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CITY OF WINONA, MISSISSIPPI

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**CITY OF WINONA, MISSISSIPPI
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INDEPENDENT AUDITOR'S REPORT

To the Board of Alderman
City of Winona, MS
Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Winona, MS, 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, and each major fund of the City of Winona, MS, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 40-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Winona, MS's basic financial statements. The other supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Taylor, Powell, Wilson & Hartford, P.A.

July 31, 2017

**CITY OF WINONA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
UNAUDITED**

This Discussion and Analysis of The City of Winona, Mississippi's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2016 were as follows:

Total net position increased \$122,934, or 1.86%, from 2015.

Total assets, including deferred outflows of resources, increased by \$136,113, or .91%, from 2015.

Total liabilities, including deferred inflows of resources, increased by \$13,179, or .16%, from 2015.

In total, cash and investments increased \$99,469, or 21.90% from 2015.

Net capital assets increased \$67,684, or .72%, from 2015.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Winona as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

REPORTING THE CITY OF WINONA AS A WHOLE

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in its position. This change in position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, all of the City's activities are reported as Governmental Activities or Business-type Activities. Governmental Activities include all of the City's governmental type services including police, fire, streets, administration, and other similar departments. Business-type Activities include the City Water and Sewer Department and Solid Waste Department.

CITY OF WINONA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
UNAUDITED

REPORTING THE CITY OF WINONA, MISSISSIPPI'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the City's major funds begins on Page 10. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established several funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Winona, the City's major funds are the General, City Bond, and Enterprise Water and Sewer Funds. There were no non-major funds during the year ended September 30, 2016.

Governmental Funds

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

Proprietary Funds

All of the City's business-type activities are reported in the proprietary funds. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. These funds are reported using an accounting method called accrual accounting which records revenues when earned and expenses when incurred. The reporting entity includes the Water and Sewer Fund. The basis of accounting is the same as used in the Statement of Net Position and the Statement of Activities, so no reconciliation of differences is necessary.

The City of Winona as a Whole

Recall that the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2016 compared to 2015.

	September 30,	
	2016	2015
Assets:		
Current and other assets	\$ 2,191,760	\$ 2,019,413
Capital assets, net	<u>12,236,618</u>	<u>12,458,131</u>
Total assets	14,428,378	14,477,544
Deferred outflows	632,370	447,091
Liabilities:		
Current and Other Liabilities	448,920	522,942
Long-term liabilities:		
Due Within One Year	383,187	363,575
Due in More than One Year	<u>6,425,632</u>	<u>6,286,524</u>
Total Liabilities	<u>7,257,739</u>	<u>7,173,041</u>
Deferred Inflows	<u>1,083,216</u>	<u>1,154,735</u>
Net Position:		
Invested in Capital Assets Net of Debt	9,521,619	9,453,935
Restricted:		
Debt Service	271,950	270,950
Unrestricted	<u>(3,073,776)</u>	<u>(3,128,026)</u>
Total Net Position	<u>\$ 6,719,793</u>	<u>\$ 6,596,859</u>

CITY OF WINONA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
UNAUDITED

Total assets for governmental activities increased \$54,143 from 2015. Total assets for business-like activities decreased \$103,309 from 2015.

Net position of the City's governmental activities increased by \$50,321 from 2015 and net position for business-like activities increased \$72,613 from 2015.

The table below shows the Changes in Net Position for the year ended September 30, 2016, as compared to the year ended September 30, 2015.

	Changes in Net Position	
	For the Year Ended September 30,	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 1,894,563	\$ 1,905,439
Operating grants and contributions	45,134	38,090
Capital grants and contributions	114,934	28,328
Total program revenues	<u>2,054,631</u>	<u>1,971,857</u>
General revenues:		
Property taxes	1,035,106	961,688
Other taxes and licenses	1,236,668	1,198,911
Fines and forfeitures	169,112	127,620
Grants and contributions not restricted to specific programs	289,430	290,345
Investment and other revenues, (losses)	24,196	21,306
Total general revenues	<u>2,754,512</u>	<u>2,599,870</u>
Total revenues	<u>4,809,143</u>	<u>4,571,727</u>
Program expenses:		
General government	448,335	416,308
Public safety	1,329,539	1,244,382
Highways and streets	647,540	648,474
Sanitation	453,382	428,415
Health and welfare	26,078	22,902
Culture and recreation	455,345	417,425
Non-departmental	42,670	26,210
Interest and fiscal charges	16,837	23,087
Water and sewer	1,266,422	1,196,113
Total expense	<u>4,686,148</u>	<u>4,423,316</u>
Increase, (decrease) in net position	<u>\$ 122,995</u>	<u>\$ 148,411</u>

Governmental Activities

Several revenue sources fund our Governmental Activities. Under the accrual basis of accounting, the City property tax accounted for \$1,035,106, or 29.83%, of gross governmental revenue; revenues from charges for services and operating grants and contributions accounted for \$717,924, or 20.69%, of gross governmental revenue; and state sales and gas taxes accounted for \$1,081,186, or 31.16%, of gross governmental revenue. The City property tax millage rate of 44.9 mills was approved by the City Board of Aldermen. The City has increased its assessed valuation property tax base by \$3,616,647, or 15.86%, in the last five years.

The City's major expense activity is public safety which includes police and fire. These expenses totaled \$1,329,539, or 38.88%, of total governmental activity expenses.

**CITY OF WINONA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
UNAUDITED**

Business-type Activities

Charges for services fund our Business-type activities. Our proprietary fund includes the Water and Sewer Fund. Total operating revenues decreased \$47,245, or 3.68%, from 2015. Total operating expenses increased \$70,309, or 5.88%, from 2015.

The City's Funds

Information about the City's major governmental funds begins on page 10. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,552,914, including bond and loan proceeds. This was an increase of \$286,158 over the prior year. Total revenues for the General Fund increased \$283,564 from 2015. Total expenditures for the General Fund decreased \$58,576, or 1.74%, from 2015. The fund balance of the General Fund showed an increase of \$208,964 during the year, from \$88,254 at September 30, 2015, to \$297,218 at September 30, 2016.

Information about the City's proprietary fund begins on page 14. This fund is accounted for using the accrual basis of accounting. The basis of accounting for this fund is the same as for the city as a whole and the results of operations are discussed above under "Business-type Activities."

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

	<u>Capital Assets Net of Depreciation</u>	
	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
Governmental Activities:		
Land	\$ 160,099	\$ 160,099
Buildings	1,051,231	1,057,553
Improvements other than buildings	1,720,148	1,789,446
Machinery and equipment	2,419,163	2,368,881
Infrastructure	872,927	906,656
Total governmental activities	<u>6,223,568</u>	<u>6,282,635</u>
Business-type Activities:		
Land	40,930	40,930
Water system	2,409,832	2,518,362
Sewer system	3,378,980	3,405,074
Machinery and equipment	183,308	211,130
Total business-type activities	<u>6,013,050</u>	<u>6,175,496</u>
Total	<u>\$ 12,236,618</u>	<u>\$ 12,458,131</u>

**CITY OF WINONA, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
UNAUDITED**

Long-Term Obligations

At September 30, 2016, the City of Winona had \$2,802,440 in outstanding General Obligation Bonds, Notes, Revenue Bonds and Compensated absences (this does not include Net Pension Liability). The following table shows the total outstanding long-term obligations of the City:

	<u>Long-Term Obligations at Year End</u>	
	<u>2016</u>	<u>2015</u>
Governmental Activities:		
General obligation bonds	\$ 167,000	\$ 189,000
Notes payable	378,676	392,194
Compensated absences	<u>69,744</u>	<u>74,186</u>
Total governmental activities	<u>615,420</u>	<u>655,380</u>
Business-type Activities:		
Revenue bonds	1,825,000	2,025,000
Notes payable	344,325	398,249
Compensated absences	<u>17,695</u>	<u>17,979</u>
Total business-type activities	<u>2,187,020</u>	<u>2,441,228</u>
 Total long-term obligations	 <u>\$ 2,802,440</u>	 <u>\$ 3,096,608</u>

CURRENT FINANCIAL RELATED ACTIVITIES

In October 2015, the City was awarded a Community Development Block Grant (CDBG) in the amount of \$346,000 and an Appalachian Regional Commission (ARC) Grant in the amount of \$300,000. Also, a Capital Improvement loan has been approved in the amount of \$149,900; all of which are being used in conjunction for sewer improvements.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors 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 additional financial information, contact the City Clerk at 662-283-1232.

CITY OF WINONA, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash	\$ 168,297	\$ 103,779	\$ 272,076
Investments		9,710	9,710
Receivables (net)	1,202,672	166,846	1,369,518
Due from other governments	193,095		193,095
Due from other funds		38,153	38,153
Inventory		37,258	37,258
Restricted assets:			
Cash			
Investments		271,950	271,950
Capital assets:			
Non-depreciable	160,099	40,930	201,029
Depreciable, net	6,063,469	5,972,120	12,035,589
Total assets	<u>7,787,632</u>	<u>6,640,746</u>	<u>14,428,378</u>
Deferred outflows of resources:			
Deferred outflows - pensions	<u>515,531</u>	<u>116,839</u>	<u>632,370</u>
Total assets and deferred outflows of resources	<u>8,303,163</u>	<u>6,757,585</u>	<u>15,060,748</u>
Liabilities:			
Accounts payable	155,227	86,861	242,088
Accrued liabilities	5,799	22,023	27,822
Due to other funds	38,153		38,153
Customer refundable meter deposits		140,857	140,857
Non-current liabilities:			
Due within one year:			
Bonds and loans payable	118,427	264,760	383,187
Due in more than one year:			
Bonds and loans payable	427,249	1,904,565	2,331,814
Compensated absences	69,744	17,695	87,439
Net pension liability	3,266,144	740,235	4,006,379
Total liabilities	<u>4,080,743</u>	<u>3,176,996</u>	<u>7,257,739</u>
Deferred inflows of resources:			
Deferred property taxes	1,067,222		1,067,222
Deferred pensions	8,679	1,967	10,646
Premium on revenue refunding bonds, Series 2011	<u>-</u>	<u>5,348</u>	<u>5,348</u>
Total deferred inflows of resources	<u>1,075,901</u>	<u>7,315</u>	<u>1,083,216</u>
Total liabilities and deferred inflows of resources	<u>5,156,644</u>	<u>3,184,311</u>	<u>8,340,955</u>
Net Position:			
Invested in capital assets, net of related debt	5,677,892	3,843,727	9,521,619
Restricted for:			
Debt service		271,950	271,950
Unrestricted	<u>(2,531,373)</u>	<u>(542,403)</u>	<u>(3,073,776)</u>
Total net position	<u>\$ 3,146,519</u>	<u>\$ 3,573,274</u>	<u>\$ 6,719,793</u>

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<u>General</u>	<u>City Bond</u>	<u>Total Governmental Funds</u>
Assets and deferred outflows of resources:			
Assets:			
Cash	\$ 158,582	\$ 9,715	\$ 168,297
Due from other funds			
Due from other governments:			
Property taxes - auto	17,745	529	18,274
State sales taxes	167,749		167,749
Motor vehicle privilege tax	80		80
Road maintenance tax	2,303		2,303
DUI enforcement grant	1,503		1,503
Winona airport	1,916		1,916
Special wave grant	1,270		1,270
Other receivables:			
Property taxes receivable	1,046,239	20,983	1,067,222
Garbage fees	70,393		70,393
Franchise tax	34,817		34,817
Fines	16,904		16,904
Privilege tax	1,061		1,061
Penalties & interest	583		583
Payments in lieu of taxes	8,775		8,775
Local fire runs	2,917	-	2,917
Total Assets	<u>\$ 1,532,837</u>	<u>\$ 31,227</u>	<u>\$ 1,564,064</u>
Liabilities, deferred inflows of resources, and fund balances:			
Liabilities:			
Accounts payable	\$ 155,227	\$	\$ 155,227
Due to other funds	34,153	4,000	38,153
Total liabilities	<u>189,380</u>	<u>4,000</u>	<u>193,380</u>
Deferred inflow of resources:			
Deferred property taxes	<u>1,046,239</u>	<u>20,983</u>	<u>1,067,222</u>
Fund balances:			
Restricted for:			
Debt service			
Assigned for:			
Fire protection	37,206		37,206
Clock project	3,943		3,943
Unassigned for:			
General fund	256,069	6,244	262,313
Total fund balances	<u>297,218</u>	<u>6,244</u>	<u>303,462</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,532,837</u>	<u>\$ 31,227</u>	<u>\$ 1,564,064</u>

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Fund balances - total governmental funds	\$	\$	303,462
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental capital assets	7,741,221		
Less accumulated depreciation	<u>(1,517,653)</u>		6,223,568

Some liabilities, including bonds payable are not reported in the governmental funds current period and therefore are not reported in the governmental funds

Governmental bonds payable	(167,000)		
Tax incremental financing bonds payable	(215,000)		
Notes Payable	(163,676)		
Compensated absences	(69,744)		
Accrued interest payable on bonds and notes payable	(5,799)		
Net pension liability	<u>(3,266,144)</u>		(3,887,363)

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

Deferred outflows of resources related to pensions	515,531		
Deferred inflows of resources related to pensions	<u>(8,679)</u>		<u>506,852</u>

Net position of governmental activities		\$	<u>3,146,519</u>
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See Notes to Financial Statements.

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

	General	City Bond	Total Governmental Funds
Revenues:			
Property taxes	\$ 1,003,111	\$ 31,995	\$ 1,035,106
Licenses and permits	155,482		155,482
Intergovernmental revenues	1,430,751		1,430,751
Charges for services	657,789		657,789
Fines and forfeits	169,112		169,112
Miscellaneous	21,861	7	21,868
Total revenues	<u>3,438,106</u>	<u>32,002</u>	<u>3,470,108</u>
Expenditures:			
General government	386,399		386,399
Public safety	1,191,344		1,191,344
Highways and streets	534,270		534,270
Sanitation	453,382		453,382
Health and welfare	21,524		21,524
Culture and recreation	402,238		402,238
Non-departmental	32,538		32,538
Capital outlay	177,533		177,533
Debt service:			
Principal retirement	96,324	22,000	118,324
Interest and other	16,396	4,005	20,401
Total expenditures	<u>3,311,948</u>	<u>26,005</u>	<u>3,337,953</u>
Excess, (deficiency) of revenues over expenditures	<u>126,158</u>	<u>5,997</u>	<u>132,155</u>
Other financing sources and (uses):			
Transfers in, (out)			
Bond and loan proceeds	82,806		82,806
Total other financing sources, (uses)	<u>82,806</u>		<u>82,806</u>
Net change in fund balances	208,964	5,997	214,961
Fund balances - beginning of year	<u>88,254</u>	<u>247</u>	<u>88,501</u>
Fund balances - end of year	<u>\$ 297,218</u>	<u>\$ 6,244</u>	<u>\$ 303,462</u>

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - total governmental funds	\$	\$	214,961
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	177,532		
Less current year depreciation	<u>(236,599)</u>		(59,067)

Bond and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.

35,517

Some expenses reported in the statement of activities do not require the use of current available resources and therefore are not reported as expenditures in the governmental funds.

Decrease in accrual for compensated absences			4,443
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Governmental funds do not report a liability for accrued interest until it is due and payable. Accrued interest is reported as a liability in the statement of activities.

Decrease in accrued interest liability			3,564
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The statement of activities reports an expense equal to the City's proportionate share of the collective net pension expense for the cost-sharing pension plan. However, in the governmental funds, the cost-sharing expenses are measured by the amount of current contributions made to the plan. This is the amount by which expenditures exceeded current contributions.

(149,036)

Change in net position - governmental activities

\$ 50,382

See Notes to Financial Statements.

**CITY OF WINONA, MISSISSIPPI
PROPRIETARY FUND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	<u>Business - Type Activity</u> <u>Enterprise Water & Sewer Fund</u>
Current Assets:	
Cash	\$ 103,779
Investments	9,710
Accounts receivables less allowance for uncollectible accounts	139,122
Unbilled revenue	27,724
Due from other funds	38,153
Inventory	37,258
Total current assets	<u>355,746</u>
Non-current assets:	
Restricted:	
Cash - meter deposits	
Investments:	
Meter deposits	
Bond debt depr. & cont.	10,000
Bond debt service reserve	261,950
Capital assets:	
Land	40,930
Building and improvements	33,138
Water and sewer system	11,869,635
Equipment	700,122
Vehicles	84,805
Office equipment, furniture and fixtures	57,458
Less accumulated depreciation	(6,773,038)
Total non-current assets	<u>6,285,000</u>
 Total assets	 <u>6,640,746</u>
Deferred outflows of resources:	
Deferred outflows - pensions	<u>116,839</u>
 Total assets and deferred outflows of resources	 <u>6,757,585</u>

See Notes to Financial Statements.

**CITY OF WINONA, MISSISSIPPI
PROPRIETARY FUND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

(Cont'd)

	<u>Business - Type Activity</u> <u>Enterprise Water & Sewer Fund</u>
Current liabilities:	
Accounts payable	\$ 86,861
Due to other funds	
Bonds, notes, and loans payable (current)	264,760
Accrued interest	22,023
Meter deposits	<u>140,857</u>
Total current liabilities	<u>514,501</u>
Non-current liabilities:	
Bonds, notes, and loans payable	1,904,565
Compensated absences	17,695
Net pension liability	<u>740,235</u>
Total non-current liabilities	<u>2,662,495</u>
 Total liabilities	 <u>3,176,996</u>
Deferred inflow of resources:	
Deferred inflow - pensions	1,967
Premium on revenue refunding bonds, Series 2011	<u>5,348</u>
Total deferred inflow of resources	<u>7,315</u>
 Total liabilities and deferred inflows of resources	 <u>3,184,311</u>
Net position:	
Invested in capital assets, net of related debt	3,843,727
Restricted:	
Debt service	271,950
Unrestricted	<u>(542,403)</u>
 Total net position	 <u>\$ 3,573,274</u>

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business - Type Activity
	<u>Enterprise Water & Sewer Fund</u>
Operating revenue:	
Water sales	\$ 764,834
Sewer charges	439,610
Other revenues	<u>32,329</u>
Total operating revenues	<u>1,236,773</u>
Operating expenses:	
General administration	268,998
Maintenance - buildings, grounds & equip.	185,263
Water line transmission & distribution	150,056
Treatment & purification	48,450
Sewage collection	195,029
Sewage treatment	42,953
Depreciation	<u>301,654</u>
Total operating expenses	<u>1,192,403</u>
Operating income, (loss)	<u>44,370</u>
Non-operating revenues, (expenses):	
Investment income	1,054
Gain, (loss) on sale of revenue bonds	
Capital grants	99,934
Interest and fiscal charges	(74,019)
Bond discount/premium amortization	<u>1,274</u>
Total non-operating revenues, (expenses)	<u>28,243</u>
Changes in net position	72,613
Net position - beginning	<u>3,500,661</u>
Net position - ending	<u>\$ 3,573,274</u>

See Notes to Financial Statement.

CITY OF WINONA, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2016

Cash flows from operating activities:	
Cash received from customers	\$ 1,246,738
Cash payments for goods & services	(469,769)
Cash payments for payroll, payroll taxes and retirement	(401,389)
Net cash provided by operating activities	<u>375,580</u>
 Cash flows from capital and related financing activities:	
Capital grants received	99,934
Bond and loan proceeds	
Acquisition and construction of capital assets	(139,208)
Principal payments on loans	(53,924)
Interest payments	(12,269)
Retirement of revenue bonds	(200,000)
Interest, issuance costs, and agent fees paid on revenue bonds	(63,100)
Net cash used by capital and related financing activities	<u>(368,567)</u>
 Cash flows from investing activities:	
Interest received on cash and investments	1,040
Redemption of investments	
Purchase of investments	-
Net cash provided by investing activities	<u>1,040</u>
 Net increase in cash and cash equivalents	8,053
 Cash and cash equivalents at beginning of year	<u>95,726</u>
 Cash and cash equivalents at end of year	<u>\$ 103,779</u>
 Reconciliation of income from operations to net cash provided by operating activities:	
Income, (loss) from operations	\$ 44,370
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	301,654
Changes in assets, liabilities, deferred outflows and inflows of resources:	
Increase in accounts receivable, net of allowance for uncollectibles	(21,127)
Increase in unbilled revenues	(2,733)
Increase in inventory	(2,356)
Increase in accounts payable	46,344
Decrease in due from other funds	(25,773)
Decrease in compensated absences liability	(285)
Increase in customer meter deposits	1,708
Increase in deferred outflows	(34,233)
Decrease in deferred inflows	(15,667)
Increase in net pension liability	83,678
Net cash provided by operating activities	<u>\$ 375,580</u>

See Notes to Financial Statements.

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Winona, Mississippi (the "City") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government: City of Winona

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Board of Aldermen or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has no blended presented component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

1.B. BASIS OF PRESENTATION (Cont'd)

Fund Financial Statements:

Fund financial statements of the reporting entity 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 expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Funds

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

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

Capital Project Funds

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

Debt Service Funds

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

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

1.B. BASIS OF PRESENTATION (Cont'd)

Proprietary Fund

Enterprise Fund

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Winona Water and Sewer Fund.

Fiduciary Funds (Not included in governmental-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes three agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities) they do not involve the measurement of results of operations. The agency funds are as follows:

Fund	Brief Description
Accounts Payable Clearing	Accounts for funds transferred in to pay claims of the City. Funds are transferred in monthly from Governmental and Proprietary type funds and disbursements are made to the City's vendors.
Payroll Fund	Accounts for disbursement of payroll checks for City. Funds are transferred in monthly from Governmental and Proprietary type funds and payroll checks are disbursed to employees.
Tax Collector's Fund	All property taxes collected are deposited to this fund. Settlements are made monthly from this fund to the various governmental funds which the taxes were levied and the Winona Separate School District.

Major and Non-major Funds

The funds further classified as major or non-major are as follows:

Fund	Brief Description
Major:	
General	See above for description.
Enterprise Funds:	
Water and Sewer	See above for description

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

1.B. BASIS OF PRESENTATION (Cont'd)

Major and Non-major Funds (Cont'd)

Fund	Brief Description
<i>Non-major:</i>	
Debt Service Fund:	
City Bond Fund	See above for description.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, "cash" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". Short-term interfund loans are reported as "interfund receivables and payables". Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 12 for details of interfund transactions, including receivables and payables at year-end.

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

1.D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, and police fines. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the governmental-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Unbilled Revenues

An estimated amount has been recorded for utility services provided but not billed as of the end of the year.

Inventory

Inventory is valued at cost. The inventory in the Water and Sewer Enterprise Fund of \$37,258 consists of expendable supplies held for consumption.

Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred Inflows of Resources

Deferred inflows of resources is an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Deferred outflows should be reported in a separate section following assets, and deferred inflows should be reported in a separate section following liabilities. The statement then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

1.D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY (Cont'd)

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) 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.

Government-wide Statements

In the government-wide financial statements, general capital assets including major general infrastructure assets acquired during the current year are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Assets capitalized, not including infrastructure assets, have an estimated useful life of over three years. All infrastructure asset additions are capitalized.

Prior to October 1, 2003, and the implementation of GASB 34, governmental fund's major general infrastructure assets were not capitalized. In accordance with the provisions of GASB 34, the City has elected not to report major general infrastructure assets acquired before the adoption of GASB 34, or October 1, 2003. Accordingly, those assets and depreciation thereon have not been reported in these financial statements.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years
Utility System	25-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash that is legally restricted as to their use. The primary restricted assets are related to revenue bond reserve accounts.

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

1.D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY (Cont'd)

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 debt 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 general obligation bonds, revenue bonds, notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

1.D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY (Cont'd)

Equity Classifications (Cont'd)

Fund Statements

Governmental fund equity is classified as fund balance. In the Balance Sheet of governmental funds, fund balance is reported in five possible classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash (e.g. inventories and prepaid assets).

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed

The committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority.

Assigned Fund Balance

The assigned fund balance includes amounts constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Expenditures may be incurred for purposes for which both restricted, if any, and unrestricted (committed, assigned, or unassigned) amounts are available. Composition of the ending fund balance will be determined by applying the following: In those instances where both restricted and unrestricted amounts are available, restricted amounts will be considered to have been spent first, followed by committed amounts, followed by assigned amounts, and then unassigned amounts.

Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

1.E. REVENUES, EXPENDITURES AND EXPENSES

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the following October 1 and are payable by the following February 1. The City bills and collects its own property taxes except for automobile taxes, which are collected by the county and remitted to the city.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenses are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2: PROPERTY TAXES COLLECTED FOR SEPARATE SCHOOL DISTRICT

State law requires the municipality to exercise its taxing authority for the benefit of other governing authorities, which are not part of the reporting entity. As provided the municipality must levy specified ad valorem taxes as directed by the other governing authority and turn all proceeds over to it.

Ad valorem taxes collected and settled in accordance with this legal requirement are not recognized as revenues and expenditures of the municipality. The accompanying supplemental information schedule "Reconciliation of Original Ad Valorem Tax Rolls to Fund Collections" provides specific assessment and settlement information. For the reported fiscal year the following ad valorem tax levies were made in accordance with this legal requirement.

Other Governing Authority: Winona Separate School District

<u>PURPOSE OF LEVY</u>	<u>MILLS LEVIED</u>
District maintenance	51.70
Note Fund	<u>2.70</u>
Total	<u><u>54.40</u></u>

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3: CASH AND CASH EQUIVALENTS

A summary of cash balances including bank account deposits and cash on hand at September 30, 2016, follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Petty cash on hand	\$ 1,025	\$	\$ 842	\$ 1,867
Bank deposits – unrestricted	157,557	9,715	102,937	270,209
Bank deposits – restricted				
Total bank deposits	<u>157,557</u>	<u>9,715</u>	<u>102,937</u>	<u>270,209</u>
Total cash	<u>\$ 158,582</u>	<u>\$ 9,715</u>	<u>\$ 103,779</u>	<u>\$ 272,076</u>

In accordance with state statutes, the City maintains deposits within approved limits at those depositories authorized by the Board of Aldermen. State statutes require that all of the City's deposits be protected by collateral or insurance equal to 105% of the total deposits not covered by insurance. The City's deposits are collateralized through the Statewide Collateral Pool Program sponsored by the State of Mississippi Treasury Department.

At September 30, 2016 all of the City's funds on deposit in financial institutions were insured or collateralized per the schedule below:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
Carrying amount per books	\$ 250,000	\$ 20,209	\$ 0	\$ 270,209
Balance per bank	\$ 250,000	\$ 162,621	\$ 0	\$ 412,621

The categories of risk are described as follows:

Category 1 - Insured by Federal Deposit Insurance Corporation

Category 2 - Collateralized with securities held by the pledging financial institution's agent in the City's name

Category 3 - Uncollateralized

Cash and cash equivalents at September 30, 2016 is shown on the Statement of Cash Flows – Proprietary Fund as \$103,779. This amount is shown on the Statement of Net Position – Proprietary Fund as current asset cash balance of \$103,779 – all unrestricted.

NOTE 4: INVESTMENTS:

State statutes, City bond ordinances and city resolutions authorize the City's investments. Generally, the City is authorized to invest in bonds or other direct obligations of the U.S. Government or the State of Mississippi, or of any county, municipality, or school district of this state meeting certain qualifications or in obligations issued or guaranteed in full as to principal and interest by the U.S. Government.

Water and Sewer Enterprise Fund investments consist of the following at September 30, 2016:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
281,660 units Federated US Treasury Cash Reserve Fund	\$ 9,710	\$ 271,950	\$ 281,660

All of the above investments at September 30, 2016, were held by a bank trust department in the City's name (Category 2).

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5: ACCOUNTS RECEIVABLE, NET OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

At September 30, 2016, accounts receivable were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Property taxes	\$ 1,075,997	\$	\$ 1,075,997
Penalties and interest	583		583
Franchise taxes receivable	34,817		34,817
Court fines	16,904		16,904
Privilege taxes	1,061		1,061
Water, sewer and garbage	70,393	172,846	243,239
Local fire runs	2,917		2,917
(Allowance for uncollectible accounts)	<u> </u>	<u>(6,000)</u>	<u>(6,000)</u>
Net accounts receivable	<u>\$ 1,202,672</u>	<u>\$ 166,846</u>	<u>\$ 1,369,518</u>

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6: CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 160,099	\$	\$	\$ 160,099
Depreciable assets:				
Buildings	1,077,618			1,077,618
Improvements	2,161,713	4,840		2,166,553
Machinery and equipment	3,092,643	172,692		3,265,335
Infrastructure	1,071,615			1,071,615
Totals at historical cost	<u>7,563,688</u>	<u>177,532</u>		<u>7,741,220</u>
Less accumulated depreciation for:				
Buildings	20,065	6,322		26,387
Improvements	372,267	74,138		446,405
Machinery and equipment	723,761	122,411		846,172
Infrastructure	164,960	33,728		198,688
Total accumulated depreciation	<u>1,281,053</u>	<u>236,599</u>		<u>1,517,652</u>
Governmental activities capital assets, net	<u>\$ 6,282,635</u>	<u>\$ (59,067)</u>	<u>\$</u>	<u>\$ 6,223,568</u>
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 40,930	\$	\$	\$ 40,930
Depreciable assets:				
Buildings	33,138			33,138
Water system	5,199,007			5,199,007
Sewer system	6,558,910	111,717		6,670,627
Machinery and equipment	814,895	27,491		842,386
Totals at historical cost	<u>12,646,880</u>	<u>139,208</u>		<u>12,786,088</u>
Less accumulated depreciation for:				
Buildings	33,138			33,138
Water system	2,680,645	108,530		2,789,175
Sewer system	3,153,836	137,811		3,291,647
Machinery and equipment	603,765	55,313		659,078
Total accumulated depreciation	<u>6,471,384</u>	<u>301,654</u>		<u>6,773,038</u>
Business-type activities capital assets, net	<u>\$ 6,175,496</u>	<u>\$ (162,446)</u>	<u>\$</u>	<u>\$ 6,013,050</u>
Depreciation expense was charged to governmental functions as follows:				
General government			\$	50,363
Public safety – police				24,164
Public safety - fire				33,191
Streets and sanitation				85,288
Culture and recreation				<u>43,593</u>
Total depreciation expense			<u>\$</u>	<u>236,599</u>

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7: LONG-TERM DEBT

<u>Date Issued</u>	<u>Definition and Purpose</u>	<u>Beginning Balance Oct. 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance Sept. 30, 2016</u>	<u>Amounts Due within One Year</u>
GOVERNMENTAL ACTIVITIES:						
GENERAL OBLIGATION BONDS:						
12-12-12	\$231,000 Building Bonds. Payable in annual installments of \$21,000 to \$26,000 on March 1. Final installment due 3-1-33. Interest payable on March 1 and September 1 at 2.25%.	\$ 189,000	\$	\$ 22,000	\$ 167,000	\$ 22,000
TAX INCREMENT FINANCING REVENUE BONDS:						
3-2-11	\$355,000 T.I.F. bonds for infrastructure executed with Trustmark National Bank. Interest payable in semi-annual installments at 4.5% on 11-1 and interest and principal installments on 5-1 beginning with final installment 5-1-22.	245,000		30,000	215,000	30,000
NOTES PAYABLE:						
6-21-11	\$76,867 Bank of Kilmichael note payable. Payable in monthly installments of \$1,373.87 starting 7-11 at a rate of 2.80%	13,588		13,588		
4-12-16	\$53,867.80 Bank of Winona - Excavator note payable. Payable in monthly installments of \$1,180.50, including principal and interest at the rate of 2.50%. Payments beginning 5-12-16 with final payment on 4-12-20.		53,868	5,364	48,504	13,103
4-7-16	\$28,938.00 Bank of Winona-Ford F150 note payable. Payable in monthly installments of \$1,232.90, including principal and interest at the rate of 2.10%. Payments beginning 5-15-16 with final payment on 4-15-18.		28,938	5,919	23,019	14,450
7-9-12	Caterpillar bulldozer with Bank of Kilmichael. Due in monthly installments of \$1,416.48, including principal and interest at the rate of 2.10%. Payments beginning 8-12-12 with final payment on 7-15-17.	31,905		17,886	14,019	14,019
10-1-08	\$221,000 Musco Finance note payable. Payable in annual installments of \$28,739, starting 10-1-09 at a rate of 4.97%	101,701		23,567	78,134	24,855
	Total notes payable	147,194	82,806	66,324	163,676	66,427
OTHER LIABILITIES:						
	Compensated absences	74,186		4,442	69,744	
	Total Governmental Activities Long-term liabilities	\$ 655,380	\$ 82,806	\$ 122,766	\$ 615,420	\$ 118,427

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7: LONG-TERM DEBT (Cont'd)

<u>Date Issued</u>	<u>Definition and Purpose</u>	<u>Beginning Balance Oct. 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance Sept. 30, 2016</u>	<u>Amounts Due within One Year</u>
BUSINESS-TYPE ACTIVITIES:						
REVENUE BONDS:						
3-1-01	\$2,815,000 Combined Water & Sewer System Revenue Refunding Bonds Series 2011. Payable in annual installments of varying amounts from \$190,000 to \$255,000 starting 12-1-11. Final payment 6-1-24. Interest payable on 6-1 and 12-1 at various rates from 2.00% to 3.625%.	\$ 2,025,000	\$	\$ 200,000	\$ 1,825,000	\$ 205,000
OTHER NOTES PAYABLE:						
5-19-11	Automated Meter Reading System with Regions Equipment Finance Corporation. Due in annual installments of \$44,623.06 including principal and interest at the rate of 3.996%. Payments beginning 5-19-12 with final payment on 5-19-21.	234,716		36,040	198,676	36,684
9-9-11	Automated Meter Reading System with Regions Equipment Finance Corporation. Due in annual installments of \$6,098.60 including principal and interest at the rate of 3.996%. Payments beginning 9-9-12 with final payment on 9-9-21.	31,974		4,821	27,153	5,014
7-25-11	SRF Loan# DWI-L490010-02-0. Loan payable in 120 monthly installments of \$1,676.77, including principal and interest at the rate of 1.95%. Payments beginning 10-2012 with final payment 9-2022.	131,559		17,713	113,846	18,062
9-25-15	State of Mississippi Capital Improvements Loan not to exceed \$149,000. Interest will be at 2.0% with 240 monthly estimated payments of \$758.32 beginning after project completion.		4,650		4,650	
	Total other notes payable	398,249	4,650	58,574	344,325	59,760
	Compensated absences	17,979		284	17,695	
	Total Business-type activities long-term debt	\$ 2,441,228	\$ 4,650	\$ 258,858	\$ 2,187,020	\$ 264,760

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2016, are as follows (this schedule does not include the September 25, 2015 CAP loan due to the project and payment schedule being incomplete at September 30, 2016):

<u>Year Ended September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$ 118,427	\$ 18,611	\$ 264,760	\$ 68,033	\$ 469,831
2018	106,095	14,769	271,781	60,887	453,532
2019	98,961	10,979	283,876	53,541	447,357
2020	67,193	7,201	291,048	44,770	410,212
2021	64,000	5,018	298,299	35,769	403,086
2022 – 2024	91,000	2,959	754,911	53,024	901,894
Total	\$ 545,676	\$ 59,537	\$ 2,164,675	\$ 316,024	\$ 3,085,912

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7: LONG-TERM DEBT (Cont'd)

\$231,000 GENERAL OBLIGATION BUILDING BONDS OF 12/12/12

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2017	\$ 22,000	\$ 3,510	2.25%
2018	23,000	3,004	2.25%
2019	23,000	2,486	2.25%
2020	24,000	1,958	2.25%
2021	24,000	1,417	2.25%
2022 - 2023	51,000	1,159	2.25%
Total	<u>\$ 167,000</u>	<u>\$ 13,534</u>	

\$355,000 TAX INCREMENT FINANCE REVENUE BONDS 3/2/11

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2017	\$ 30,000	\$ 9,675	4.50%
2018	35,000	8,325	4.50%
2019	35,000	6,750	4.50%
2020	35,000	5,175	4.50%
2021	40,000	3,600	4.50%
2022	40,000	1,800	4.50%
Total	<u>\$ 215,000</u>	<u>\$ 35,325</u>	

GENERAL NOTES PAYABLE:

BANK OF KILMICHAEL LOAN OF 7/9/12

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2017	\$ 14,019	\$ 135	2.10%

BANK OF KILMICHAEL LOAN OF 4/7/16

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2017	\$ 14,450	\$ 345	2.10%
2018	8,569	61	2.10%
Total	<u>\$ 23,019</u>	<u>\$ 406</u>	

MUSCO FINANCE LOAN OF 10/1/08

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2017	\$ 24,856	\$ 3,883	4.97%
2018	26,091	2,648	4.97%
2019	27,187	1,351	4.97%
Total	<u>\$ 78,134</u>	<u>\$ 7,882</u>	

BANK OF WINONA LOAN OF 4/12/16

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2017	\$ 13,103	\$ 1,063	2.50%
2018	13,434	732	2.50%
2019	13,774	392	2.50%
2020	8,193	68	2.50%
Total	<u>\$ 48,504</u>	<u>\$ 2,255</u>	

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7: LONG-TERM DEBT (Cont'd)

Maturities of Long-term debt: (Cont'd)

COMBINED WATER AND SEWER SYSTEM REVENUE REFUNDING BOND OF 09/22/11

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2017	\$ 205,000	\$ 56,950	2.50%
2018	210,000	51,825	2.50%
2019	220,000	46,575	2.50%
2020	225,000	39,975	2.50%
2021	230,000	33,225	2.50%
2022 - 2024	<u>735,000</u>	<u>52,813</u>	Varies
Total	<u>\$ 1,825,000</u>	<u>\$ 281,363</u>	

AUTOMATED METER READING SYSTEM - REGIONS EQUIPMENT FINANCE OF 05/19/11

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2017	\$ 36,684	\$ 7,939	3.996%
2018	38,150	6,473	3.996%
2019	39,674	4,949	3.996%
2020	41,260	3,363	3.996%
2021	<u>42,908</u>	<u>1,715</u>	3.996%
Total	<u>\$ 198,676</u>	<u>\$ 24,439</u>	

AUTOMATED METER READING SYSTEM - REGIONS EQUIPMENT FINANCE OF 09/09/11

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2017	\$ 5,014	\$ 1,085	3.996%
2018	5,214	885	3.996%
2019	5,423	676	3.996%
2020	5,639	460	3.996%
2021	<u>5,863</u>	<u>234</u>	3.996%
Total	<u>\$ 27,153</u>	<u>\$ 3,340</u>	

SRF-LOAN #DWI-L490010-02-0

<u>Year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2017	\$ 18,062	\$ 2,059	1.95%
2018	18,417	1,704	1.95%
2019	18,780	1,341	1.95%
2020	19,149	972	1.95%
2021	19,526	595	1.95%
2022	<u>19,912</u>	<u>211</u>	1.95%
Total	<u>\$ 113,846</u>	<u>\$ 6,882</u>	

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN

Plan Description: The City of Winona, MS contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy: PERS members are required to contribute 9% of their annual covered salary and the City of Winona, MS is required to contribute at an actuarially determined rate. The current rate of employer contribution is 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Winona, MS's contributions to PERS for the years ending September 30, 2016 and 2015 were \$227,854 and \$223,235, respectively, and these accounts equal the required contributions for each year.

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 those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost of Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired plan 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.

At September 30, 2016, the City of Winona, MS reported a liability of \$4,006,379 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 of Winona, MS's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City of Winona, MS's proportion was .022429 percent.

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Cont'd)

For the year ended September 30, 2016, the City of Winona, MS recognized pension expense of \$410,669. At September 30, 2016 the City's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 111,749	\$
Changes of assumptions	188,869	
Net difference between projected and actual earnings on pension plan investments	271,412	
Changes of assumptions		10,646
City of Winona contributions subsequent to the measurement date	<u>60,340</u>	
Totals	<u>\$ 632,370</u>	<u>\$ 10,646</u>

\$60,340 reported as deferred outflows of resources related to pensions resulting from the City of Winona, MS's contributions subsequent to the measurement date 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 December 31:

2017	\$ 194,899
2018	146,744
2019	140,594
2020	<u>79,147</u>
	<u>\$ 561,384</u>

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

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

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

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

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Cont'd)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34%	5.20%
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(.50)
Total	<u>100%</u>	

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City of Winona's proportionate share of the net pension liability	\$ 5,137,077	\$ 4,006,379	\$ 3,068,267

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: BOND PREMIUMS

The unamortized bond premiums at September 30, 2016 were \$5,348.

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 10: RISK MANAGEMENT

The City of Winona has entered into a joint and several relationships with other public entities in the Mississippi Municipal Worker's Compensation Group and the Mississippi Municipal Liability Group. Each member shares responsibility for premium contribution based on payroll and their own loss experiences as well as assessments needed for fund inadequacies. They also share the benefit of fund surplus in the form of dividends when applicable.

The City of Winona is a member of the Mississippi Municipal Association Unemployment Compensation Group Account with Unemployment Compensation Control Systems, Inc., of Mississippi as its agent.

NOTE 11: COMMITMENTS AND CONTINGENCIES

The City participates in federally assisted grant programs, principal of which are Community Development Block Grants and HOME grants. These programs are subject to program compliance audits by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or applicable fund. The City expects amounts disallowed, if any, to be immaterial.

The City is occasionally involved in various other legal actions arising in the normal course of business. Any such cases would be turned over to the City's insurer's attorneys, who would handle the defense of these claims. In the opinion of management, there were currently no such matters outstanding that would have a material effect upon the financial position of the City.

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

The following schedule as of September 30, 2016 represents interfund receivables and payables:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
Due to proprietary funds	\$	\$ 38,153
Proprietary Funds:		
Due from governmental funds	<u>38,153</u>	<u></u>
Total	<u>\$ 38,153</u>	<u>\$ 38,153</u>

NOTE 13: FUND EQUITY

	<u>Amount</u>
Fund Balance:	
General Fund assigned for:	
Fire protection	<u>\$ 37,206</u>
Clock project	<u>\$ 3,943</u>

The amount assigned for fire protection is to be used only by the fire department and generally is used for fire department and maintenance.

The clock project assignment funds are donations received for the City's clock restoration purposes.

CITY OF WINONA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 14: RESTRICTED ASSETS

Certain cash and investments in the City can be restricted as to use by donors or bond ordinances. The Enterprise Fund 2011 Revenue Refunding Bond ordinance requires that the City provide and maintain a Bond Fund, Depreciation Fund and a Contingent Fund. The Bond Fund requires a Debt Service Account and a Debt Service Reserve Account. The Debt Service Account is established for the City to set aside on a monthly basis an amount which will provide a sum for the payment of the semi-annual interest and annual principal payments on the refunding bonds when they become due. The Debt Service Reserve Account was required by the 2011 Revenue Refunding Bond ordinance to be funded with a portion of the sale proceeds of the 2011 bonds. Moneys in the Debt Service Reserve Account can only be used for the purpose of paying maturing principal or interest on the Bonds when the moneys in the Debt Service Account are insufficient and for no other purpose. In the event that amounts credited to the Debt Service Reserve Account are used to pay maturing principal or interest on the Bonds when moneys on hand in the Debt Service Account are insufficient, the City shall restore the amounts credited to the Debt Service Reserve Account to the amount of the Reserve Account requirement. The Debt Service Reserve Account requirement is equal to the lesser of (1) 10% of the principal amount of all bonds, (2) the maximum annual debt service requirement on a bond year basis or (3) 125% of the average annual debt service on a bond year basis. The Depreciation Fund is to be maintained with a balance of \$5,000 and shall be used for the purpose of paying the cost of repairing the system when needed. The Contingent Fund is to be maintained with a balance of \$5,000 and shall be used for the purpose of paying the cost of unforeseen contingencies arising in the operation and maintenance of the system, including the construction of reasonable and proper improvements.

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Enterprise Fund:			
Revenue Refunding Bond Reserves:			
Bond Fund:			
Debt Service Accounts	\$ 261,950		\$ 261,950
Depreciation Fund	5,000		5,000
Contingent Fund	<u>5,000</u>		<u>5,000</u>
Totals	<u>\$ 271,950</u>		<u>\$ 271,950</u>

NOTE 15: SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 31, 2017, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

GENERAL FUND	Original Amounts	Final Amounts after Amendments	Actual Amounts	Variance With final Budget Positive(Negative)
Beginning Fund Resources, Cash in Bank	\$ 23,000	\$ 35,836	\$ 110,082	\$ 74,246
RECEIPTS:				
Licenses and Permits	166,000	166,000	153,311	(12,689)
Inter Governmental Revenue	201,000	200,030	186,805	(13,225)
Federal Grants	29,127	31,623	32,524	901
Federal Shared Revenues				
Fed Payment/Lieu of Taxes	5,800	9,123	9,123	
State Grants				
State Shared Revenues	1,241,000	1,190,144	1,238,683	48,539
Grants from Local Governments				
Charges for Services	22,300	23,400	25,261	1,861
General Government				
Public Safety	6,000	6,000	12,075	6,075
Highways & Streets				
Sanitation	415,000	415,000	423,099	8,099
Welfare	400	400	75	(325)
Culture and Recreation	160,000	168,500	180,903	12,403
Other	1,215	133,975	83,972	(50,003)
Fines and Forfeits	154,000	154,000	170,028	16,028
Miscellaneous	12,000	14,000	13,597	(403)
Beginning Cash Balance				
Total Ad Valorem	<u>1,014,093</u>	<u>1,014,093</u>	<u>980,314</u>	<u>(33,779)</u>
TOTAL RECEIPTS & BEGINNING RESOURCES	\$ 3,450,935	\$ 3,562,124	\$ 3,619,852	\$ 57,728
DISBURSEMENTS:				
DISBURSEMENTS GENERAL GOVERNMENT EXPENSES:				
Personal services	\$ 255,164	\$ 258,881	\$ 250,527	\$ 8,354
Supplies	12,600	14,850	14,492	358
Other services and charged	111,021	111,428	111,105	323
Capital outlay	<u>61,000</u>	<u>74,875</u>	<u>70,025</u>	<u>4,850</u>
TOTAL GEN GOV EXP	439,785	460,034	446,149	13,885
DISBURSEMENTS FOR PUBLIC SAFETY/POLICE & FIRE:				
Personal services	1,028,762	1,037,507	987,611	49,896
Supplies	100,300	99,100	86,167	12,933
Other services and charged	116,400	118,273	113,229	5,044
Capital outlay	<u>127,824</u>	<u>165,115</u>	<u>86,165</u>	<u>78,950</u>
TOTAL PUBLIC SAFETY/PD&FIRE	1,373,286	1,419,995	1,273,172	146,823
DISBURSEMENTS FOR STREET DEPT. ADMIN.:				
Personal services	326,475	326,457	315,962	10,495
Supplies	111,950	125,450	78,685	46,765
Other services and charged	635,920	614,175	565,056	49,119
Capital outlay	<u>80,405</u>	<u>113,199</u>	<u>105,669</u>	<u>7,530</u>
TOTAL STREET DEPT/ADMIN	1,154,750	1,179,281	1,065,372	113,909

See Notes to Required Supplementary Information.

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

GENERAL FUND	Original Amounts	Final Amounts after Amendments	Actual Amounts	Variance With final Budget Positive(Negative)
DISBURSEMENTS FOR HEALTH/WELFARE/ANIMAL CONTROL:				
Personal services	\$ 11,015	\$ 11,015	\$ 10,935	\$ 80
Supplies	5,100	5,100	4,008	1,092
Other services and charged	2,020	2,020	1,749	271
Capital outlay	-	-	-	-
TOTAL HLTH/WLFR/ANML CNTRL	18,135	18,135	16,692	1,443
DISBURSEMENTS FOR CULTURE & RECREATION:				
Personal services	95,630	95,758	95,752	6
Supplies	162,600	163,147	163,141	6
Other services and charged	137,700	153,537	153,460	77
Capital outlay	42,239	39,239	39,237	2
TOTAL CULTURE & RECREATION	438,169	451,681	451,590	91
DISBURSEMENTS FOR AIRPORT:				
Personal services				
Supplies	500	4,000	3,946	54
Other services and charged	17,310	19,998	19,986	12
Capital outlay	9,000	9,000	9,000	-
TOTAL AIRPORT	26,810	32,998	32,932	66
TOTAL DISBURSEMENTS	\$ 3,450,935	\$ 3,562,124	\$ 3,285,907	\$ 276,217
Budgetary Fund Excess (Deficiency) of revenues over expenditures			\$ 333,945	
Reconciliation of Differences: Budget to GAAP				
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes			(110,082)	
Accrued revenues - end of year			328,015	
Accrued revenues - beginning of year			(321,790)	
Accrued expenditures prior year			114,831	
Accrued expenditures current year			(135,955)	
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses			208,964	
Beginning Fund Balance - GAAP Oct. 1, 2015			88,254	
Ending Fund Balance - GAAP Sept. 30, 2016			\$ 297,218	

See Notes to Required Supplementary Information.

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

CITY BOND FUND	Original Amounts	Final Amounts after Amendments	Actual Amounts	Variance With final Budget Positive(Negative)
Beginning Fund Resources, Cash in Bank	\$ 1,500	\$ 1,500	\$ 9,715	\$ 8,215
RECEIPTS:				
Miscellaneous	10	10	7	(3)
Advalorem Taxes	<u>31,700</u>	<u>31,700</u>	<u>31,882</u>	<u>182</u>
TOTAL RECEIPTS	<u>\$ 33,210</u>	<u>\$ 33,210</u>	<u>\$ 41,604</u>	<u>\$ 8,394</u>
DISBURSEMENTS FOR DEBT SERVICE:				
Bond Redemption	\$ 22,000	\$ 22,000	\$ 22,000	\$
Interest paid	8,210	8,210	4,005	4,205
Other expenses	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
TOTAL DISBURSEMENTS	<u>\$ 33,210</u>	<u>\$ 33,210</u>	<u>\$ 26,005</u>	<u>\$ 7,205</u>
Budgetary Fund Excess (Deficiency) of revenues over expenditures			\$ 15,599	
Reconciliation of Differences: Budget to GAAP:				
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes			(9,715)	
Accrued revenues - end of year			529	
Accrued revenues - beginning of year			<u>(416)</u>	
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses			5,997	
Beginning Fund Balance - GAAP Oct. 1, 2015			<u>247</u>	
Ending Fund Balance - GAAP Sept. 30, 2016			<u>\$ 6,244</u>	

See Notes to Required Supplementary Information.

CITY OF WINONA, MISSISSIPPI
SCHEDULE OF THE CITY OF WINONA, MS'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SEPTEMBER 30, 2016

	September 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
The City of Winona, MS's proportion of the net pension liability								.022429%	.022988%	.023721%
The City of Winona, MS's proportionate share of the net pension liability								\$ 4,006,379	\$ 3,553,491	\$ 2,879,295
The City of Winona, MS's covered-employee payroll								\$ 1,446,692	\$ 1,419,177	\$ 1,451,517
The City of Winona, MS's proportionate share of the net pension liability as a percentage of its covered-employee payroll								276.93%	250.39%	198.36%
Plan fiduciary net position as a percentage of the total pension liability								57.47%	61.70%	67.21%

See Notes to the Required Supplementary Information.

CITY OF WINONA, MISSISSIPPI
SCHEDULE OF THE CITY OF WINONA, MS'S CONTRIBUTIONS
SEPTEMBER 30, 2016

	<u>September 30,</u>									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution								\$ 227,854	\$ 223,235	\$ 229,190
Contributions in relation to the contractually required contributions								<u>(227,854)</u>	<u>(223,235)</u>	<u>(229,190)</u>
Contribution deficiency, (excess)								<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
The City of Winona, MS's covered- employee payroll								<u>\$1,446,692</u>	<u>\$1,419,177</u>	<u>\$1,451,517</u>
Contribution as a percentage of covered-employee payroll								<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>

See Notes to the Required Supplementary Information.

CITY OF WINONA, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SCHEDULE OF THE CITY OF WINONA, MS'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASS 68 was implemented in the fiscal year ended September 30, 2015, and, until a full 10-year trend is compiled, the Commission has only presented information for the years in which information is available.

NOTE 2 - SCHEDULE OF THE CITY OF WINONA, MS'S CONTRIBUTIONS

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

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

NOTE 3 - BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted on the cash basis of accounting.

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

1. Prior to September 15, the City Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. As required by State law, the City conducts public hearings on the budget.
3. The budget as submitted is reviewed by the Mayor and Board of Aldermen and necessary revisions are made to the budget. Then the budget is approved prior to September 15.
4. The budget is formally revised no later than July of each year or any time a deficit is indicated.
5. Budgetary comparisons are employed by management as a management control device during the year for all governmental funds and Water and Sewer Enterprise Fund. The budget and actual comparisons are formally presented in the financial statements to the Mayor and Board of Aldermen. Budgetary control over other funds is achieved through applicable state law, bond ordinances, or other restrictions imposed when the fund is created.

Budgeted amounts are as originally adopted or as amended by the Board of Aldermen as of September 30, 2016.

The City's budget is adopted on the cash basis of accounting modified to include recognition of expenditures paid within 30 days after year-end as required by the State of Mississippi. This method is not consistent with U.S. generally accepted accounting principles ("GAAP").

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 city bond and interest fund only.

OTHER SUPPLEMENTARY INFORMATION

CITY OF WINONA, MISSISSIPPI
RECONCILIATION OF ORIGINAL AD VALOREM TAX ROLLS TO FUND COLLECTIONS
YEAR ENDED SEPTEMBER 30, 2016

	<u>Municipal</u>	<u>School</u>	<u>Tax</u>
ASSESSED VALUATION AND MILLAGE:			
Realty	\$ 17,503,537	\$ 19,015,419	\$ -
Personal - other than auto	2,632,504	3,010,769	
Public utilities	1,591,082	2,496,705	
Personal - auto (remitted by county)	<u>4,697,469</u>	<u>5,377,982</u>	
 Total municipal at 44.90 mills	 <u>\$ 26,424,592</u>		 1,186,464
 Total school at 54.40 mills		 <u>\$ 29,900,875</u>	 1,626,608
COLLECTION ADJUSTMENTS:			
Add: Municipal homestead reimbursement		\$ 100,497	
School homestead reimbursement		59,287	
Prior year tax collections		-	
Penalties and interest on delinquent taxes		<u>19,261</u>	179,045
 Less: Cost of collections		25,529	
School regular homestead credit		59,814	
Special homestead exemption allowed		<u>303,543</u>	(388,886)
 Total to be accounted for			 <u>\$ 2,603,231</u>

	<u>Taxes</u>	<u>Homestead</u>	<u>Total</u>
CREDITS:			
Collections allocated to:			
General Fund	\$ 936,080	\$ 90,873	\$ 1,026,953
City Bond Fund	29,086	2,910	31,996
Library Fund	67,031	6,715	73,746
SSD Maintenance	<u>1,404,059</u>	<u>59,287</u>	<u>1,463,346</u>
 Totals	 <u>\$ 2,436,256</u>	 <u>\$ 159,785</u>	 \$ 2,596,041
 Balance represented by:			
Unpaid personal taxes			4,522
Unpaid real property taxes (Homestead chargebacks)			864
Unaccounted for - (over) under			<u>1,804</u>
 Total accounted for			 <u>\$ 2,603,231</u>

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

<u>NAME</u>	<u>POSITION</u>	<u>COMPANY</u>	<u>BOND</u>
Jerry Flowers	Mayor	Travelers Casualty & Surety Co.	\$ 90,000
Kelvin Winbush	Alderman	Travelers Casualty & Surety Co.	90,000
William Travis Johnson	Alderman	Travelers Casualty & Surety Co.	90,000
Franklin Seals	Alderman	Travelers Casualty & Surety Co.	90,000
Michael Austin	Alderman	Travelers Casualty & Surety Co.	90,000
William Ware	Alderman	Travelers Casualty & Surety Co.	90,000
June Williams	City Clerk	Liberty Mutual Surety	67,500
Tiffany Everett	Deputy Asst. City Clerk	Travelers Casualty & Surety Co.	50,000
Amy Blaylock	Deputy Clerk	Travelers Casualty & Surety Co.	50,000
Dorothy Washington	Deputy Clerk	Travelers Casualty & Surety Co.	50,000
Jessie Pickens	Court Clerk	Travelers Casualty & Surety Co.	50,000
Rachele Heath	Deputy Court Clerk	Travelers Casualty & Surety Co.	50,000
Johnny Hargrove	Police Chief-retired	Western Surety Company	50,000
Tommy Bibbs	Police Chief	Travelers Casualty & Surety Co.	50,000
Barry Gregg	Asst. Police Chief	Travelers Casualty & Surety Co.	50,000
Ickret Bennett	Police Officer	Travelers Casualty & Surety Co.	25,000
William Nix	Police Officer	Travelers Casualty & Surety Co.	25,000
Calvin Robinson	Police Officer	Travelers Casualty & Surety Co.	25,000
Danny Herod	Police Officer	Travelers Casualty & Surety Co.	25,000

TAYLOR, POWELL, WILSON & HARTFORD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 9369
GREENWOOD, MISSISSIPPI 38930-9369
662-453-6432

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

To the Honorable Mayor and
Board of Aldermen
City of Winona, Mississippi

We have audited the basic financial statements of the City of Winona, MS as of and for the year ended September 30, 2016 and have issued our report dated July 31, 2017. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations. The prior year findings have been corrected.

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

Taylor, Powell, Wilson & Hartford, P.A.

July 31, 2017

ACCOUNTANT'S ROUTING INSTRUCTIONS - FINANCIAL STATEMENTS/LETTERS

Client Number: 03-907-1

Client Name: City of Winona, MS

Mailing Address: _____

Contact Person: _____

Phone: _____

Fax: _____

E-mail: _____

Cell: _____

Year/Period Ending: 9-30-16

Financial Statements:

☒ 16 Bound Copies

☒ Unbound Copies

1 pdf

Confirmations FIRST

X Other DRAFT

Other

Letters:

Engagement Letter

Management Rep Letter

Governance Letter

Other

Other

Other

ACCOUNTANT IN CHARGE KW

RETURN TO KW WITH LETTER.

NEED BY ASAP

MAIL

HOLD FOR PICKUP

Prepared by

Initials

Date

Typed by

Proofed by

KW

KW/KE

KE/CJ

8-7-17

8-8-17

Memo: X: Kevin Wolfe/Kevin Wolfe/03-907-1 Winona/Winona 2016/
2016 Audit City of Winona