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

CITY OF WATER VALLEY, MISSISSIPPI
SEPTEMBER 30, 2019
FINANCIAL STATEMENTS

City of Water Valley, Mississippi
Financial Statements
For the Year Ended September 30, 2019
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FINANCIAL AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

To the City Council of City of Water Valley, MS
Water Valley, MS 38965

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Water Valley, MS as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Water Valley, MS'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinions

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unqualified
Business-type Activities	Qualified
General Fund	Unqualified
Industrial Fund	Unqualified
Water and Sewer Fund	Unqualified
Solid Waste Fund	Unqualified
Airport	Unqualified
Electric Department	Adverse
Aggregate Remaining Fund Information	Unqualified

Basis for Adverse Opinion on the Electric Department Enterprise Fund and Qualified Opinion on Business-type Activities

Management has not included the Electric Department Enterprise Fund in the City's financial statements. Accounting principles generally accepted in the United States of America require the Electric Department to be presented as a major enterprise fund and financial information about the Electric Department to be part of the business-type activities, thus increasing the activity's assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses and changing its net position. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Electric Department Enterprise Fund and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the Electric Department of the City of Water Valley, Mississippi, as of September 30, 2019, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the matter discussed in the "Basis for Adverse Opinion on the Electric Department Enterprise Fund and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Water Valley, Mississippi, as of September 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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 General Fund, Industrial Fund, Water and Sewer Fund, Solid Waste Fund, Airport, and the aggregate remaining fund information of the City of Water Valley, Mississippi, as of September 30, 2019, 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 7- 14 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 Water Valley, MS's basic financial statements. The supplemental information is for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2022, on our consideration of the City of Water Valley, MS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Water Valley, MS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Water Valley, MS's internal control over financial reporting and compliance.



Ronnie S. Windham, CPA, PLLC
Oxford, MS
July 5, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WATER VALLEY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

Our discussion and analysis of the City of Water Valley's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2019. Readers should also review the basic financial statements and disclosures to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City of Water Valley exceeded its liabilities at the close of the most recent fiscal year by \$2,824,605 (net position). The net position decreased by \$650,308 or 18.71% percent under the previous year.
- The City had \$3,561,737 in total revenues. Property tax revenues account for \$626,633 or 17.59% percent of total revenues. Sales taxes account for \$525,828 or 15.61% percent of total revenues. Charges for services account for \$1,407,655 or 39.52% percent of total revenues. The remainder of revenue is from federal and state grants, franchise taxes and other sources.
- The City had \$4,212,033 in total expenses which represents an increase of \$151,946 or 3.61% percent increase over the prior fiscal year. Expenses in the amounts of \$4,212,033 were offset by grants and charges for services. General revenues of \$2,095,581 were not adequate to provide for the remainder of the expenses.
- Among major funds, the General Fund had \$1,910,914 in revenues and \$2,079,862 in expenditures. The General Fund's fund balance decreased \$168,898 over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements, presented on pages 16 through 17 are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

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

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

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

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

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

The City of Water Valley maintains 28 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and Industrial Special of which are considered to be Major Funds. All other funds are considered non-major and are presented in single column. The governmental fund financial statements are presented on pages 15 through 21.

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

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are presented on pages 21 through 45.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds are much like that used for proprietary funds. Its financial statement can be found on page 26.

Notes to the financial statements. The notes, presented on pages 27 through 45, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Water Valley's budgetary control on pages 47 through 50.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Water Valley, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,824,913.

By far the largest portion of the City of Water Valley's net position, \$4,587,247 reflects its investment in capital assets (land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the City's net position for the fiscal year ended September 30, 2019.

City of Water Valley Net Position								
	2019	2018	2019	2018	2019	2018		
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	TOTAL	TOTAL	Increase (Decrease)	Percentage Change
Assets:								
Current and other assets	1,863,775	1,249,282	1,157,039	1,125,008	3,020,814	2,374,290	646,524	21.40%
Capital Assets, Net	1,347,008	1,629,062	3,240,234	3,642,215	4,587,242	5,271,277	(684,035)	-14.91%
Total Assets	3,210,783	2,878,344	4,397,273	4,767,223	7,608,056	7,645,567	(37,511)	-0.49%
Deferred Outflows of Resources	87,838	191,641	36,963	43,182	124,801	234,823	(110,022)	-88.16%
Liabilities:								
Current and other liabilities	613,659	75,482	142,504	87,024	756,163	162,506	593,657	78.51%
Long-term liabilities:	-	-	-	-	-	-	-	-
Due Within One Year	45,379	68,129	11,248	15,988	56,627	84,117	(27,490)	-48.55%
Due in More Than One Year	33,516	46,396	18,093	29,328	29,328	29,328	-	-
Net Pension Liability	2,669,435	2,664,192	602,246	600,308	3,271,681	3,264,500	7,181	0.22%
Total Liabilities	3,328,473	2,807,803	755,998	703,320	4,084,471	3,511,123	573,348	14.04%
Deferred Inflows of Resources	789,262	830,312	34,519	17,646	823,781	847,958	(24,177)	-2.93%
Net Position								
Invested in Capital Assets Net of Debt	1,268,110	1,536,640	3,210,893	3,601,932	4,479,003	5,138,572	(659,569)	-14.73%
Restricted:								
Debt Service	12,877	6,807	-	-	12,877	6,807	6,070	0.00%
Capital Projects	-	44,394	-	-	-	44,394	(44,394)	0.00%
Other Purposes	45,186	-	21,800	-	66,986	-	66,986	100.00%
Unrestricted	(2,145,287)	(2,202,367)	411,026	487,507	(1,734,261)	(1,714,860)	(19,401)	1.12%
Total Net Position	(819,114)	(614,526)	3,643,719	4,089,439	2,824,605	3,474,913	(650,308)	-23.02%

The City's total assets decreased \$37,511 during 2019 with business-type activities showing a decrease of \$369,960 and governmental activities showing an increase of \$332,439. The decrease in business-type activities is attributed to depreciation of assets.

The City's total liabilities increased \$573,348. Payments on long-term debt of \$44,345 were made from governmental funds and \$10,942 from business-type activities fund.

The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2019.

City of Water Valley Changes in Net Position

	2019	2018	2019	2018	2019	2018		
Governmental Activities:	Governmental Activities:		Business-Type Activities:		Total	Total	Increase /	Percentage
							(Decrease)	Change
Revenues:								
Program Revenues:								
Charges for services	\$ 131,293	\$ 173,206	1,276,372	1,332,676	1,407,665	1,505,882	(98,217)	-6.52%
Operating grants and contributions	20,020	28,255	177,614	0	197,634	28,255	169,379	0.00%
Capital Grant and contributions	0	0	0	654,220	0	654,220	(654,220)	-100.00%
General Revenues:								
Property taxes	626,633	641,583			626,633	641,583	(14,950)	-2.33%
Hmstd exemption reimb	67,151	67,592			67,151	67,592	(441)	-0.65%
Franchise Tax & Licenses	83,022	71,459			83,022	71,459	11,563	16.18%
Sales & miscellanouse	555,828	524,017			555,828	524,017	31,811	6.07%
Payments in lieu of taxes	494,219	478,349	0	0	494,219	478,349	15,870	3.32%
Investment Earnings	21,296	8,410	12,170	4,618				
Gain (loss) on disposal of assets		4,578						
Miscellaneous.	96,119	14,359	0	7,655	96,119	22,014	74,105	336.63%
Total Revenues	\$ 2,095,581	\$ 2,011,808	\$ 1,466,156	\$ 1,999,169	3,561,737	4,010,977	(449,240)	-11.20%
Program Expenses:								
General government	494,840	419,542			494,840	419,542	75,298	17.95%
Public Safety	1,163,862	1,183,416			1,163,862	1,183,416	(19,554)	-1.65%
Public Works	677,720	804,963			677,720	804,963	(127,243)	-15.81%
Culture & Recreation	202,422	244,073			202,422	244,073	(41,651)	-17.06%
Economic Development	23,475	7,925			23,475	7,925	15,550	196.21%
Miscellaneous.	0	0			0	0	0	0.00%
Water and Sewer	0	0	1,290,009	1,042,209	1,290,009	1,042,209	247,800	23.78%
Sanitation	0	0	295,522	289,812	295,522	289,812	5,710	1.97%
Airport			63,050	65,298				
Interest on debt		2,346	1,133	503				
Total Expenses	2,562,319	2,662,265	1,649,714	1,397,822	4,212,033	4,060,087	151,946	3.74%
Increase (Decrease) in Net Position								
before transfers	\$ (466,738)	\$ (650,457)	\$ (183,558)	601,347	(650,296)	(49,110)	(601,186)	1224.16%
Transfers	262,150	101,279	(262,150)	(101,279)	0	0	0	0
Change in net position	(204,588)	(549,178)	(445,708)	500,068	(650,296)	(49,110)	(601,186)	1224.16%
Net Position-beginning	(614,526)	(65,348)	4,089,439	3,589,371	3,474,913	\$ 3,524,023	(49,110)	-1.39%
Net position-end	\$ (819,114)	\$ (614,526)	\$ 3,643,731	\$ 4,089,439	\$ 2,824,617	\$ 3,474,913	(650,296)	-18.71%

The City's governmental activities continue to be funded by sources other than property taxes, which comprise 17.59% of the total revenues. The other major revenue sources were sales taxes 15.61%, charges for services 39.52%. The major expense activities were public safety 45.42%, General Government 19.31%, and Streets 26.45%. The City remains totally committed to providing the services our residents expect and need. Business-type activities are accounted for similar to businesses and are primarily supported by user fees. The City makes every effort to keep these fees as low as possible.

FUND FINANCIAL ANALYSIS

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

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

As the year ended, the City's governmental funds reported a combined fund balance of (\$819,114) which is \$204,586 below last year's total of (\$614,526). Total revenues were up \$83,773 and total expenditures were down \$99,946.

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

Business-type funds. Revenue from the Solid Waste, Water and Sewer Fund, and Airport decreased 26.66% percent to \$1,466,156 and expenses increased 18.02% percent to \$1,649,714.

Major Fund Budgeting Highlights

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

During the course of 2019, the City did not amend its general fund budget. All recommendations for budget changes come from the Chief Administrative Officer and are presented to the whole Mayor and City Council for ordinance enactment on the change. The City does not allow budget changes that modify line items within departments without board approval. With the general fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the City had \$4,587,247 invested in a broad range of capital assets, including police and fire equipment, buildings, park and recreation facilities, streets, bridges, and water and sewer lines. This amount represents a net increase (including additions and deductions) of approximately \$4,475 or 0.10% percent over the prior year.

City of Water Valley Capital Assets

	2019	2018	2019	2018	2019	2018		
	Governmental Activities:		Business-type Activities:		Totals	Totals	Increase / (Decrease)	Percentage Change
Infrastructure	\$ 554,642	\$ 800,032	3,001,908	2,654,100	\$ 3,556,550	\$ 3,454,132	\$ 102,418	0.00%
Buildings & improvements	493,250	529,776	0	0	493,250	529,776	(36,526)	-6.89%
Equipment and furniture	221,669	250,307	238,331	287,527	460,000	537,834	(77,834)	0.00%
Mobile equipment	77,447	48,946	0	12,084	77,447	61,030	16,417	26.90%
Total Governmental Activities	\$ 1,347,008	\$ 1,629,061	\$ 3,240,239	\$ 2,953,711	\$ 4,587,247	\$ 4,582,772	\$ 4,475	0.10%

Long-term Debt

At year-end, the City had \$108,239 in leases outstanding compared to \$132,705 last year, a decrease of \$24,466. Of the total debt outstanding \$108,239 is backed by the full faith and credit of the City with debt service funded by voter-approved property taxes.

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

The following table illustrates the total Long-term Debt of the City of Water Valley as of September 30, 2019:

City of Water Valley Long-Term Obligations at Year End								
	2019	2018	2019	2018	2019	2018		
	Governmental Activities:		Business-type Activities:		Totals	Totals	Increase / (Decrease)	Percentage Change
Governmental Activities:								
Notes Payable	-	11,862	0	0	-	11,862	(11,862)	0.00%
Capital Leases	78,898	80,560	29,341	40,283	108,239	120,843	(12,604)	-11.64%
Compensated absences	31,315	22,103	11,575	5,033	42,890	27,136	15,754	36.73%
Total Governmental Activities	110,213	114,525	40,916	45,316	\$ 151,129	\$ 159,841	\$ (8,712)	25.09%

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2019 budget, tax rates, and fees that will be charged for the business-type activities. The total property tax millage rate of 39.5 mills is expected for the following year.

Contacting the City's Finance Department

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

FINANCIAL STATEMENTS

CITY OF WATER VALLEY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS AND OTHER DEBITS			
Cash and cash equivalents	1,015,504	469,173	1,484,677
Receivables, net of allowance for uncollectibles	752,282	104,777	857,059
Due from other funds	336	547,278	547,614
Due from other governments	82,566	0	82,566
Prepays	13,087	6,084	19,171
Restricted Assets	0	0	0
Cash Bond Reserves	0	0	0
Customer deposits	0	29,727	29,727
Capital assets, net	1,347,008	3,240,234	4,587,242
Total Assets	3,210,783	4,397,273	7,608,056
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensionas	87,838	36,963	124,801
LIABILITIES AND OTHER CREDITS			
Accounts Payable	69,502	28,249	97,751
Other payables	0	3,118	3,118
Due to other Funds	479,323	59,668	538,991
Customer deposits	0	21,800	21,800
Compensated absences	31,315	11,576	42,891
Capital related debt due within one year	45,379	11,248	56,627
Noncurrent liabilities:		0	0
Net Pension Liability	2,669,435	602,246	3,271,681
Capital related debt due in more than one year	33,519	18,093	51,612
Total Liabilities	3,328,473	755,998	4,084,471
Noncurrent liabilities:			
DEFERRED INFLOWS OF RESOURCES			
Property Tax for Future Reporting Period	752,282		752,282
Deferred Inflows	36,980	34,519	71,499
	789,262	34,519	823,781
NET POSITION			
Invested in capital assets, net of related debt	1,268,110	3,210,893	4,479,003
Restricted for:			
Debt service	12,877	0	12,877
Other Purposes	45,186	21,800	66,986
Unrestricted	(2,145,287)	411,026	(1,734,261)
Total Net Position	(819,114)	3,643,719	2,824,605

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

**CITY OF WATER VALLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	494,840	5,684	0	0	489,156		489,156
Public safety	1,163,862	53,822	20,020		1,090,020		1,090,020
Public works	677,720	21,987			655,733		655,733
Culture and recreation	202,422	0			202,422		202,422
Economic developemnt	23,475	49,800			(26,325)		(26,325)
Interest on long-term debt	0				0		0
Total governmental activities	2,562,319	131,293	20,020	0	2,411,006	0	2,411,006
Business-type activities:							
Water and Sewer	1,290,009	817,293	0	177,614		(295,102)	(295,102)
Sanitation	295,522	437,673		0		142,151	142,151
Airport	63,050	21,406				(41,644)	(41,644)
Interest on long term debt	1,133					(1,133)	(1,133)
Total business-type activities	1,649,714	1,276,372	0	177,614	0	(195,728)	(195,728)
Total primary government	4,212,033	1,407,665	20,020	177,614	2,411,006	(195,728)	2,215,278
General revenues:							
Taxes:							
Property Taxes levied for general purpose					626,633		626,633
Homestead Exemption Reimbursement					67,151		67,151
Franchise taxes and licenses					83,022		83,022
Sales and miscellaneous taxes					555,828		555,828
Payments received in lieu of taxes					494,219		494,219
Unrestricted investment earnings					21,296	12,158	33,454
Gain (loss) on disposal of assets					0		0
Miscellaneous					96,119	0	96,119
Transfers					262,150	(262,150)	0
Total General Revenues and Transfers					2,206,418	(249,992)	1,956,426
Change in net position					(204,588)	(445,720)	(650,308)
Net position- beginning					(614,526)	4,089,439	3,474,913
Net position- ending					(819,114)	3,643,719	2,824,605

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

CITY OF WATER VALLEY
BALANCE SHEET- GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Industrial Special	Other Governmental Funds	Total Governmental Funds
ASSETS AND OTHER DEBITS				
Cash and cash equivalents	496,479	371,590	147,435	1,015,504
Property Taxes Receivable	701,497	0	50,785	752,282
Intergovernmental receivables	82,566	0		82,566
Due from other funds	0		336	336
Other receivables	0			0
	0	0	0	0
 Total Assets and Other Debits	 1,280,542	 371,590	 198,556	 1,850,688
LIABILITIES AND OTHER CREDITS				
Accounts Payable	48,978	0	499	49,477
Due to Other Funds	478,737	0	586	479,323
Other accrued expenses	19,369		656	20,025
Other payables	0		0	0
 Total Liabilities	 547,084	 0	 1,741	 548,825
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows-Property Taxes	701,497		50,785	752,282
FUND BALANCES				
Restricted				
Assigned				0
Unassigned	31,961	371,590	146,030	549,581
 Total fund balances	 31,961	 371,590	 146,030	 549,581
 Total Liabilities, Deferred Inflows and Fund Balances	 1,280,542	 371,590	 198,556	 1,850,688

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

CITY OF WATER VALLEY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total Fund Balance- Governmental Funds	549,581
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the government funds	1,347,008
Prepaid expenses used in governmental activities are not current financial resources and are not reported in the funds balance sheet	13,087
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(110,213)
Net pension obligations are not due in the current period	(2,669,435)
Deferred outflows and inflows of pension resources are not applicable to the current period	
Deferred outflows for pensions	87,838
Deferred inflows for pensions	<u>(36,980)</u>
Total Net Position-Governmental Activities	(819,114)

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

CITY OF WATER VALLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Industrial Special	Total Non-Major Funds	Total Governmental Funds
REVENUES:				
Property taxes	581,841		44,791	626,632
Sales and miscellaneous taxes	565,108			565,108
Homestead exemption reimbursements	62,618		4,533	67,151
Franchise taxes, licenses and permits	83,022		0	83,022
Payments received in lieu of taxes	490,659	49,800	3,559	544,018
Intergovernmental	27,040		20,020	47,060
Charges for services	28,322			28,322
Fines and forfeitures	53,172			53,172
Investment earnings	10,643	2,926	3,048	16,617
Miscellaneous	8,539	7,605	12,264	28,408
TOTAL REVENUES	1,910,964	60,331	88,215	2,059,510
EXPENDITURES				
General governmental	388,096		0	388,096
Public safety	1,071,430		10,601	1,082,031
Public works	376,067	15,500	0	391,567
Culture and recreation	186,200		73,138	259,338
Intergovernmental	0	0	0	0
Capital Outlay	9,900		0	9,900
Debt services				0
Principal	44,345		0	44,345
Interest	3,824		0	3,824
Other				0
TOTAL EXPENDITURES	2,079,862	15,500	83,739	2,179,101
Excess (deficiency) of revenues over expenditures	(168,898)	44,831	4,476	(119,591)
Other financing sources (uses):				
Transfers in	242,151	0	20,000	262,151
Transfers out	0	0	0	0
Proceeds from debt	42,683		0	42,683
Sales of Capital Assets	0			0
Total other financing sources (uses):	284,834	0	20,000	304,834
Excess (deficiency) of revenues and other sources over expenditures and other uses	115,936	44,831	24,476	185,243
 Fund Balances - Beginning,	 (66,698)	 326,823	 121,540	 381,665
 Fund Balances - Ending	 49,238	 371,654	 146,016	 566,908

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

CITY OF WATER VALLEY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

Net change in fund balances- total government funds	\$ 185,243
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reports as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(324,734)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas, in the governmental funds proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decreases financial resources. This is the amount by which the proceeds from the sale of assets exceeds the gain on the sale of assets.	0
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt 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 that debt proceeds exceeded debt payments in the current period.	
proceeds of debt	(42,683)
repayment of principal	44,345
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
This is the amount of increase in compensated absences.	9,212
Differences in reporting of pension expenditures related to net pension liability	(75,971)
Change in Net Position of Governmental Activities	<u>\$ (204,588)</u>

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

CITY OF WATER VALLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Water and Sewer Fund Current	Solid Waste Fund	Airport	Totals Current Year
ASSETS				
Cash and cash equivalents	452,118	5,455	11,600	469,173
Customer receivables, net of allowance	64,702	40,075		104,777
Due from other funds	68,541	478,737		547,278
Prepays	6,084	0		6,084
Total current assets	591,445	524,267	11,600	1,127,312
Non-current assets				
Restricted Assets				
Customer deposits	29,727			29,727
Capital assets,				
Construction in progress	514,073		174,427	688,500
Infrastructure	9,991,126		1,266,162	11,257,288
Mobile equipment	124,825	372,922		497,747
Other equipment and furniture	1,158,120			1,158,120
Less: Accumulated Depreciation	(9,289,221)	(372,922)	(699,278)	(10,361,421)
Total non-current assets	2,528,650	0	741,311	3,269,961
Total Assets	3,120,095	524,267	752,911	4,397,273
DEFERRED OUTFLOWS of RESOURCES				
Deferred Outflows Related to Pensions	29,715	7,248	0	36,963
LIABILITIES				
Accounts Payable	28,249	0	0	28,249
Other payable	2,116	1,002	0	3,118
Accrued Compensated absences	9,700	1,876	0	11,576
Capital lease payable current				
Due to other funds	59,668		0	59,668
Total current liabilities	99,733	2,878	0	102,611
Current liabilities payable from restricted assets				0
Customer deposits	21,800	0	0	21,800
Total current liabilities payable from restricted assets	21,800	0	0	21,800
Non-current liabilities				
Net Pension Liability	414,723	187,523	0	602,246
Capital related debt due in more than one year	29,341	0	0	29,341
Total non-current liabilities	444,064	187,523	0	631,587
Total liabilities	565,597	190,401	0	755,998
DEFERRED INFLOWS of RESOURCES				
Deferred Inflows Related to Pensions	31,492	3,027	0	34,519
NET POSITION				
Net investment in capital assets	2,499,309	0	0	2,499,309
Unrestricted	53,412	338,087	752,911	1,144,410
Total Net Position	2,552,721	338,087	752,911	3,643,719
Total Liabilities and Net Position	3,149,810	531,515	752,911	4,434,236

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

CITY OF WATER VALLEY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2019

	Water and Sewer Fund	Solid Waste Fund	Airport	Totals Current Year
Operating revenues:				
Charges for services	805,964	437,673	21,406	1,265,043
Other Operating Revenues	11,329			11,329
Total operating revenues	817,293	437,673	21,406	1,276,372
Operating expenses:				
Personnel services	239,796	106,690	0	346,486
Supplies and material	264,076	0	0	264,076
Other services and charges	189,366	188,832		378,198
Fuel purchases			20,525	20,525
Capital repairs	237,320			237,320
Depreciation	359,451	0	42,525	401,976
Total operating expenses	1,290,009	295,522	63,050	1,648,581
Operating income(loss)	(472,716)	142,151	(41,644)	(372,209)
Non-operating Revenues(Expenses)				
Interest and investment revenue	(11,870)	(119)	(181)	(12,170)
Interest Expense	1,133			1,133
Total non-operating revenue(expenses)	(10,737)	(119)	(181)	(11,037)
Income (loss) before grants and transfers	(461,979)	142,270	(41,463)	(361,172)
Capital & operating grants	(177,614)			(177,614)
Transfers in	0			0
Transfers out	120,000	142,151		262,151
Change in net position	(404,365)	119	(41,463)	(445,709)
Total net position-beginning	2,957,091	337,969	794,374	4,089,434
Total net-position-ending	2,552,732	338,088	752,911	3,643,731

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

**CITY OF WATER VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2019**

	Water and Sewer Fund	Solid Waste Fund	Airport	Totals
Cash flow from operating activities:				
Cash received from customers (excluding deposit)	871,822	437,673	21,406	1,330,901
Payment for interfund services provided		(142,151)		
Cash paid to suppliers	(691,895)	(188,832)	(20,525)	(901,252)
Cash paid to employees	(239,796)	(106,690)	0	(346,486)
Net cash provided (used) by operating activities	(59,869)	0	881	(58,988)
Cash flow from non-capital financing activities:				
Operating transfers out	(857,075)	0	0	(857,075)
Operating transfers in	737,075	0	0	737,075
Net cash provided by non-capital financing activities	(120,000)	0	0	(120,000)
Cash flow from capital and related financing activities:				
Grants Received	177,614	0	0	177,614
Loans made	0	0	0	0
Principal paid on notes	(10,942)	0	0	(10,942)
Interest paid	(1,133)	0	0	(1,133)
Net cash provided (used) by capital and related financing activities	165,539	0	0	165,539
Cash flow from investing activities:	0			0
Purchase of fixed assets	0	0		0
Interest received	11,870	119	181	12,170
Net cash provided (used) by investing activities	11,870	119	181	12,170
Net increase (decrease) in cash for the year	(2,460)	119	1,062	(1,279)
Cash and restricted cash - October 1, 2018	484,305	5,336	10,537	500,178
Cash and restricted cash - September 30, 2019	481,845	5,455	11,599	498,899

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

CITY OF WATER VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2019

	Water and Sewer Fund	Solid Waste Fund	Airport	Totals
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Income (loss) from operations	(472,716)	142,151	(41,644)	(372,209)
Adjustment to reconcile operating income to net cash provided by operating income activities:				
Depreciation	359,451	0	42,525	401,976
Other nonoperating revenue				
(Increase) decrease in accounts receivable	40,454	(5,300)		35,154
(Increase) decrease in due from other funds	(68,541)	(142,073)	0	(210,614)
(Increase) decrease in deferred outflows	0	6,219		6,219
Increase (decrease) in due to other funds	48,713			48,713
Increase (decrease) in deferred inflows	19,349	(2,476)		16,873
Increase (decrease) in other liabilities	7,272	1,165		8,437
Increase (decrease) in accounts payable	4,525	0		4,525
Increase (decrease) in net pension liability	1,624	314		1,938
Net Cash provided by operating activities	<u>(59,869)</u>	<u>0</u>	<u>881</u>	<u>(58,988)</u>
Other Required Disclosures:				
Interest expense	<u>1,133</u>	<u>0</u>	<u>0</u>	<u>1,133</u>

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

CITY OF WATER VALLEY
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2019

	Total Fiduciary Funds
ASSETS	
Cash	48,654
Interfund Receivables	586
	<u>\$ 49,240</u>
Total Assets	
LIABILITIES	
Payables to others	49,240
Total Liabilities	<u>\$ 49,240</u>

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

CITY OF WATER VALLEY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

CITY OF WATER VALLEY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2019

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The City of Water Valley, Mississippi (the City) is a political subdivision of the State of Mississippi. The City operates under the Board of Aldermen-Mayor form of government and provides the following services: public safety, public works, culture and recreation, general administrative services, water & sewer, and solid waste.

Accounting principles generally accepted in the United States of America require City of Water Valley to present these financial statements on the primary government. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. These financial statements present all the accounts of the City. There are no outside organizations that should be included as component units of the City's reporting entity.

The City of Water Valley Electric Department (the Electric Department), an enterprise fund of the City, has a fiscal year ending on June 30th of each year, as required by regulatory bodies. The financial statements are not prepared in conformity with accounting principles general accepted in the United States of America (GAAP) and are separately audited by other auditors. According to the Electric Department's Independent Auditor's Report for the fiscal year ending June 30, 2019, the financial statements are prepared in accordance with the financial reporting practices prescribed or permitted by the Tennessee Valley Authority. All financial and other information pertaining to the Electric Department have been excluded from the information included herein

The Electric Department has a power contract with the Tennessee Valley Authority (TVA) whereby the electric system purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishings, advancing, lending, pledging or otherwise diverting Department funds, revenues or property to other operations of the City and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations.

B. Basis of Presentation.

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the City as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the City at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the City.

CITY OF WATER VALLEY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2019

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide and Proprietary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the City. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major governmental funds:

General Fund- The General Fund is the City's primary operating fund. It accounts for all financial transactions of the City, except those required or elected to be accounted for in another fund.

Industrial Fund- This fund accounts for the funds spent on the special projects for the City and to incentivize industry in Water Valley.

CITY OF WATER VALLEY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2019

The City reports the following major proprietary funds:

Water and Sewer Fund- This enterprise fund accounts for activities associated with the provision of water and sewer services to individuals, organizations and other governmental units within and around the City.

Solid Waste Fund- This enterprise fund accounts for activities associated with the provision of sanitation services to individuals, organizations and other governmental units within and around the City.

Airport - This enterprise fund accounts for activities associated with the provision of flight services, hanger rentals and fuel services to individuals, organizations and other governmental units within and around the City.

Fiduciary funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. The purpose of the City's agency funds is to collect and remit to the related organizations various revenues.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Fund - This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for major projects.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

CITY OF WATER VALLEY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2019

PROPRIETARY FUND TYPE

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

D. Budgets and Budgetary Accounting.

The City follows these procedures in establishing the budgetary data reflected in the financial statements: The City Charter establishes the fiscal year at the twelve-month period beginning October 1. The departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year after which the City Clerk submits a budget of estimated expenditures and revenues to the Mayor and Board of Aldermen by August 1.

Upon receipt of the budget estimates, the Board of Aldermen holds a public hearing on the proposed budget. Information about the budget ordinance is then published in the official newspaper of the City.

At the September board meeting, the budget is legally enacted through passage of ordinance. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.

The actual receipts and disbursements are accumulated each month and compared to the budgeted amounts and reviewed by the Mayor and Board of Aldermen. Any revisions on the budget during the year are approved by the Board of Aldermen.

E. Account Classifications.

The account classifications used in the financial statements conform to the board classifications recommended in Governmental Accounting, Auditing and Financial Reporting as issued in 2012 by the Government Finance Officers Association.

F. Deposits and Investments.

State law authorizes the City to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any City, municipality or school district of this state. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the City did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF WATER VALLEY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2019

I. Prepaid Items.

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the non-spendable portion of fund balance for prepaid items in the governmental funds has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the City's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings / Improvements	25,000 - 50,000	20-40 years
Improvements other than buildings	25,000	20 years
Vehicles and equipment	5,000	3-10 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

K. Deferred Outflows/Inflows of Resources:

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

CITY OF WATER VALLEY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2019

Deferred amount on refunding – For current and advance refunding resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred outflows related to pensions – This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates. See Note 12 for additional details.

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

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Deferred inflows related to pensions – This amount represents the City's proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates. See Note 12 for additional details.

L. Pensions.

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

M. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position.

N. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

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

CITY OF WATER VALLEY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2019

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

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

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

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the City:

Non-spendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

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

O. Property Tax Revenues:

Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

CITY OF WATER VALLEY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2019

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

P. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

Q. Compensated Absences.

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Deposits.

The carrying amount of the City's total deposits with financial institutions at September 30, 2019, was \$1,616,026, and the bank balance was \$1,562,916. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal

Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

CITY OF WATER VALLEY, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2019**

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30,2019:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sanitation Fund	General Fund	\$ 478,737
General Fund	Accounts Payable Clearing	336
Accounts Payable Clearing	Fire Fund	<u>586</u>
Total		<u>\$ 479,659</u>

B. Transfers In/Out

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water and Sewer Revenue	\$ 100,000
Library Fund	Water and Sewer Revenue	10,000
Sports Fund	Water and Sewer Revenue	10,000
General Fund	Sanitation Fund	<u>142,151</u>
Total		<u>\$ 262,151</u>

CITY OF WATER VALLEY, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2019**

(4) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2019:

CITY OF WATER VALLEY - FIXED ASSETS

	Beginning <u>Balance</u> 10/1/18	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u> 9/30/19
Governmental Activities:				
Depreciable assets:				
Infrastructure	6,826,682			6,826,682
Buildings & improvements	1,026,907	0	0	1,026,907
Equipment & improvements	1,133,843	0	0	1,133,843
Mobile equipment	314,174	52,583	0	366,757
Totals at historical cost	9,301,606	52,583	0	9,354,189
Less accumulated depreciation for:				
Infrastructure	6,026,649	245,391	0	6,272,040
Buildings & improvements	497,131	36,526	0	533,657
Equipment & improvements	883,536	28,638	0	912,174
Mobile equipment	265,228	24,082	0	289,310
Total accumulated depreciation	7,672,544	334,637	0	8,007,181
 Governmental activities capital assets, net	 1,629,062	 (282,054)	 0	 1,347,008

CITY OF WATER VALLEY, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2019**

	<u>Beginning Balance</u> 10/1/18	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u> 9/30/19
Business-type Activities:				
Capital assets not being depreciated				
Construction-in-progress	688,502	0	0	688,502
Total capital assets not being depreciated	688,502	0	0	688,502
Depreciable assets:				
Infrastructure	11,257,288	0	0	11,257,288
Equipment & furniture	1,158,121	0	0	1,158,121
Mobile equipment	497,748	0	0	497,748
Total capital assets being depreciated	12,913,157	0	0	12,913,157
Less accumulated depreciation for:				
Infrastructure	8,603,188	340,694	0	8,943,882
Equipment & furniture	870,592	49,198	0	919,790
Mobile equipment	485,664	12,084	0	497,748
Total accumulated depreciation	9,959,444	401,976	0	10,361,420
Total capital assets being depreciated, net	2,953,713	(401,976)	0	2,551,737
Total business-type activities capital assets net	3,642,215	(401,976)	0	3,240,239

GOVERNMENTAL		PROPRIETARY	
General government	\$36,526	Water and Sewer System	359,451
Public property	14,528	Sanitation	0
Public safety	24,082	Airport	42,525
Public Works	245,391		
Culture and recreation	14,110		
	<u>\$334,637</u>		<u>\$401,976</u>

CITY OF WATER VALLEY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2019

(5) Claims and Judgments.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. This exposure is covered by purchase of commercial insurance.

(6) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. City of Water Valley, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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 Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

Contributions. At September 30, 2019, PERS members were required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2019 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2019, 2018 and 2017 were \$205,472, \$189,359, and \$186,883, respectively, equal to the required contributions for each year.

CITY OF WATER VALLEY, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2019**

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

At September 30, 2019, the City reported a liability of \$3,271,681, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal year ended June 30, 2019, relative to the total employer contributions of participating employers to PERS. At June 30, 2019, the City's proportion was 0.025527%, which was an increase of 0.000953% from its proportion of 0.0245745%, as of June 30, 2018. The proportionate share of the pension related balances excludes the pro-rata portion pertaining to the Electric Department.

For the year ended September 30, 2019, the City recognized pension expense of \$92,737. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
-		
Differences between expected and actual experience	\$ 1,935	\$ 3,522
Net difference between projected and actual earnings on pension plan investments		35,794
Change of assumptions	32,076	
Changes in the proportion and differences between the City's contributions and proportionate share of contributions		
City contributions subsequent to the measurement date	58,638	
Total	\$ 92,649	\$ 39,316

\$58,638 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	Amount
2020	\$ 18,368
2021	(46,332)
2022	9,723
2023	14,936
Total	\$ (3,305)

CITY OF WATER VALLEY, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2019**

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00%	4.90%
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.25
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%). 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.

CITY OF WATER VALLEY, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2019**

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 4,300,738	3,271,681	2,422,287

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

CITY OF WATER VALLEY, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2019**

(7) Long-term Debt.

Debt outstanding as of September 30, 2019, consisted of the following

		Beginning Balance			Ending Balance	
Date Issued	Definition and Purpose	Oct. 1, 2018	Additions	Reductions	Sept. 30, 2019	Due in One Year
GOVERNMENTAL ACTIVITIES						
6/2/2014	NOTES PAYABLE Mahindra Backhoe 2.00%, 5 yrs	11,862	0	11,862	0	0
CAPITAL LEASES:						
7/1/2015	Street Sweeper, 2.25%, 5 years	58,281	0	28,833	29,448	29,448
10/5/2018	Police Car, 2.76%, 5 years	22,279		5,498	16,781	5,491
3/29/2019	New Holland Tractor 4.25%, 4 yrs	0	42,683	10,014	32,669	10,440
	Total	80,560	42,683	44,345	78,898	45,379
	Compensated Absences	22,103	9,212	0	31,315	
	Total Governmental Activities Long Term Debt	114,525	51,895	56,207	110,213	45,379
BUSINESS TYPE ACTIVITIES						
CAPITAL LEASES:						
11/16/2016	2017 Chevrolet Truck, 2.60%, 4 yrs	15,283	-	4,962	10,321	5,091
3/6/2018	AERATORS 2.95%, 4 YRS	25,000	-	5,980	19,020	6,157
	TOTAL	40,283	0	10,942	29,341	11,248
	Compensated Absences	5,033	6,542	0	11,575	
	Total Business-Type Activities Long Term Debt	\$45,316	\$6,543	\$10,942	\$40,916	\$11,248

CITY OF WATER VALLEY, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2019**

Governmental Activities

<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>	
2020	45,387	2,517	11,248	829	59,981
2021	16,528	1,266	11,569	506	29,869
2022	16,983	810	6,524	192	24,509
2023	0	0	0	0	0
Total	78,898	4,593	\$29,341	\$1,527	\$114,359

CITY OF WATER VALLEY, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2019**

(8) Contingencies.

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

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

(9) Subsequent Events.

Subsequent events have been evaluated through July 5, 2022, which is the date that the Financial Statements were issued. Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of City of Water Valley evaluated the activity of the City through the date the financial statements were available, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2019, the City issued the following debt obligation(s):

Date	Secured asset	Amount financed
11/5/2019	2021 Fire Truck	\$377,599.00
1/7/2020	1500 Garbage Cans	\$59,669.00
2/13/2020	F650 Dump Truck	\$45,000
5/1/2020	2019 Dodge Durango	\$30,699.00
9/1/2020	Two 2021 Dodge Durangos	\$71,870.00
3/23/2021	2020 Dodge Durango	\$30,735.00
7/3/2021	2020 Dodge Durango	\$35,935.00
6/1/2021	Street Truck	\$33,419.00
6/1/2021	Dump Truck	\$46,641.00
5/4/2021	Sewer Cleaner Truck	\$139,000.00

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WATER VALLEY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>RECEIPTS:</u>				
Ad Valorem Taxes:				
Real & Personal	672,126	672,126	686,733	14,607
Licenses & Permits	13,000	13,000	20,252	7,252
Franchise Tax	79,000	79,000	62,770	(16,230)
State of Mississippi:				-
Sales Tax and Shared Revenue	520,432	520,432	520,065	(367)
In Lieu - TVA	29,000	29,000	31,863	2,863
Yalobusha County:				-
Grants From Local Units	42,000	42,000	42,265	265
Federal Payments in lieu of Tax				-
Fine & Forfeitures	70,000	70,000	53,172	(16,828)
Charge for Services	31,600	31,600	25,271	(6,329)
Other Revenue	868,000	868,000	616,078	(251,922)
Total Receipts	2,325,158	2,325,158	2,058,469	(266,689)
<u>EXPENDITURES:</u>				
General Government:				
Personnel Services	215,000	215,000	198,865	16,135
Svcs and Charges	161,300	161,300	158,434	2,866
Supplies	16,100	16,100	11,402	4,698
Capital Outlay	6,300	6,300	6,300	-
Total	398,700	398,700	375,001	23,699
Public Safety:				
Police Department				
Personnel Services	556,900	556,900	505,992	50,908
Svcs and Charges	186,300	186,300	181,140	5,160
Supplies	43,800	43,800	43,748	52
Capital Outlay	28,000	28,000	25,735	2,265
Total	815,000	815,000	756,615	58,385

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

CITY OF WATER VALLEY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL -continued
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fire Department:				
Personnel Services	215,000	215,000	198,865	16,135
Svcs and Charges	161,300	161,300	158,434	2,866
Supplies	16,100	16,100	11,402	4,698
Capital Outlay	6,300	6,300	6,300	-
Total	398,700	398,700	375,001	23,699
 Municipal Fire Protect	 2,400	 2,400	 2,151	 249
Public Works:				
Street Department:				
Personnel Services	302,000	302,000	259,662	42,338
Svcs and Charges	239,500	239,500	33,108	206,392
Supplies	73,100	73,100	49,858	23,242
Capital Outlay	62,900	62,900	53,253	9,647
Total	677,500	677,500	395,881	281,619
 Total Public Works	 677,500	 677,500	 395,881	 281,619
Park & Recreational:				
Cemetery:				
Personnel Services	125,000	125,000	133,122	(8,122)
Svcs and Charges	53,900	53,900	42,780	11,120
Supplies	12,700	12,700	8,896	3,804
Capital Outlay	26,000	26,000	1,414	24,586
Total	217,600	217,600	186,212	31,388
 Total Expenditures	 2,509,900	 2,509,900	 2,090,861	 419,039
Excess (Deficiency) of Revenue				
Over (Under) Expenditures	(184,742)	(184,742)	(32,392)	(685,728)

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

**CITY OF WATER VALLEY, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

A. BUDGETARY INFORMATION

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

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

B. BASIS OF PRESENTATION

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

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

C. BUDGET/GAAP RECONCILIATION

General
Fund

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

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

Budgetary revenues-General Fund	2,058,469
Adjustments	94,647
GAAP Revenues-General Fund	<u>2,153,116</u>
 Budgetary Expenditures-General Fund	 2,090,861
Adjustments	321,573
GAAP Expenditures-General Fund	<u>2,412,434</u>

CITY OF WATER VALLEY MISSISSIPPI
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Last 10 Fiscal Years*	2019	2018	2017	2016	2015
City's proportionate share of the net pension liability	3,271,681	15,894,633	15,535,155	16,411,169	14,050,420
City's proportion of the net pension liability	0.025%	0.026%	0.024%	0.024%	0.025%
City's covered employee payroll	1,142,806	1,268,690	1,101,346	1,102,844	1,111,449
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	286.28%	257.31%	275.32%	296.61%	328.89%
Plan Fiduciary net position as a percentage of the pension liability	61.59%	62.54%	57.47%	51.70%	61.70%

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

* The amounts presented for each year were determined as of June 30th of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show the information for 10 years. However, GASB NO. 68 was implemented in the fiscal year ended September 30, 2015, and until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

CITY OF WATER VALLEY MISSISSIPPI
SCHEDULE OF CITY'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Last 10 Fiscal Years*	2019	2018	2017	2016	2015
Contractually required contribution	185,135	189,359	186,883	194,431	188,704
Contributions in relation to the contractually required contribution	185,135	189,359	186,883	194,431	188,704
Contribution deficiency (excess)	0	0	0	0	0
City's covered employee payroll	1,142,806	1,202,279	1,186,559	1,234,483	1,198,121
Contributions as a percentage of covered employee payroll	16.20%	15.75%	15.75%	15.75%	15.75%

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

* The amounts presented for each year were determined as of June 30th of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show the information for 10 years. However, GASB NO. 68 was implemented in the fiscal year ended September 30, 2015, and until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

CITY OF WATER VALLEY, MISSISSIPPI

**Notes to Financial Statements
For the Year Ended September 30, 2019**

Pension Schedules

A. Changes of assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

CITY OF WATER VALLEY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2019

2019

The expectation of retired life mortality was changed to the PubT.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to the PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.

For females, 115% of female rates at all ages.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally. The

price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 7.00% to 9.00%.

B. Changes in benefit provisions.

2016

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

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in the schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

CITY OF WATER VALLEY, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2019

Name	Position	Company	Bond
Donald Gray	Mayor	Western Surety Co.	\$50,000
Fred E White	Alderman	Western Surety Co.	\$50,000
Herbert Rogers	Alderman	Western Surety Co.	\$50,000
Kagan Coughlin	Alderman	Western Surety Co.	\$50,000
Cinnamon Foster	Alderman	Western Surety Co.	\$50,000
Nicole Folsom	Alderman	Western Surety Co.	\$50,000
Vivian Snider	City Clerk	Western Surety Co.	\$50,000
Audra Haireston	Court Clerk	Western Surety Co.	\$50,000
Kristy Tatum	Deputy Clerk	Western Surety Co.	\$50,000
Tony Hernandez	Police Chief	Western Surety Co.	\$50,000

SPECIAL REPORTS



RONNIE S. WINDHAM, CPA, PLLC

P.O BOX 159, OXFORD, MS 38655 cell (662) 816-2562 fax (662) 269-4457

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and City Council
City of Water Valley, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Water Valley, Mississippi, as of and for the year ended September 30, 2019, which collectively comprise the City of Water Valley, Mississippi's basic financial statements and have issued our report thereon dated July 5, 2022. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of those procedures and our audit of the financial statements disclosed one instance of noncompliance with state laws and regulations as disclosed in the schedule of findings and questioned costs.

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

RONNIE S. WINDHAM, CPA, PLLC
Oxford, Mississippi
July 5, 2022



P.O BOX 159, OXFORD, MS 38655 cell (662) 816-2562 fax (662) 269-4457

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

To the City Council of City of Water Valley, MS
Water Valley, MS 38965

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Water Valley, MS, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Water Valley, MS's basic financial statements and have issued our report thereon dated July 5, 2022.

We issued an adverse opinion on the Electric Department Enterprise Fund and a qualified opinion on the business-type activities in our report dated July 5, 2022. These opinions are the result of management not including the Electric Department Enterprise Fund in the City's financial statements. Accounting principles generally accepted in the United States of America require that the Electric Department to be presented as a major enterprise fund and financial information to be a part of the business-type activities. The amount by which this departure has not been determined.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-1 that we consider to be material weaknesses

Compliance and Other Matters

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

City of Water Valley, Mississippi's Response to Findings

City of Water Valley, MS's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Water Valley, MS's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Ronnie S. Windham, CPA, PLLC".

Ronnie S. Windham, CPA, PLLC
Oxford, MS
July 5, 2022

CITY OF WATER VALLEY, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

SECTION I: SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an adverse opinion on the Electric Department Enterprise Fund and a qualified opinion on the business-type activities for the City of Water Valley, Mississippi, as of September 30, 2019. All other opinions issued on the opinion units noted in the audit report were unqualified.
2. One deficiency disclosed during the audit of the financial statements is reported in this schedule. This deficiency is reported as a material weakness.
3. Two instances of noncompliance material to the financial statements of the City of Water Valley, Mississippi were disclosed during the audit.

SECTION II: FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2019-1: Financial Statements and Related Disclosures

Condition: Since the City's books are maintained in accordance with state budgetary law, management requested auditors to assist in converting the City's accounting records from the budgetary basis to the accrual basis so that the financial statements could be prepared in conformity with U.S. generally accepted accounting principles. Management also requested the auditors to prepare a draft of the City's financial statements, including the related notes to the financial statements. The outsourcing of this service is not unusual in Cities of your size and is a result of the City's cost benefit decision to use our accounting expertise rather than to incur internal resource costs.

Criteria: The City is responsible for establishing and maintaining effective internal controls over financial reporting. Under generally accepted auditing standards, outside auditors cannot be considered a part of the City's internal control structure, and the design of the City's internal control structure does not include procedures for its preparation of external financial statements in accordance with generally accepted accounting principles.

Cause: The City has opted not to incur the additional costs that it would take to train and keep personnel abreast of the requirements necessary to prepare the financial statements and the related footnote disclosures.

Effect: The preparation of its financial statements, related footnote disclosures and required supplemental information are outsourced. However, management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance.

The absence of this control procedure is considered a material weakness because there is more than a remote likelihood that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

CITY OF WATER VALLEY, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Recommendation: Due to the cost of hiring and keeping personnel abreast of the requirements necessary to prepare the financial statements and the related footnote disclosures, no change is recommended.

Response: We agree with the finding. The City benefits the most by continuing to outsource the preparation of the financial statements and related note disclosures. Management understands and accepts the risk of permitting the auditors to prepare the financial statements and related notes due to cost constraints.

IMMATERIAL COMPLIANCE

2019-2: State Legal Compliance

Amendments to the budget were not made as allowed by Mississippi Code Ann. (1972), Section 21-35-25, and, as a result, expenditures exceeded the budget in two functional categories

Recommendation: The City should amend its budget when a functional category is exceeded as allowed by Mississippi Code Ann. (1972), Section 21-35-25.

Response: Management will review the comparative budget reports as well as encumbrance reports at year-end and make the necessary budget adjustments to ensure compliance with state law.

CITY OF WATER VALLEY, MISSISSIPPI
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended September 30, 2019

2018-1 FINDING NO. 1 - SECTION 2

Current Status: Not corrected, repeated as finding 2019-1

2018-2 FINDING NO. 2 - SECTION 2

Current Status: Not corrected, repeated as finding 2019-2

RONNIE S. WINDHAM, CPA, PLLC

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July 5, 2022

To the Board of Aldermen
City of Water Valley, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Water Valley, Mississippi for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Water Valley, Mississippi are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year September 30, 2019. We noted no transactions entered into by City of Water Valley, Mississippi during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City's financial statements was:

Management's estimate of the Allowance for Accumulated Depreciation is based on estimated useful lives of depreciable equipment. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatement

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 5, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Water Valley, Mississippi's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Water Valley, Mississippi's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Budget and Actual with variances -General Fund, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Schedule of Surety Bonds for Municipal Officials which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Alderman and management of City of Water Valley, Mississippi and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Ronnie S. Windham, CPA, PLLC
Oxford, MS 38655