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CITY OF WATER VALLEY

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

CITY OF WATER VALLEY, MISSISSIPPI
General Purpose Financial Statements
Year Ended September 30, 2009

Public Officials

Larry Hart
Mayor

Vivian Snider
City Clerk

Members of the City Council

Donald Gray

Fred E. White

Bobby Cox

Larry Bell

Phillip Tallant

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Water Valley, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Water Valley, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Water Valley, Mississippi, management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.D. to the financial statements, management has not recorded all depreciation on all general capital assets acquired prior to October 1, 2002 in governmental activities and accordingly has not provided for accumulated depreciation on these assets. Accounting principles generally accepted in the United States of America require that general capital assets be depreciated, which would decrease the assets and net assets and increase the expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, except for the affects, if any, of not providing depreciation on all general capital assets acquired prior to October 1, 2002 in governmental activities as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Water Valley, Mississippi, as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition to our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Water Valley, Mississippi, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2010, on our consideration of the City of Water Valley, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of Water Valley, Mississippi has not presented Management's Discussion and Analysis that is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Water Valley, Mississippi, basic financial statements. The other supplemental schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the City of Water Valley, Mississippi.

Ronnie S. Windham, CPA
Oxford, Mississippi
November 11, 2010

CITY OF WATER VALLEY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND OTHER DEBITS			
Cash and cash equivalents	\$ 1,148,520	\$ 523,550	\$ 1,672,070
Receivables, net of allowance for uncollectibles	704,922	785,344	1,490,266
Due from other funds	5,876		5,876
Inventory, at cost		127,942	127,942
Other receivables		62,095	62,095
Restricted Assets			0
Cash Bond Reserves		211,709	211,709
Customer deposits		237,783	237,783
Capital assets, net	4,160,548	7,026,708	11,187,256
Capitalized interest and bond costs (net)			0
Total Assets	<u>\$ 6,019,866</u>	<u>\$ 8,975,131</u>	<u>\$ 14,994,997</u>
LIABILITIES AND OTHER CREDITS			
Accounts Payable	\$ 32,935	\$ 416,899	\$ 449,834
Other payables	59,970	202,951	262,921
Due to other Funds	1,345	0	1,345
Customer deposits		235,486	235,486
Compensated absences	24,638	8,711	33,349
Deferred Revenue	552,047		552,047
Noncurrent liabilities:			0
Capital related debt due within one year	23,243	55,241	78,484
Capital related debt due in more than one year	40,784	84,534	125,318
Total Liabilities	<u>\$ 734,962</u>	<u>\$ 1,003,822</u>	<u>\$ 1,738,784</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 4,096,521	\$ 6,886,933	\$ 10,983,454
Restricted for:			
Capital Projects			0
Other Purposes			0
Restricted for debt covenants			0
Unrestricted	1,188,383	1,084,376	2,272,759
Total Net Assets	<u>\$ 5,284,904</u>	<u>\$ 7,971,309</u>	<u>\$ 13,256,213</u>

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

**CITY OF WATER VALLEY
STATEMENT OF NET ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 844,324	\$	\$	187,782	\$ (656,542)	\$	(656,542)
Public safety	784,167				(784,167)		(784,167)
Fire	340,082		19,430		(320,652)		(320,652)
Streets	535,256				(535,256)		(535,256)
Parks and recreation	156,990		91,519		(65,471)		(65,471)
Interest on long-term debt	3,220				(3,220)		(3,220)
Total governmental activities	<u>2,664,039</u>	<u>0</u>	<u>110,949</u>	<u>187,782</u>	<u>(2,365,308)</u>	<u>0</u>	<u>(2,365,308)</u>
Business-type activities:							
Electric	5,170,215	5,459,169				288,954	288,954
Water and Sewer	1,734,705	1,578,162				(156,543)	(156,543)
Sanitation	357,930	326,401				(31,529)	(31,529)
Total business-type activities	<u>7,262,850</u>	<u>7,363,732</u>	<u>0</u>	<u>0</u>		<u>100,882</u>	<u>100,882</u>
Total	<u>\$ 9,926,889</u>	<u>\$ 7,363,732</u>	<u>\$ 110,949</u>	<u>\$ 187,782</u>	<u>\$ (2,365,308)</u>	<u>\$ 100,882</u>	<u>\$ (2,264,426)</u>
General revenues:							
Taxes:							
Taxes levied for general purpose					\$ 488,062	\$	488,062
Sales taxes and gas taxes					482,423		482,423
Franchise taxes and licenses					91,698		91,698
Fines and Forfeitures					104,649		104,649
Grants and contributions not restricted to specific programs							
Homestead Exemption Reimbursement					64,698		64,698
Other Intergovernmental revenues and grants					455,086		455,086
Investment Earnings					34,228	0	34,228
Miscellaneous					425,521		425,521
Gain on sale of capital assets					0		0
Transfers					125,710	(125,710)	0
Total general revenues and transfers					<u>2,272,075</u>	<u>(125,710)</u>	<u>2,146,365</u>
Change in net assets					(93,233)	(24,828)	(118,061)
Net assets- beginning					5,378,138	7,996,137	13,374,275
Net assets- ending					<u>\$ 5,284,905</u>	<u>\$ 7,971,309</u>	<u>\$ 13,256,214</u>

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

**CITY OF WATER VALLEY
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND OTHER DEBITS			
Cash and cash equivalents	\$ 331,848	\$ 816,528	\$ 1,148,376
Taxes Receivable	552,047		552,047
Fines Receivable	210,539		210,539
Allowance for uncollectibles	(138,139)		(138,139)
Due from other governments	80,619		80,619
Due from other funds		5,876	5,876
Prepays			0
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,036,914</u>	<u>\$ 822,404</u>	<u>\$ 1,859,318</u>
LIABILITIES AND OTHER CREDITS			
Accounts Payable	\$ 30,670	\$ 2,265	\$ 32,935
Deferred Revenue	552,047		552,047
Accrued Payroll	48,874	1,970	50,844
Other Payables	8,740	385	9,125
Due to Other Funds	1,346		1,346
Accrued Leave	24,638		24,638
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 666,315</u>	<u>\$ 4,620</u>	<u>\$ 670,935</u>
FUND BALANCES			
Reserved			
Reserved for bond			0
Reserved for prepaids			0
Unreserved, undesignated reported in:			0
General fund	370,599		370,599
Special revenue funds		102,788	102,788
Capital projects funds		714,996	714,996
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>\$ 370,599</u>	<u>\$ 817,784</u>	<u>\$ 1,188,383</u>
Total liabilities and fund balances	<u>\$ 1,036,914</u>	<u>\$ 822,404</u>	<u>\$ 1,859,318</u>

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

**CITY OF WATER VALLEY
RECONCILIATION OF GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

Total Fund Balance- Governmental Funds	\$ 1,188,383
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	4,160,548
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(64,027)
	<hr/>
Total Net Assets-Governmental Activities	\$ <u><u>5,284,904</u></u>

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, 2009

	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES:			
Property taxes	\$ 455,355	\$ 32,707	\$ 488,062
Unrestricted intergovernmental	993,532	8,675	1,002,207
Restricted Intergovernmental	0	298,731	298,731
Permits and Fees	91,698	0	91,698
Miscellaneous	360,076	77,361	437,437
TOTAL REVENUE	1,900,661	417,474	2,318,135
EXPENDITURES			
General governmental	376,301	72,186	448,487
Public safety	1,010,185	58,503	1,068,688
Streets	451,077	43,606	494,683
Parks and recreation	121,191	6,691	127,882
Capital Outlay	0	374,624	374,624
Debt services			0
Principal		31,289	31,289
Interest	0	3,220	3,220
Other	0		0
TOTAL EXPENDITURES	1,958,754	590,119	2,548,873
Excess (deficiency) of revenues over expenditures	(58,093)	(172,645)	(230,738)
Other financing sources (uses):			
Transfers in	173,269	79,402	252,671
Transfers out	0	0	0
Sales of Capital Assets	0		0
Total other financing sources (uses):	173,269	79,402	252,671
Excess (deficiency) of revenues and other sources over expenditures and other uses	115,176	(93,243)	21,933
Fund Balances - Beginning			
Prior period Adjustment			
Fund Balances - Beginning, as restated	338,368	827,853	1,166,221
Fund Balances - Ending	\$ 453,544	\$ 734,610	\$ 1,188,154

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, 2009

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

Net change in fund balances- total government funds	\$	21,933
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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.		(79,527)
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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 Assets. This is the amount that debt proceeds exceeded debt payments in the current period.		(35,639)
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This is the amount of increase in claims and judgments.

Change in Net Assets of Governmental Activities	\$	<u>(93,233)</u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF WATER VALLEY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2009**

	<u>Business-type Activities- Enterprise funds</u>			
	Electric Department Current	Water and Sewer Fund Current	Solid Waste Fund Current	Totals Current Year
ASSETS				
Cash and cash equivalents	\$ 178,307	\$ 335,272	\$ 9,971	\$ 523,550
Customer receivables, net of allowance	675,621	85,338	24,385	785,344
Due from other funds	0			0
Other receivables	62,095			62,095
Inventory, at cost	127,942			127,942
Cash Bond Reserves	211,709			211,709
Customer deposits	214,536	23,247		237,783
Capital assets, net	2,217,863	4,772,323	36,522	7,026,708
Total Assets	<u>\$ 3,688,073</u>	<u>\$ 5,216,180</u>	<u>\$ 70,878</u>	<u>\$ 8,975,131</u>
LIABILITIES				
Accounts Payable	\$ 396,747	\$ 14,541	\$ 5,611	\$ 416,899
Other payable	181,603	12,859	8,489	202,951
Customer deposits	214,536	20,950		235,486
Compensated absences	2,341	5,650	720	8,711
Noncurrent liabilities:				
Capital related debt due within one year		32,672	22,569	55,241
Capital related debt due in more than one year		60,826	23,708	84,534
	<u>795,227</u>	<u>147,498</u>	<u>61,097</u>	<u>1,003,822</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,217,863	4,678,825	(9,755)	6,886,932
Unrestricted	674,983	389,857	19,537	1,084,377
Total Net Assets	<u>\$ 2,892,846</u>	<u>\$ 5,068,682</u>	<u>\$ 9,782</u>	<u>\$ 7,971,309</u>

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 ASSETS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2009**

	<u>Business-type Activities- Enterprise funds</u>			
	<u>Electric Department Current Year</u>	<u>Water and Sewer Fund Current</u>	<u>Solid Waste Fund Current Year</u>	<u>Totals Current Year</u>
Operating revenues:				
Charges for services	\$ 5,439,718	\$ 512,911	\$ 293,605	\$ 6,246,234
Tap fees		5,238		5,238
Other Operating Revenues		6,445		6,445
Sewer treatment charges		325,152		325,152
	<u>5,439,718</u>	<u>849,746</u>	<u>293,605</u>	<u>6,583,069</u>
Operating expenses:				
Personnel services	396,452	242,394	84,465	723,311
Supplies and material	4,220,732	241,289	103,882	4,565,903
Other services and charges	347,396	133,730	33,155	514,281
Capital repairs	111,435	75,616	7,242	194,293
Depreciation	94,200	359,658	54,190	508,048
Total operating expenses	<u>5,170,215</u>	<u>1,052,687</u>	<u>282,934</u>	<u>6,505,836</u>
Operating income (loss)	<u>269,503</u>	<u>(202,941)</u>	<u>10,671</u>	<u>77,233</u>
Other sources (uses)				
Investment earnings	19,450	13,130	444	33,024
Interest expense		(5,729)	(3,649)	(9,378)
Operating transfers in		715,285	32,352	747,637
Operating transfers out		(802,000)	(71,347)	(873,347)
	<u>19,450</u>	<u>(79,314)</u>	<u>(42,200)</u>	<u>(102,064)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	288,953	(282,255)	(31,529)	(24,831)
Total net assets - beginning	<u>2,603,892</u>	<u>5,350,934</u>	<u>41,311</u>	<u>7,996,137</u>
Total net assets - ending	<u>\$ 2,892,845</u>	<u>\$ 5,068,679</u>	<u>\$ 9,782</u>	<u>\$ 7,971,306</u>

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, 2009

	Electric Department	Water and Sewer Fund	Solid Waste Fund	Totals
Cash Flow from operating Activities:				
Cash received from customers (excluding deposit)	\$ 5,439,719	\$ 839,461	\$ 293,605	\$ 6,572,785
Cash Paid to suppliers	(4,773,763)	(447,834)	(135,640)	(5,357,237)
Cash paid to employees	(382,656)	(238,716)	(85,203)	(706,575)
Net cash provided (used) by operating activities:	<u>\$ 283,300</u>	<u>\$ 152,911</u>	<u>\$ 72,762</u>	<u>\$ 508,973</u>
Cash flow from non-capital financing activities:				
Operating transfers out	\$ -	\$ (835,285)	\$ (38,994)	\$ (874,279)
Operating transfers in	-	715,285	-	715,285
Net cash provided by non-capital and related financing activities	<u>\$ -</u>	<u>\$ (120,000)</u>	<u>\$ (38,994)</u>	<u>\$ (158,994)</u>
Cash flow from capital and related financing activities:				
Capital Grants	-	-	-	-
Capital Leases	-	(31,381)	(38,587)	(69,968)
Principal paid on bonds	-	-	-	-
Principal paid on notes	-	-	-	-
Interest paid	-	(5,729)	(3,649)	(9,378)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>\$ (37,110)</u>	<u>\$ (42,236)</u>	<u>\$ (79,346)</u>
Cash flow from investing activities:				
Purchase of fixed assets	\$ (222,329)	\$ -	\$ -	\$ (222,329)
Interest received	19,450	13,126	444	33,020
Net cash provided (used) by investing activities	<u>\$ (202,879)</u>	<u>\$ 13,126</u>	<u>\$ 444</u>	<u>\$ (189,309)</u>
Net Increase (decrease) in cash for the year	\$ 80,421	\$ 8,927	\$ (8,024)	\$ 81,324
Cash and restricted cash-October 1, 2008	<u>\$ 524,131</u>	<u>\$ 349,591</u>	<u>\$ 17,995</u>	<u>\$ 891,717</u>
Cash and restricted cash-September 30, 2009	<u>\$ 604,552</u>	<u>\$ 358,518</u>	<u>\$ 9,971</u>	<u>\$ 973,041</u>

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, 2009**

Reconciliation of Operating Income to Net
Cash Provided by Operating Activities

	<u>Electric</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Totals</u>
Income (loss) from operations	\$ 269,503	\$ (202,941)	\$ 10,671	\$ 77,233
Adjustment to reconcile operating income to net cash provided by operating income activities:				
Depreciation	94,200	359,658	54,190	508,048
Other nonoperating revenue				
(Increase) decrease in accounts receivable	(29,489)	(6,797)	232	(36,054)
(Increase) decrease in prepaid assets	(14,495)			(14,495)
Increase (decrease) in other liabilities	(23,667)	(1,633)	2,285	(23,015)
Increase (decrease) in accounts payable	<u>(12,752)</u>	<u>4,624</u>	<u>5,384</u>	<u>(2,744)</u>
Net Cash provided by operating activities	<u>\$ 283,300</u>	<u>\$ 152,911</u>	<u>\$ 72,762</u>	<u>\$ 508,973</u>
Other Required Disclosures:				
Interest expense	<u>\$ 0</u>	<u>\$ 5,729</u>	<u>\$ 3,649</u>	<u>\$ 9,378</u>

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

**CITY OF WATER VALLEY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2009**

	Payroll	Accounts Payable Clearing	Land Redemption	Unemployment Tax Clearing	Court Assessment Clearing	Total Agency Funds
ASSETS						
Cash	\$ 1,195	\$ 2,075	\$ 1,025	\$ -	\$ 6,728	\$ 11,023
Interfund Receivables	-	1,346				1,346
	<u>\$ 1,195</u>	<u>\$ 3,421</u>	<u>\$ 1,025</u>	<u>\$ -</u>	<u>\$ 6,728</u>	<u>\$ 12,369</u>
Total Assets						
LIABILITIES						
Interfund Payables	\$ -	\$ 5,876	\$ -	\$ -	\$ -	\$ 5,876
Other Payables	-		-		-	-
Total Liabilities	<u>\$ -</u>	<u>\$ 5,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,876</u>

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

**CITY OF WATER VALLEY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended September 30, 2003, the City implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

1.A. FINANCIAL REPORTING ENTITY

The City’s financial reporting entity comprises the following:

Primary Government:	City of Water Valley
Blended Component Unit:	Water Valley Electric Department

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

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units’ funds are blended into those of the City’s by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units

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

Blended Component Units

Component units that are blended into the reporting activity types of the City’s report are presented below:

Component Unit	Brief Description/Inclusion Criteria	Reporting
Water Valley Electric Department	Created to provide electrical service under Section 3416 of the Miss. Code. The Mayor and Aldermen serve as the Power Board.	Proprietary

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Funds

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

Special Revenue Funds

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

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City other than debt service payments made by enterprise funds.

1.B. BASIS OF PRESENTATION – continued

Proprietary Fund

Enterprise Fund

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

Fiduciary Funds (Not included in governmental-wide statements)

Agency Funds

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

Fund	Brief Description
Accounts Payable Clearing	Accounts for funds transferred in to pay claims of the City. Funds are transferred in monthly from Governmental and Proprietary type funds and disbursements are made to the City’s vendors.
Payroll Fund	Accounts for disbursement of payroll checks for the City. Funds are transferred in monthly from Governmental and Proprietary type funds and payroll checks are disbursed to employees.
Court Assessment Clearing	All fines collected are deposited to this fund. Settlements are made monthly from this fund to the State for the State portion of fines.
Land Redemption	To account for land sold for delinquent taxes.
Unemployment Clearing	To clear funds for unemployment tax.

Major and Nonmajor Funds

The funds further classified as major or nonmajor are as follows:

Fund	Brief Description
<i>Major:</i> General	See above for description.
Fund	Brief Description
<i>Nonmajor:</i> Special Revenue Funds:	
Box Culvert	Accounts for the proceeds of a federal grant to reduce flooding.
Sports	Accounts for funds used to construct the sports complex.
Airport	Accounts for improvements to airport.
Industrial Special	To account for accumulation of funds further industrial development.

1.B. BASIS OF PRESENTATION - continued

Major and Nonmajor Funds - continued

Fund	Brief Description
<i>Nonmajor- continued:</i> Fire Audit Rebate	Accounts for funds for fire equipment.
Volunteer Fire	Accounts for revenues to volunteer fire group.
Police Seized Property	Accounts for property seized in criminal cases.
Library	Accounts for funds of personnel at the library.
Debt Service	Accounts for payments on leases.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate.

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

Basis of Accounting

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - continued

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

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

Budgets and Budgetary Accounting

Budgets are adopted on the cash basis of accounting.

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

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

Budgeted amounts are as originally adopted or as amended by the City Council as of September 30, 2009.

1.D. ASSETS, LIABILITIES AND EQUITY

Cash and Investments

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

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

1.D. ASSETS, LIABILITIES AND EQUITY -continued

Receivables

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

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

Unbilled Revenues

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

Inventory

Inventory is valued at cost. The inventory in the Electric Department of \$127,942 consists of expendable supplies held for consumption.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, general assets including major general infrastructure assets acquired during the current year are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Prior to October 1, 2002, and the implementation of GASB 34, governmental fund's major general infrastructure assets were not capitalized. In accordance with the provisions of GASB 34, the City has elected to defer the reporting of major general infrastructure assets acquired before the adoption of GASB 34, or October 1, 2002. Accordingly, those assets and depreciation thereon have not been reported in these financial statements. The City has until the year ended September 30, 2008, to retroactively report these assets. The retroactive capitalization period will be for major general infrastructure assets acquired from October 1, 1979 through September 30, 2002. The major general infrastructure assets will be reported at estimated historical cost once they are inventoried. The City did not retroactively report these assets by September 30, 2008.

Also, the City has not yet provided for depreciation on general assets (other than infrastructure) acquired prior to October 1, 2002 as required by GASB 34. Consequently, depreciation expense and accumulated depreciation in these assets has not been reported in these financial statements. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

1.D. ASSETS, LIABILITIES AND EQUITY – continued

Fund Financial Statements

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

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to revenue bond reserve accounts and unspent bond proceeds.

Long-term Debt

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

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

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

Compensated Absences

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

Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

1.D. ASSETS, LIABILITIES AND EQUITY – continued

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Property Tax

Property taxes attach as an enforceable lien on property as of the last Monday in August. Taxes are levied by September 15 and are payable by February 1. The City bills and collects its own property taxes. City property tax revenues are recognized when collected.

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental Funds – By Character	Current (further classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund – By Operating and Nonoperating	

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

Interfund Transfers

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

NOTE 2: CASH AND CASH EQUIVALENTS

A summary of cash balances including bank account deposits and cash on hand at September 30, 2009, follows:

<u>Fund</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
General Fund	\$ 441,077	\$ 0	\$ 441,077
Debt Service Fund	0		0
Capital Projects Fund	707,442	0	707,442
Enterprise Fund	761,332	211,709	973,041
Agency Fund	<u>4,296</u>	<u>6,728</u>	<u>11,024</u>
Totals	<u>\$ 1,914,147</u>	<u>\$218,437</u>	<u>\$ 2,132,584</u>

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

NOTE 2: CASH AND CASH EQUIVALENTS -continued

At September 30, 2009, all the City's funds on deposit in financial institutions were insured or collateralized per the schedule below:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
Carrying amount per books	\$ 100,000	\$ 2,032,584	\$ 0	\$ 2,132,584
Balance per bank	\$ 100,000	\$ 2,157,991	\$ 0	\$ 2,257,991

The categories of risk are described as follows:

Category 1 – Insured by Federal Deposit Insurance Corporation

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

Category 3 - Uncollateralized

NOTE 3: ACCOUNTS RECEIVABLE, NET OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

At September 30, 2009, accounts receivable were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Taxes receivable	\$ 552,047	\$	\$ 552,047
Fine forfeits	72,400		72,400
Due from other governments	80,475		80,475
Water, sewer, garbage, electric	0	797,774	797,774
Net accounts receivable	<u>\$ 704,922</u>	<u>\$ 797,774</u>	<u>\$ 1,502,696</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Non-depreciable assets:				
Land	\$	\$	\$	\$
Depreciable assets:				
Buildings	565,511	0	0	565,511
Vehicles	138,636	37,820	0	176,456
Machinery and equipment	310,530	35,530	0	346,060
Infrastructure	<u>6,941,359</u>	<u>301,274</u>	<u>0</u>	<u>7,242,633</u>
Totals at historical cost	7,956,036	374,624	0	8,330,660
Less accumulated depreciation for:				
Buildings	251,259	13,310	0	264,569
Vehicles	331,968	15,813	0	347,781
Machinery and equipment	151,341	49,816	0	201,157
Infrastructure	<u>2,981,392</u>	<u>375,213</u>	<u>0</u>	<u>3,356,605</u>
Total accumulated depreciation	3,715,960	454,152	0	4,170,112
Governmental activities capital assets, net	<u>\$ 4,240,076</u>	<u>-77,629</u>	<u>\$ 0</u>	<u>\$ 4,160,548</u>

NOTE 4: CAPITAL ASSETS -continued

The City adopted a capitalization threshold of \$5,000 for general fixed assets and a threshold of \$5,000 for infrastructure assets effective for the current fiscal year. The City has retroactively applied these thresholds to all general fixed assets in service at September 30, 2009.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type Activities:				
Non-depreciable assets:				
Land	0	0	0	0
Depreciable assets:				
Electric Plant	3,420,772	219,372	12,388	3,627,756
Water and Sewer system	9,282,256	0	0	9,282,256
Machinery and equipment	668,543	38,602	0	707,145
Vehicles	91,176	0	0	91,176
Office furniture and fixtures	0	0	0	0
Construction in progress	<u>121,769</u>	<u>271,801</u>	<u>160,165</u>	<u>233,405</u>
Totals at historical cost	13,584,516	529,775	172,553	13,941,738
Less accumulated depreciation for:				
Electric Plant	1,509,884	115,468	21,268	1,604,084
Water and sewer system	4,674,903	359,658	0	5,034,561
Machinery and equipment	80,597	54,190	0	134,787
Vehicles	<u>102,382</u>	<u>4,619</u>	<u>0</u>	<u>107,001</u>
Total accumulated depreciation	6,367,766	533,935	21,268	6,880,433
Business-type activities capital assets, net	<u>\$ 7,216,750</u>	<u>\$ - 4,160</u>	<u>\$ 151,285</u>	<u>\$ 7,061,305</u>

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

Plant, building, and improvements	5 - 40 Years
Machinery and Equipment	5 - 15 Years
Furniture and Fixtures	5 - 20 Years
Vehicles	5 - 10 Years

Depreciation expenses were charged to governmental functions as follows:

General government	\$ 7,027
Public property	388,809
Public safety	35,680
Streets	<u>22,634</u>
Total depreciation expense	<u>\$ 454,150</u>

NOTE 5: LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES:

Date Issued	Definition and Purpose	Beginning Balance			Ending Balance		Amounts Due Within One Year
		Oct. 1, 2008	Additions	Reductions	Sept. 30, 2009		
GO BONDS							
CAPITAL LEASES:							
4/1/2005	Police Car, 4.75%, 4 years	\$ 4,329	\$ 0	\$ 4,329	\$ 0	\$ 0	0
6/15/2005	Loader, 4.00%, 4 years	9,371	0	9,371	0	0	0
12/23/2008	2009 Ford F350, 5.15%, 4 yrs	0	17,939	3,097	14,842	14,842	4,319
12/23/2008	Excavator, 4.60%, 4 years	0	29,108	5,064	24,044	24,044	7,029
4/23/2009	Police Car, 4.60%, 4 years	0	19,881	1,906	17,975	17,975	4,725
	Street Truck, 4.50%, 5 years	14,692	0	7,522	7,170	7,170	7,170
	Total	28,392	66,928	31,289	64,031	64,031	23,243
	Compensated Absences	31,692	0	7,054	24,638	24,638	
	Total Governmental Activities						
	Long-Term Debt	\$ 128,727	\$ 66,928	\$ 38,343	\$ 88,669	\$ 88,669	

BUSINESS-TYPE ACTIVITIES:

Date Issued	Definition and Purpose	Beginning Balance			Ending Balance		Amounts Due Within One Year
		Oct. 1, 2008	Additions	Reductions	Sept. 30, 2009		
CAPITAL LEASES:							
8/20/2004	Garbage Truck, 3.20%, 5 years	17,102	0	17,102	0	0	0
2/1/2007	Garbage Truck, 4.98%, 4 years	67,762	0	21,485	46,277	46,277	22,569
9/1/2006	2006 Ford Truck, 4.82%, 5 yrs	10,887	0	3,968	6,919	6,919	3,871
12/16/2005	2006 Backhoe, 5.75%	39,354	0	12,452	26,902	26,902	13,106
5/5/2008	Case 125 Tractor, 4.8%, 5 yrs	74,638	0	14,961	59,677	59,677	15,695
	TOTAL	209,743	0	69,968	139,775	139,775	55,241
	Compensated Absences	20,398	0	11,687	8,711	8,711	
	Total Business-Type Activities						
	Long-Term Debt	\$ 230,141	\$ 0	\$ 81,655	\$ 148,486	\$ 148,486	

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2009, are as follows:

Year Ended September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2010	23,243	2,688	55,241	6,482	87,654
2011	16,853	1,571	57,016	3,703	79,143
2012	17,671	753	17,273	944	36,641
2013	6,264	73	10,245	162	16,739
Total	64,031	5,085	139,775	11,291	220,177

NOTE 6: PENSION PLAN

Plan Description. The City of Water Valley, Mississippi, contributes to the Public Employee's 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. Benefit provisions are established to State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25 percent of their annual covered salary and the City of Water Valley, Mississippi, is required to contribute at an actuarially determined rate. The current rate is 11.85 percent of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Water Valley, Mississippi's contributions to PERS for the years ended September 30, 2009 and 2008 were \$191,999 and \$176,456, equal to the required contributions of each year.

NOTE 7: COMMITMENTS AND CONTINGENCIES

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

In the normal course of business, the City is occasionally a defendant in various lawsuits filed against it. These cases are turned over to the City's insurer's attorneys, who handle the defense of these suits. At present, it is impossible to predict if any loss may be incurred from these suits. The City believes that these suits will be successfully defended.

The city participated in a number of Federal, State and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the city may be required to reimburse the grantor government. The city believes that disallowed expenditures, if any, found in subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

NOTE 8: RISK MANAGEMENT

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

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

NOTE 9: INTERFUND RECEIVABLES AND PAYABLES

The following schedule as of September 30, 2009, represents interfund receivables and payables:

	Interfund Receivables	Interfund Payables
Government Funds:		
Due from Agency funds	\$ 5,876	\$
Due to proprietary funds		
Due to agency funds	0	1,346
Proprietary Funds:		
Due from governmental funds	0	0
Due to governmental funds	0	
Due to agency funds	0	0
Agency Funds:		
Due to governmental funds		5,876
Due from Government funds	<u>1,346</u>	<u>0</u>
Total	<u>\$ 7,222</u>	<u>\$ 7,222</u>

CITY OF WATER VALLEY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS:				
Ad Valorem Taxes:				
Real & Personal	520,847	525,037	515,685	(9,352)
Licenses & Permits	10,000	10,000	14,909	4,909
Francise Tax	55,000	55,000	76,789	21,789
State of Mississippi:				
Sales Tax	470,000	470,000	473,267	3,267
State Shared Revenue	15,000	15,000	11,073	(3,927)
Homeland Security				
In Lieu - TVA	62,000	62,000	59,515	(2,485)
Yalobusha County:				
Grants From Local Units	34,000	34,000	35,921	1,921
Pro Rate Tax				
In Lieu - Other:				
Federal Payments in lieu of Tax	15,630	15,630	16,888	1,258
Fine & Forfeitures	80,000	80,000	71,137	(8,863)
Charge for Services				
General Government	1,700	1,700	1,704	4
Public Safety	500	500	585	85
Highways and Streets	800	800	992	192
Sanitation	292,000	292,000	293,605	1,605
Culture and Recreation	2,500	2,500	2,200	(300)
Other (Cemetery)	5,000	5,000	6,325	1,325
Other Revenue	605,907	605,907	807,878	201,971
Total Receipts	<u>2,170,884</u>	<u>2,175,074</u>	<u>2,388,473</u>	<u>213,399</u>
EXPENDITURES:				
General Government:				
Personnel Services	204,952	204,953	195,953	9,000
Supplies	7,350	7,350	11,524	(4,174)
Other Services & Charges	169,850	169,850	170,178	(328)
Transfers	0	0	0	0
Capital Outlay	3,500	3,500	3,631	(131)
Total	<u>385,652</u>	<u>385,653</u>	<u>381,286</u>	<u>4,367</u>
Public Safety:				
Police Department				
Personnel Services	526,585	524,585	546,101	(21,516)
Supplies	53,900	53,900	32,440	21,460
Other Services & Charges	165,350	165,350	171,218	(5,868)
Transfers	0	0	0	0
Capital Outlay	38,000	38,000	26,209	11,791
Total	<u>783,835</u>	<u>781,835</u>	<u>775,968</u>	<u>5,867</u>

CITY OF WATER VALLEY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL -continued
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Fire Department:				
Personnel Services	288,226	288,225	304,703	(16,478)
Supplies	5,025	5,025	3,065	1,960
Other Services & Charges	31,400	31,400	33,513	(2,113)
Transfers	0	0	0	0
Capital Outlay	0	0	0	0
Total	<u>324,651</u>	<u>324,650</u>	<u>341,281</u>	<u>(16,631)</u>
Municipal Fire Protection:	<u>0</u>	<u>2,400</u>	<u>1,433</u>	<u>(967)</u>
Total Public Safety	<u>1,108,486</u>	<u>1,108,885</u>	<u>1,118,682</u>	<u>504</u>
Public Works:				
Street Department:				
Personnel Services	285,383	285,383	280,591	4,792
Supplies	63,750	63,750	63,430	320
Other Services & Charges	147,575	147,575	101,856	45,719
Transfers	0	0	0	0
Capital Outlay	21,455	21,455	38,020	16,565
Total	<u>518,163</u>	<u>518,163</u>	<u>483,897</u>	<u>67,396</u>
Sanitation:				
Personnel Services	97,329	97,329	85,203	12,126
Supplies	40,228	40,228	27,556	12,672
Other Services & Charges	116,740	116,740	103,882	12,858
Transfers	0	0	0	0
Capital Outlay	41,000	41,000	40,777	223
Total	<u>295,297</u>	<u>295,297</u>	<u>257,418</u>	<u>37,879</u>
Total Public Works	<u>813,460</u>	<u>813,460</u>	<u>741,315</u>	<u>105,275</u>
Park & Recreational:				
Cemetery:				
Personnel Services	105,707	105,708	106,623	(915)
Supplies	13,750	13,750	11,063	2,687
Other Services & Charges	34,200	34,200	36,735	(2,535)
Transfers	0	0	0	0
Capital Outlay	10,104	10,104	8,020	2,084
Total	<u>163,761</u>	<u>163,762</u>	<u>162,441</u>	<u>1,321</u>
Total Expenditures	<u>2,471,359</u>	<u>2,471,760</u>	<u>2,403,724</u>	<u>131,307</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(300,475)</u>	<u>(296,686)</u>	<u>(15,251)</u>	<u>82,092</u>

**CITY OF WATER VALLEY, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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 Board of Aldermen 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 Board of Aldermen that the budgetary estimates will not be met, it may make revisions to the budget.

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

B. BASIS OF PRESENTATION

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

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

C. BUDGET/GAAP RECONCILIATION

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

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

**CITY OF WATER VALLEY, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<u>Date Issued</u>		<u>Balance Outstanding Oct 1, 2008</u>	<u>Transactions During Year</u>		<u>Balance Outstanding Sept 30, 2009</u>
			<u>Issued</u>	<u>Redeemed</u>	
GOVERNMENTAL ACTIVITIES					
LONG TERM LEASES					
4/1/2005	Police Car, 4.75%, 4 years	\$ 4,329	-	4,329	-
6/15/2005	Loader, 4.00%, 4 years	9,371	-	9,371	-
9/9/2006	Street Truck, 4.50%, 5 years	14,692	-	7,522	7,170
12/23/2008	2009 Ford F350, 5.15%, 4 years		17,939	3,097	14,842
12/23/2008	Excavator, 4.60%, 4 years		29,108	5,064	24,044
4/23/2009	Police Car, 4.60%, 4 years		19,881	1,906	17,975
	Total long term leases	<u>28,392</u>	<u>66,928</u>	<u>31,289</u>	<u>64,031</u>
	Total Governmental Funds Long-Term Debt	<u>28,392</u>	<u>66,928</u>	<u>31,289</u>	<u>64,031</u>
PROPRIETARY FUNDS LONG TERM DEBT:					
GARBAGE LONG TERM LEASES					
8/20/2004	Garbage Truck, 3.20%, 5 years	17,102	-	17,102	-
2/1/2007	Garbage Truck, 4.98%, 4 years	67,762	-	21,485	46,277
	Total Garbage Fund Long-term Leases	<u>84,864</u>	<u>-</u>	<u>38,587</u>	<u>46,277</u>
WATER LONG TERM LEASES					
9/1/2006	2006 Ford Truck, 4.82%, 5 years	10,887	-	3,968	6,919
12/16/2005	2006 Backhoe, 5.75%	39,354	-	12,452	26,902
5/5/2008	Case 125 Tractor, 4.8%, 5 years	74,638	-	14,961	59,677
	Total Water Fund Long-term Leases	<u>124,879</u>	<u>-</u>	<u>31,381</u>	<u>93,498</u>
	Total Proprietary Funds Long-Term Debt	<u>209,743</u>	<u>-</u>	<u>69,968</u>	<u>139,775</u>
	Total Long-Term Debt	<u>238,135</u>	<u>66,928</u>	<u>101,257</u>	<u>203,806</u>

**CITY OF WATER VALLEY, MISSISSIPPI
SCHEDULE OF RECONCILIATION OF ORIGINAL AD VALOREM
TAX ROLLS TO FUND COLLECTIONS
YEAR ENDED SEPTEMBER 30, 2009**

	<u>Assesed Value</u>	<u>Millage Rate</u>	<u>Tax</u>	
ADJUSTED ASSESSED VALUATION				
Realty	8,974,014	37	332,039	
Personal - other than auto	3,085,585	37	114,167	
Public Utilities	403,796	37	14,940	
Mobile Home	28,380	37	1,050	
Personal - auto	2,428,403	37	89,851	
 Total	 <u>14,920,178</u>	 <u>37</u>	 <u>552,047</u>	
Less Homestead exemption allowed			(65,480)	
County tax collector's commission-auto			(4,493)	
Add: Actual homestead reimbursement			64,698	
Prior year tax collections			4,351	
Penalties and interest on delinquent taxes			2,974	
 Total to be accounted for			 <u><u>554,097</u></u>	 554,097

	<u>Taxes, Penalties, and Interest</u>	<u>Homestead Reimbursement</u>	<u>Total</u>	
CREDITS				
General Fund	452,069	59,891	511,960	
Fire	3,285	440	3,725	
Library	32,708	4,367	37,075	
 Total City	 <u>488,062</u>	 <u>64,698</u>	 <u>552,760</u>	
			<u>552,760</u>	
			\$ 1,337	

BALANCE REPRESENTED BY:			
Unpaid taxes			-
Unaccounted for - over settled			1,337
Total accounted for			<u><u>554,097</u></u>

**TOWN OF WATER VALLEY, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
SEPTEMBER 30, 2009**

Name	Position	Company	Bond
Larry Hart	Mayor	Western Surety Co.	\$50,000
Donald Gray	Alderman	Western Surety Co.	\$50,000
Fred E White	Alderman	Western Surety Co.	\$50,000
Bobby Cox	Alderman	Western Surety Co.	\$50,000
Phillip Tallant	Alderman	Western Surety Co.	\$50,000
Larry Bell	Alderman	Western Surety Co.	\$50,000
Vivian Snider	City Clerk	Western Surety Co.	\$50,000
Audra Haireston	Court Clerk	Western Surety Co.	\$50,000
Judy Davis	Deputy Clerk	Western Surety Co.	\$50,000
Betty Buford	Deputy Clerk	Western Surety Co.	\$50,000
	Elec Dept		
Crystal Hale	Office Mgr	Western Surety Co.	\$50,000
Michael W King	Police Chief	Western Surety Co.	\$50,000



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF THE OFFICE OF THE STATE AUDITOR, AS SET FORTH IN THE MUNICIPAL COMPLIANCE QUESTIONNAIRE

Honorable Mayor and Board of Aldermen
City of Water Valley, Mississippi

We have audited the financial statements of City of Water Valley, Mississippi as of and for the year ended September 30, 2009, and have issued our report thereon dated November 11, 2010.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and *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 the following material instances of noncompliance with state laws and regulations.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Water Valley, Mississippi had not complied with the requirements of the Office of the State Auditor, as set forth in the Municipal Compliance questionnaire except for the following:

The city does not settle assessments monthly to the appropriate state agency as required by the regulations and sections 99-19-73.

This report is intended solely for the use of the City Board, management, and the Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

RONNIE S. WINDHAM, CPA
Oxford, Mississippi

November 11, 2010



RONNIE S. WINDHAM, CPA, LLC

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Water Valley, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Water Valley, Mississippi, as of and for the year ended September 30, 2009 which collectively comprise the City of Water Valley, Mississippi's basic financial statements and have issued our report thereon dated November 11, 2010. The report on the financial statements of the governmental activities was qualified because the City has not recorded depreciation expense or accumulated depreciation on general capital assets acquired in years prior to October 1, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Water Valley, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Water Valley, Mississippi had not complied with the requirements of the Office of the State Auditor, as set forth in the Municipal Compliance questionnaire except for the following:

The city does not settle assessments monthly to the appropriate state agency as required by the regulations and sections 99-19-73.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Water Valley, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Water Valley, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of management, City Council, and 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
Oxford, Mississippi

November 11, 2010