA, PLLC

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

To the City Council  
City of Water Valley, 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 Water Valley, 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 Water Valley, Mississippi, basic financial statements, and have issued our report thereon dated September 20, 2017

### Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Water Valley, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Ronnie S. Windham, CPA". The signature is written in a cursive, flowing style.

Ronnie S. Windham, CPA, PLLC  
Oxford, MS  
September 20, 2017