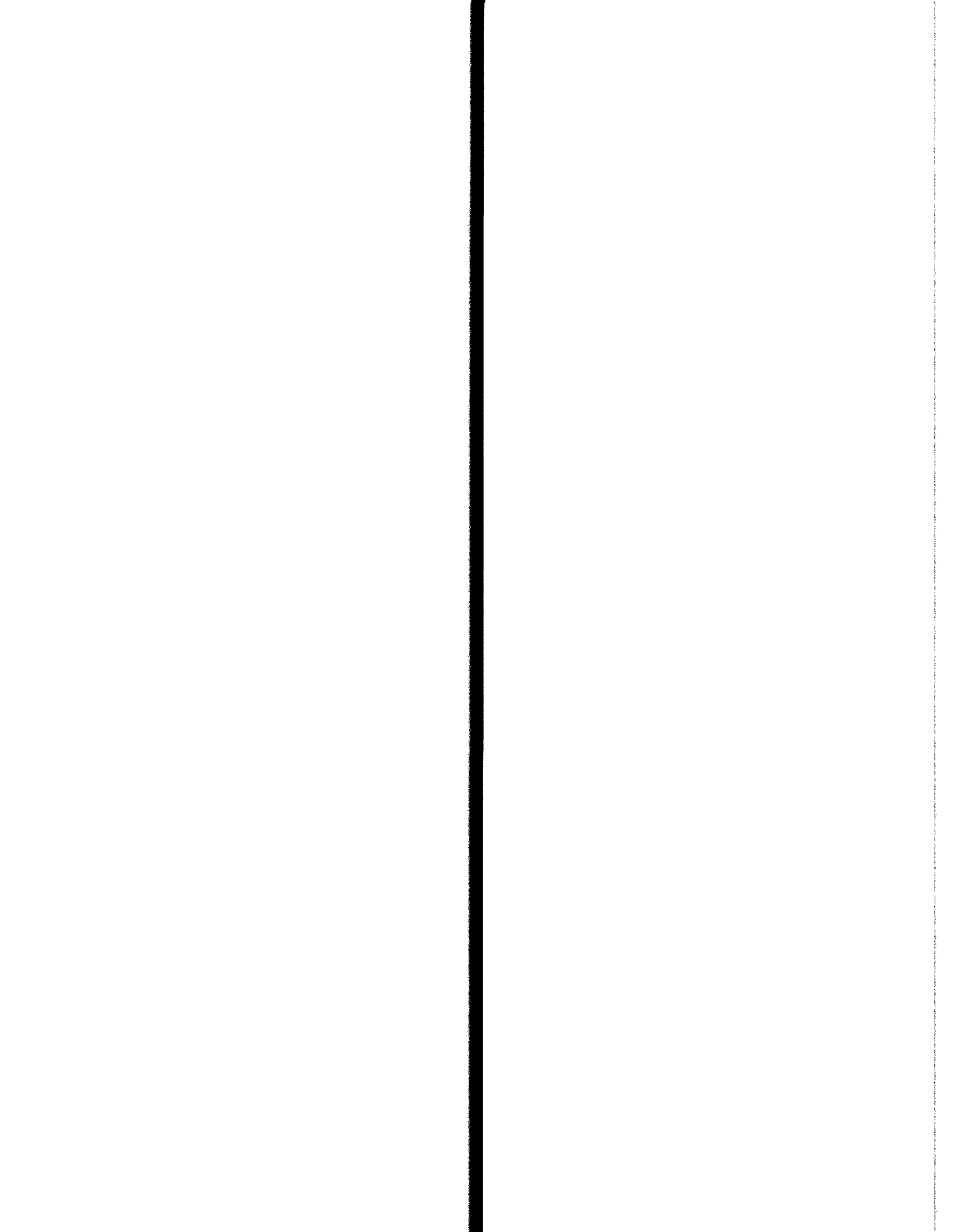




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**CITY of ELLISVILLE
110 COURT STREET
ELLISVILLE, MISSISSIPPI 39437**

TIM WALDRUP, Mayor

ALDERMEN
Doug Landrum- Ward 1
Frank E. Williams- Ward 2
Aaron Heidelberg- Ward 3
Lynn Buckhaults- Ward 4
Ola B. Mitchell- At Large

CHARMA COOK
City Clerk

FREIDA GUNN COLLINS
City Attorney

TELEPHONE 601-477-3323
FAX 601-477-9083
E-mail:ellisville@bbimail.net

March 13, 2017

Honorable Stacy Pickering
State Auditor
Post Office Box 956
Jackson, Ms. 39205-0956

Dear Mr. Pickering:

Accompanying this letter is a copy of the annual audit of the City of Ellisville, Mississippi for the fiscal year ended September 30, 2016. A management letter was included in the audit.

Sincerely,



Tim Waldrup

TW/cc

Enclosures

Certified Mail No. 7011 0110 0001 0226 9566

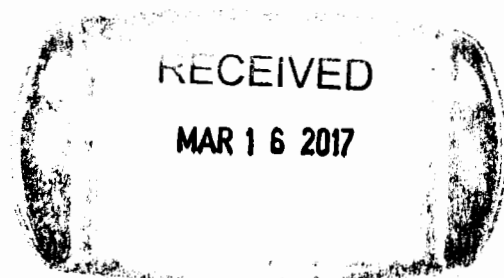


THE CITY OF ELLISVILLE IS AN EQUAL OPPORTUNITY PROVIDER

CITY OF ELLISVILLE, MISSISSIPPI

AUDIT REPORT

SEPTEMBER 30, 2016





**CITY OF ELLISVILLE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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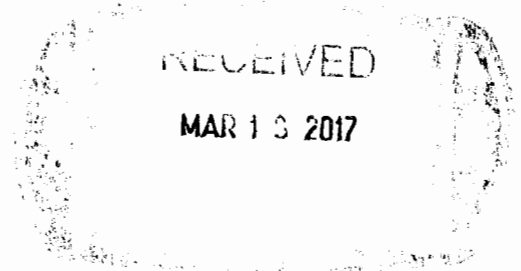
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CITY OF ELLISVILLE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA
Julie M. Uher, CPA
Kari M. Blackledge, CPA

H. I. Holt, CPA
Founder (1915-1997)

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the
Board of Aldermen and City Clerk
City of Ellisville, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ellisville, Mississippi as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Ellisville, Mississippi'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 of 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.

2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39440
10 BELLEGRASS BLVD. | HATTIESBURG, MISSISSIPPI 39402
PHONE 601-649-3000 | FAX 601-649-3050
WWW.HOLTACCOUNTING.COM



An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund information of the City of Ellisville, Mississippi, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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 basis financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The Budgetary Comparison Information, Schedule of the City's Proportionate Share of Net Pension Liability, and the Schedule of City Contributions on pages 40 through 43 are not a required part of the basis financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ellisville, Mississippi's financial statements. The accompanying Schedules of Surety Bonds for Municipal Officials and Investments are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

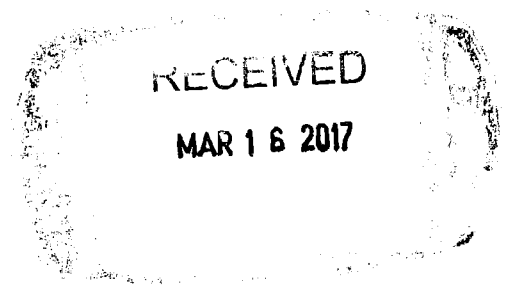
In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2017 on our consideration of the City of Ellisville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ellisville, Mississippi's internal control over financial reporting and compliance.

Holt & Associates, PLLC

Laurel, MS
February 7, 2017



CITY OF ELLISVILLE, MISSISSIPPI
GOVERNMENT-WIDE FINANCIAL STATEMENTS





CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2016

EXHIBIT A

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS:			
Cash and other deposits	\$ 1,062,785	\$ 352,739	\$ 1,415,524
Investments	890,735	696,562	1,587,297
Due from other governments	257,417	-	257,417
Receivables, accounts	-	140,077	140,077
Receivables, other	427,649	32,025	459,674
Prepaid expenses	38,208	25,472	63,680
Capital assets, net	4,579,950	8,600,069	13,180,019
Due from other funds	<u>41,148</u>	<u>-</u>	<u>41,148</u>
TOTAL ASSETS	\$ 7,297,892	\$ 9,846,944	\$ 17,144,836
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	<u>655,871</u>	<u>73,992</u>	<u>729,863</u>
LIABILITIES:			
Accounts payable and accrued liabilities	83,233	36,664	119,897
Customer deposits	-	96,049	96,049
Due to other funds	-	41,148	41,148
Estimated state police fees payable	188,149	-	188,149
Long-term liabilities, due within one year			
Capital related debt	68,256	140,855	209,111
Long-term liabilities, due beyond one year			
Capital Related Debt	551,970	2,449,479	3,001,449
Non-capital related debt	36,298	1,186	37,484
Net pension liability	<u>3,776,018</u>	<u>525,094</u>	<u>4,301,112</u>
TOTAL LIABILITIES	<u>4,703,924</u>	<u>3,290,475</u>	<u>7,994,399</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	<u>7,564</u>	<u>841</u>	<u>8,405</u>
NET ASSETS:			
Investment in capital assets (net of related debt)	3,959,724	6,009,735	9,969,459
Unrestricted	<u>(717,449)</u>	<u>619,885</u>	<u>(97,564)</u>
TOTAL NET ASSETS	<u>\$ 3,242,275</u>	<u>\$ 6,629,620</u>	<u>\$ 9,871,895</u>

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



CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT B

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Operating	Capital	Primary Government		
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 797,701	\$ 321,497	\$ -	\$ -	\$ (476,204)	\$ -	\$ (476,204)
Public safety	2,830,989	395,053	-	-	(2,435,936)	-	(2,435,936)
Public works	531,979	-	-	-	(531,979)	-	(531,979)
Health and welfare	160,600	-	-	-	(160,600)	-	(160,600)
Culture & recreation	78,963	238,134	-	-	159,171	-	159,171
Economic Development Authority	43,312	-	-	-	(43,312)	-	(43,312)
Interest on debt	<u>23,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,708)</u>	<u>-</u>	<u>(23,708)</u>
						-	-
Total governmental activities	<u>4,467,252</u>	<u>954,684</u>	<u>-</u>	<u>-</u>	<u>(3,512,568)</u>	<u>-</u>	<u>(3,512,568)</u>
Business -type activities:							
Water & sewer	<u>1,190,203</u>	<u>1,141,966</u>	<u>-</u>	<u>96,137</u>	<u>-</u>	<u>47,900</u>	<u>47,900</u>
Total business-type activities	<u>1,190,203</u>	<u>1,141,966</u>	<u>-</u>	<u>96,137</u>	<u>-</u>	<u>47,900</u>	<u>47,900</u>
Total primary government	<u>\$ 5,657,455</u>	<u>\$ 2,096,650</u>	<u>\$ -</u>	<u>\$ 96,137</u>	<u>\$ (3,512,568)</u>	<u>\$ 47,900</u>	<u>\$ (3,464,668)</u>
Taxes:							
					944,782	-	944,782
					807,941	-	807,941
Unrestricted grants & contributions:							
					108,015	-	108,015
					10,131	3,566	13,697
					<u>201,544</u>	<u>11,441</u>	<u>212,985</u>
Total General Revenues and Transfers					<u>2,072,413</u>	<u>15,007</u>	<u>2,087,420</u>
Change in Net Position					(1,440,155)	62,907	(1,377,248)
Net Position - Beginning					7,429,730	6,977,229	14,406,959
Prior period adjustments					<u>(2,747,300)</u>	<u>(410,516)</u>	<u>(3,157,816)</u>
Net Position - Beginning- as restated					<u>4,682,430</u>	<u>6,566,713</u>	<u>11,249,143</u>
Net Position - Ending					<u>\$ 3,242,275</u>	<u>\$ 6,629,620</u>	<u>\$ 9,871,895</u>

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



CITY OF ELLISVILLE, MISSISSIPPI
FUND FINANCIAL STATEMENTS

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CITY OF ELLISVILLE, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

EXHIBIT C

	<u>General Fund</u>
ASSETS:	
Cash and other deposits	\$ 1,062,785
Investments	890,735
Due from other governments	257,417
Receivables, other	427,649
Prepaid expenses	38,208
Due from other funds	<u>41,148</u>
TOTAL ASSETS	<u><u>\$ 2,717,942</u></u>
 LIABILITIES & FUND BALANCES:	
Liabilities:	
Accounts payable and accrued liabilities	\$ 83,233
Estimated state police fees payable	<u>188,149</u>
Total Liabilities	<u>271,382</u>
 Fund Balances:	
Nonspendable:	
Prepaid expenses	38,208
Assigned:	
Police Fund	77,984
Unassigned:	<u>2,330,368</u>
Total Fund Balance	<u>2,446,560</u>
 TOTAL LIABILITIES & FUND BALANCE	<u><u>\$ 2,717,942</u></u>

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



**CITY OF ELLISVILLE, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

EXHIBIT C-1

Total Fund Balance - Governmental Funds	\$	2,446,560
-----------------------------------------	----	-----------

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

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

Land	\$	175,836	
Infrastructure		4,885,599	
Building		2,166,416	
Machinery & equipment		1,386,776	
Mobile Equipment		710,959	
Accumulated Depreciation		<u>(4,745,636)</u>	4,579,950

2. Some liabilities, including net pension obligations, are not due
and payable in the current period and, therefore, are not
reported in the funds:

Net pension liability		(3,776,018)	
-----------------------	--	-------------	--

Deferred outflows and inflows related to pensions are applicable
to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions		655,871	
Deferred inflows of resources related to pensions		<u>(7,564)</u>	
			(3,127,711)

- 3.. Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds:

Notes payable		(620,226)	
Compensated Absences		<u>(36,298)</u>	<u>(656,524)</u>

Total Net Assets - Governmental Activities	\$	<u>3,242,275</u>
--------------------------------------------	----	------------------

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



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

EXHIBIT D

	<u>MAJOR FUNDS</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Property taxes	\$ 807,941	\$ 807,941
Franchise and other taxes	305,139	305,139
License and permits	28,974	28,974
Intergovernmental revenue	1,040,181	1,040,181
Charges for services	238,134	238,134
Fines and forfeitures	395,053	395,053
Miscellaneous	<u>211,675</u>	<u>211,675</u>
TOTAL REVENUES	<u>3,027,097</u>	<u>3,027,097</u>
EXPENDITURES		
General government	474,856	474,856
Public safety	2,108,349	2,108,349
Public works	547,228	547,228
Health and welfare	160,600	160,600
Culture & recreation	68,336	68,336
Economic Development Authority	43,312	43,312
Capital Outlay	73,028	73,028
Debt Service:		
Principal	69,070	69,070
Interest	<u>23,455</u>	<u>23,455</u>
TOTAL EXPENDITURES	<u>3,568,234</u>	<u>3,568,234</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(541,137)</u>	<u>(541,137)</u>
OTHER FINANCING SOURCES (USES)		
Loan Proceeds	<u>88,597</u>	<u>88,597</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>88,597</u>	<u>88,597</u>
NET CHANGE IN FUND BALANCE	(452,540)	(452,540)
FUND BALANCE, OCTOBER 1, 2015	<u>2,899,100</u>	<u>2,899,100</u>
FUND BALANCE, SEPTEMBER 30, 2016	<u>\$ 2,446,560</u>	<u>\$ 2,446,560</u>

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

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

EXHIBIT D-1

Net Change in fund balances - governmental funds \$ (452,540)

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	314,490	
Depreciation expense	<u>(423,716)</u>	(109,226)

2. Increase in compensated absences not included in governmental funds, but payment is reported as expenditures in statement of activity. (18,698)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities. 69,069
4. Proceeds from long-term liabilities is reported as income in the governmental funds, but as an addition to long-term liabilities in the State of Activities. (548,349)
5. The statement of activities uses the economic resources measurement focus and accrual basis of accounting, and therefore requires the pension expense and deferred outflows/inflows of resources related to pensions be recognized. (380,411)

Change in net assets of governmental activities \$ (1,440,155)

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

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**CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2016**

EXHIBIT E

ASSETS	
CURRENT ASSETS	
Cash	\$ 352,739
Investments	696,562
Accounts receivable (net)	140,077
Prepaid insurance	25,472
Receivables, other	32,025
Total current assets	<u>1,246,875</u>
NONCURRENT ASSETS	
Capital assets (net)	<u>8,600,069</u>
TOTAL ASSETS	<u>\$ 9,846,944</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows related to pensions	<u>\$ 73,992</u>
LIABILITIES	
CURRENT LIABILITIES	
Note payable- current portion	\$ 140,855
Accounts payable	31,534
Accrued salaries and taxes	5,130
Customer deposits	96,049
Due to other funds	41,148
Total current liabilities	<u>314,716</u>
LONG-TERM LIABILITIES	
Long-term liabilities, due beyond one year	2,449,479
Accrued compensation	1,186
Net pension liability	525,094
Total long-term liabilities	<u>2,975,759</u>
TOTAL LIABILITIES	<u>\$ 3,290,475</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows related to pensions	<u>\$ 841</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 6,009,735
Retained earnings: Unreserved	619,885
TOTAL NET ASSETS	<u>\$ 6,629,620</u>

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



**CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR YEARS ENDED SEPTEMBER 30, 2016**

EXHIBIT F

OPERATING REVENUES:

Charges for services	\$ <u>1,141,966</u>
----------------------	---------------------

OPERATING EXPENSES:

Personal services	293,261
Supplies	84,762
Contractual services and other charges	384,451
Depreciation	<u>349,335</u>
Total operating expenses	<u>1,111,809</u>
Operating income	<u>30,157</u>

NON-OPERATING REVENUES (EXPENSES):

Other miscellaneous income	11,441
Grant proceeds	96,137
Interest income	3,566
Interest expense	<u>(78,394)</u>
Total non-operating revenues (expenses)	<u>32,750</u>

NET INCOME	62,907
------------	--------

Net position, October 1	6,977,229
Prior period adjustment	<u>(410,516)</u>
Net position, October 1, as restated	<u>6,566,713</u>

Net position, September 30	<u>\$ 6,629,620</u>
----------------------------	---------------------

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

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**CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT G

	<u>Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,110,443
Payments to suppliers	(467,344)
Payments to employees	<u>(249,236)</u>
Net cash flows from operating activities	<u>393,863</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interest income	3,566
Miscellaneous income	11,441
Cash payments made by governmental funds	<u>1,123</u>
Net cash provided by noncapital financing activities	<u>16,130</u>
 CASH FLOWS FROM CAPITAL AND REALTED FINANCING ACTIVITIES:	
Purchase of capital assets	(294,614)
Grant proceeds	96,137
Proceeds from issuance of long-term debt	118,220
Principal paid on capital debt	(133,179)
Interest paid on capital debt	<u>(78,394)</u>
Net cash provided by noncapital financing activities	<u>(291,830)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	<u>(1,979)</u>
Net cash provided by investing activities	<u>(1,979)</u>
 NET INCREASE (DECREASE) IN CASH	116,184
 Cash, October 1	<u>236,555</u>
 Cash, September 30	<u><u>\$ 352,739</u></u>

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

**CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT G

Enterprise Funds

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

Operating Income	\$ 30,157
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	349,335
Change in assets and liabilities:	
Receivables, net of allowances	(32,333)
Prepaid insurance	(2,095)
Deferred outflows related to pension	(44,599)
Accounts payable	3,964
Customer deposits	810
Accrued compensation	2,598
Net pension liability	85,185
Deferred inflows related to pension	841
Net cash flows from operating activities	<u>\$ 393,863</u>

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



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ellisville, Mississippi (the City) was founded in 1826 and incorporated January 30, 1980. The City operates under a Mayor, Aldermen form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning and general administrative services.

The accompanying financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements issue after November 30, 1989 to its business-type activities or enterprise funds. The most significant of the City's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the City's Board of Aldermen.

As defined by accounting principles generally accepted in the United States of America, the City is considered a "primary government." The City is governed by a five member board which each member was elected by the citizens of each defined City wards. The City has no component units.

B. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

The Statement of Net Position presents the financial condition of the governmental 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.



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

B. Basis of Presentation (continued)

Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient 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. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

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, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Position and Statement of Activities, governmental activities 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. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of ad-valorem taxes, state revenues, and fees for services.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the 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. Property taxes and state appropriations associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. 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.

The City reports the following major governmental funds:

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



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

C. Measurement Focus and Basis of Accounting (continued)

Additionally the City reports the following fund type:

Proprietary Funds Types:

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, general are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported and *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise fund are charges to customers for services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

C. Measurement Focus and Basis of Accounting (continued)

Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Municipalities* issued by the Office of the State Auditor.

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Cash and Cash Equivalents.

The City deposits excess funds in the financial institutions selected by the Board of Aldermen. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of three months or less from the end of the fiscal year. Cash and cash equivalents are valued at cost.

G. Investments.

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the state of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing time certificates of deposit or interest-bearing accounts with any financial institution approved for the deposit of state funds; or in any type of investment permitted by sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972).

Investments are reported at fair value, which is determined using selected bases. All of the City's Investments consist of Certificates of Deposits, which mature over three months from the end of the fiscal year and are not considered cash or cash equivalents. These investments are reported at cost, which is the fair value.



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

H. Receivables.

The allowance method for valuing accounts receivables is used by the City. At the end of each fiscal year, an amount necessary to bring the balance to the estimated amount of allowance for doubtful accounts is credited to a valuation account. As a specific account is deemed to be uncollectible, the amount of the account is taken from both the receivable and the allowance accounts. At the end of the subsequent fiscal year, bad debt expense is charged with the amount necessary to bring the allowance account to the estimated total. An aging schedule with a variable scale of percentages is used to compute the allowance account for Enterprise Fund receivable valuation. The valuation allowance for the General Fund police fines is based on the City's estimation of amounts that cannot be collected.

I. Prepaid Expenses.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both governmental and fund financial statements.

J. Capital Assets.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	<u>Capitalization</u> <u>Policy</u>	<u>Estimated</u> <u>Useful Life</u>
Buildings	50,000	40 years
Heavy equipment	5,000	10 years
Mobile equipment	5,000	5 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 6 for details.

All proprietary fund capital assets continued to be carried on the books and depreciated at their actual cost. Depreciation is charged to expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets.



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

J. Capital Assets (continued)

Depreciation has been provided over the estimated useful lives using straight-line method. The estimated useful lives are as follows:

Water & Sewer System	15 – 50 years
Equipment	5 – 10 years

K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of non-current 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. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets. See Note 7 for details.

L. Inter-fund Transactions and Balances.

Inter-fund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) inter-fund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 5 for details for inter-fund transactions, including receivables and payables at year-end.

M. Equity Classifications.

Government-wide Financial Statements:

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

- (1) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

M. Equity Classifications (continued)

- (2) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt.

Fund Financial Statements:

The City implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year ending September 30, 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at September 30, 2016, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the City of Ellisville's Council, the City's highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by the City of Ellisville.
- Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The City of Ellisville, Mississippi reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City's Council has provided otherwise in its commitment or assignment actions.



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

N. Property Taxes.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied as of January 1 and payable on or before February 1. Property taxes are collected by Jones County and remitted to the City, with the exception of public utility taxes in which the City collects itself. The County retains a 5% collection fee on automobile and mobile home ad valorem and charges a flat rate for real and personal property ad valorem collections. Lien dates for personal and real property are in August. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received. The millage rate for the City for January through December was 37.39 mills broken down as follows:

General Fund	30.14
Debt Service	2.25
General Fund	3.00
General Fund	<u>2.00</u>
	<u>37.39</u>

Restrictions associated with property tax levies are established by State law which provides that the tax levy for general purposes shall produce no more than 110% of the amount which results from those levies' assessments of the previous year. Uncollected taxes were determined to be properly handled.

O. Budgets and Budgetary Accounting.

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

1. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the City Hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The Board of Aldermen may take official action to authorize transfers of budgeted amounts between departments and fund as allowed by law.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Enterprise Fund.
6. Mississippi laws require that municipalities budget governmental fund types on a modified – cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principal.



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

O. Budgets and Budgetary Accounting. (continued)

Proprietary funds are budgeted on a modified accrual basis. Modifications to the accrual basis include budgeting for capital expenditures, debt principal payments and for depreciation.

During the year, amendments were made to the original budget.

P. Compensated Absences.

Employees of the City accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by City policy. Some employees are allowed personal leave and/or vacation leave in accordance with City policy.

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability 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.

Q. Use of Estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

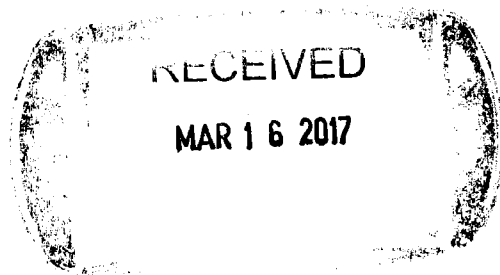
R. Pensions

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 (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, the 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.

S. 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.

1. Deferred outflows related to pensions \$729,863





CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

S. Deferred outflows/inflows of resources (continued)

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.

1. Deferred inflows related to pensions \$8,405

See Note 8 for further details.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS.

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits: The City must advertise and accept bids for depositories no less than once every two years as required by Section 27-105-1, Miss. Code Ann. (1972).

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 Depository Insurance Corporation.

Investments: Except for nonparticipating investment contracts and for participating interest-earning investment contracts and money market investments that had a remaining maturity at the time of purchase of one year or less, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Participating interest-earning investment contracts and money market investments that had a remaining maturity at time of purchase of one year or less are reported at amortized cost.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents.

The carrying amount of the City's deposits with financial institutions was \$3,002,821 (including investments of \$1,587,297) for 2016 and the bank balance was \$3,088,015 (including investments of \$1,587,297) for 2016.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as 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 deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2016, the City's bank balance did not have any exposure to custodial credit risk.

Investments.

Investments made by the City that are included on the balance sheet consist of insured certificates of deposit for which the securities are held by the City or its agent in the City's name. The certificates carrying value and maturity dates are as follows:

	Certificate #	Amount	Maturity Date
General Fund:			
	402159	\$ 23,558	9/30/2017
	376298	173,665	9/30/2017
	376328	435,847	9/30/2017
	376425	205,613	9/30/2017
	423288	52,052	9/30/2017
		<u>\$ 890,735</u>	
Enterprise Fund			
	376360	456,893	3/30/2017
	376395	239,669	9/30/2017
		<u>\$ 696,562</u>	

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Credit Risk. State law limits investments to those prescribed in Section 21-33-323, Miss. Code Ann. (1972). The City does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is defined as 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 investment policy for custodial credit risk. As of September 30, 2016, the City did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. As of September 30, 2016, the City has six certificates of deposits with Community Bank which comprised 100 % of the investment balance on Exhibit A and Exhibit E.

NOTE 3 – ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT

The balance in the accounts receivable are composed of the following items:

GENERAL FUND:

ACCOUNTS

Police fines – installment agreements	\$ 98,620
Less: Estimated amount uncollectible	(270,971)
	<u>\$ 427,649</u>

ENTERPRISE FUND

ACCOUNTS

Water & Sewer Charges	\$148,536
Less: Allowance for uncollectible accounts	(8,459)
	<u>\$140,077</u>

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Receivables from other governments are as follows:

GENERAL FUND:

Sales tax	\$163,585
Utility tax	85,969
Auto Ad valorem and Property Taxes	7,263
Other Receivable	600
Total General Fund	<u>\$257,417</u>



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5 - INTER-FUND TRANSACTIONS AND BALANCES

Timing differences between the payments of expenses for other funds and the subsequent reimbursements are reflected in the inter-fund accounts. The following is a summary of inter-fund balances:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 41,123	\$ -
Water & Sewer Fund	-	41,123

NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets for governmental activities:

	<u>Begin Balance 10/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer from Proprietary</u>	<u>Adjustments</u>	<u>End Balance 9/30/2016</u>
<u>Non-depreciable capital assets:</u>						
Land	\$ 175,836	\$ -	\$ -	\$ -	-	\$ 175,836
Total non-depreciable capital assets	175,836	-	-	-	-	175,836
<u>Depreciable capital assets:</u>						
Infrastructure	4,812,571	73,028	-	-	-	4,885,599
Building	2,166,416	-	-	-	-	2,166,416
Machinery & Equipment	1,166,546	21,232	-	-	-	1,187,778
Mobile Equipment	689,727	220,230	-	-	-	909,957
Total depreciable capital assets	8,835,260	314,490	-	-	-	9,149,750
<u>Less accumulated depreciation for:</u>						
Infrastructure	2,477,403	231,304	-	-	-	2,708,707
Building	403,934	55,506	-	-	-	459,440
Machinery & Equipment	859,171	92,320	-	-	-	951,491
Mobile Equipment	581,412	44,586	-	-	-	625,998
Total accumulated depreciation	4,321,920	423,716	-	-	-	4,745,636
Governmental Activities, capital assets, net	\$ 4,689,176	\$(109,226)	\$ -	\$ -	\$ -	\$ 4,579,950



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
General Government	\$ 263,089
Public Safety	123,147
Public Works	31,090
Streets	<u>6,400</u>
Total depreciation expense	\$ <u>423,716</u>

The following is a summary of changes in capital assets for proprietary activities:

	<u>Begin Balance 10/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>End Balance 9/30/2016</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 25,657	\$ -	\$ -	\$ -	\$ 25,657
Construction in Progress	<u>969,541</u>	<u>53,558</u>	<u>(969,541)</u>	<u>-</u>	<u>53,558</u>
Total non-depreciable capital assets	<u>995,198</u>	<u>53,558</u>	<u>(969,541)</u>	<u>-</u>	<u>79,215</u>
<u>Depreciable capital assets:</u>					
Plant, Building & Systems	10,724,531	1,210,802	-	-	11,935,333
Machinery & Equipment	96,669	-	-	-	96,669
Mobile equipment	<u>427,744</u>	<u>-</u>	<u>-</u>	<u>77,037</u>	<u>504,781</u>
Total depreciable capital assets	<u>11,248,944</u>	<u>1,210,802</u>	<u>-</u>	<u>77,037</u>	<u>12,536,783</u>
<u>Less accumulated depreciation for:</u>					
Plant, Building & Systems	3,347,922	283,061	-	(28,643)	3,602,340
Machinery & Equipment	62,692	10,556	-	(271)	72,977
Mobile equipment	<u>178,738</u>	<u>55,718</u>	<u>-</u>	<u>106,156</u>	<u>340,612</u>
Total accumulated depreciation	<u>3,589,352</u>	<u>349,335</u>	<u>-</u>	<u>77,242</u>	<u>4,015,929</u>
Proprietary Activities, capital assets, net	<u>\$ 8,654,790</u>	<u>\$ 915,025</u>	<u>\$ (969,541)</u>	<u>\$ (205)</u>	<u>\$ 8,600,069</u>

Depreciation expense charged to the enterprise fund totaled \$349,335.



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Construction in progress is composed of:

	<u>Spent to September 30, 2016</u>	<u>Remaining Commitment</u>
Business-type Activities		
Sewer System Improvements	\$ 53,558	\$ 13,400
Total construction in progress	<u>\$ 53,558</u>	<u>\$ 13,400</u>

NOTE 7 - LONG - TERM LIABILITIES

The following are the changes in long-term liabilities and other obligations for governmental activities:

<u>Debt Type</u>	<u>Balance 10/1/2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 9/30/2016</u>	<u>Amounts Due Within One Year</u>
Notes Payable	\$ 140,946	\$ 548,349	\$ 69,069	\$ 620,226	\$ 68,256
Compensated Absences Payable	17,600	18,698	-	36,298	-
Total	<u>\$ 158,546</u>	<u>\$ 567,047</u>	<u>\$ 69,069</u>	<u>\$ 656,524</u>	<u>\$ 68,256</u>

The following are the changes in long-term liabilities and other obligations for proprietary activities:

<u>Debt Type</u>	<u>Balance 10/1/2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 9/30/2016</u>	<u>Amounts Due Within One Year</u>
Notes Payable	\$ 2,515,203	\$ 118,220	\$ 125,636	\$ 2,507,787	\$ 132,457
Capital Leases Payable	90,090	-	7,543	82,547	8,398
Compensated Absences Payable	1,186	-	-	1,186	-
Total	<u>\$ 2,606,479</u>	<u>\$ 118,220</u>	<u>\$ 133,179</u>	<u>\$ 2,591,520</u>	<u>\$ 140,855</u>



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7 - LONG - TERM LIABILITIES (CONTINUED)

The annual requirements to amortize note principal and capital leases outstanding for all funds as of September 30, 2016 are as follows:

<u>September 30</u>	<u>Payable</u>	<u>Interest</u>	<u>Leases</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 200,713	\$ 99,155	\$ 8,398	\$ 1,653	\$ 309,919
2018	196,287	93,702	8,576	1,653	300,218
2019	201,652	88,232	8,758	1,475	300,117
2020	207,417	82,542	56,815	1,491	348,265
2021	201,714	77,105	-	-	278,819
2022-2026	865,417	305,013	-	-	1,170,430
2027-2031	535,544	187,858	-	-	723,402
2032-2036	406,930	107,284	-	-	514,214
2037-2044	312,368	35,642	-	-	348,010
Total	<u>\$ 3,128,042</u>	<u>\$ 1,076,533</u>	<u>\$ 82,547</u>	<u>\$ 6,272</u>	<u>\$ 4,293,394</u>

Notes payable in Governmental Fund

The City has a note through Mississippi Development Authority, Community Bank, and the Jones County Board of Supervisors, in which the proceeds were used to make capital asset acquisitions. Details on these notes are as follows:

	<u>CAP Loan</u>	<u>Community Bank</u>	Jones County Board of <u>Supervisors</u>	<u>Community Bank</u>
Date of Note	1/1/2011	3/26/2012	10/1/2015	2/5/2016
Maturity Date	10/1/2029	3/25/2017	3/1/2027	2/5/2021
Original Amount	\$ 142,764	\$ 95,060	\$ 459,500	\$ 88,849
Unpaid Principal	\$ 111,456	\$ 29,490	\$ 426,583	\$ 79,121
Interest Rate	2%	2%	3.78%	2.75%



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7 - LONG - TERM LIABILITIES (CONTINUED)

The annual requirement of the notes payable on note principal outstanding for governmental funds as of September 30, 2016 are as follows:

Year Ended			
<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 68,256	\$ 20,617	\$ 88,873
2018	60,462	18,529	78,991
2019	62,360	16,519	78,879
2020	64,699	14,488	79,187
2021	55,444	12,401	67,845
2022-2026	264,173	35,012	299,185
2027-2031	<u>44,761</u>	<u>1,591</u>	<u>46,352</u>
Total	<u>\$620,155</u>	<u>\$119,157</u>	<u>\$739,312</u>

Notes payable in Proprietary Fund

The City has a note owed the State of Mississippi under the Water Pollution Control. The State currently withholds payments from sales tax proceeds to apply to this loan. The City also has a series of notes with Mississippi Development Authority in which the proceeds were used for capital acquisitions and improvements. The City holds a note payable with the United States Department of Agriculture for construction and improvement to water and sewer systems within the City. The notes payable are as follows:

	<u>MS DEQ</u>	<u>CAP Loan</u>	<u>CAP Loan</u>	<u>CAP Loan</u>	<u>USDA</u>
Date of Note	10/1/2004	1/1/2009	1/1/2010	12/30/2013	4/4/2008
Maturity Date	5/1/2024	11/1/2029	12/1/2029	12/1/2035	9/4/2043
Original Amount	\$ 882,796	\$ 344,947	\$ 450,000	\$ 600,000	\$1,216,200
Unpaid Principal	\$ 329,966	\$ 227,345	\$ 313,963	\$ 580,853	\$1,055,660
Interest Rate	1.75%	2%	2%	3%	4.375%



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7 - LONG - TERM LIABILITIES (CONTINUED)

The annual requirements of the notes payable on note principal outstanding for the proprietary funds as of September 30, 2016, are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 132,457	\$ 78,539	\$ 210,996
2018	135,825	75,173	210,998
2019	139,292	71,713	211,005
2020	142,718	68,054	210,772
2021	146,170	64,704	210,874
2022-2026	601,244	270,001	871,245
2027-2031	490,783	186,267	677,050
2032-2036	406,930	107,284	514,214
2037-2041	312,368	35,642	348,010
Total	<u>\$2,507,787</u>	<u>\$ 957,377</u>	<u>\$3,465,164</u>

Obligations under Capital Lease

The City has entered into a lease agreement as lessee for financing the acquisition of a 2015 420F Caterpillar Backhoe at a cost of \$96,826. The lease is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2014 Caterpillar	2.1%	12/1/2014	11/1/2019	96,826	82,547
Total				<u>\$ 96,826</u>	<u>\$ 82,547</u>

NOTE 7 - LONG - TERM LIABILITIES (CONTINUED)

The following is a schedule by years of the total payments due on capital leases:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 8,398	\$ 1,653	\$ 10,051
2018	8,576	1,653	10,229
2019	8,758	1,475	10,233
2020	56,815	1,491	58,306
Total	<u>\$ 82,547</u>	<u>\$ 6,272</u>	<u>\$ 88,819</u>



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' 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. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the Library is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2016, was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature.



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The City's contributions to PERS for the fiscal years ending September 30, 2016, 2015 and 2014 were \$250,284, \$226,100 and \$187,370, respectively, which equaled the required contributions for each year.

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

At September 30, 2016, the City reported a liability of \$7,994,399 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on a projection of the library system's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The city's proportionate share used to calculate the June 30, 2016 net pension liability was .024079 percent, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2016, the City recognized pension expense of \$672,962. At September 30, 2016 the library system reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 88,232	\$ -
Net difference between projected and actual earnings on pension plan investments	242,225	-
Changes of assumptions	149,122	8,405
City's contributions subsequent to the measurement date	<u>250,284</u>	<u>-</u>
Total	<u>\$ 729,863</u>	<u>\$ 8,405</u>



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$250,284 reported as deferred outflows of resources related to pensions resulting from city's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30, 2016	
2017	\$ 143,609
2018	143,609
2019	124,838
2020	59,118
	<u>\$ 471,174</u>

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

Inflation	3.00 percent
Salary increases	3.75-19.00 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 2016, with males rates set forward one year.

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

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



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34%	5.2%
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	-0.50
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the city's proportionate share of the net pension liability to changes in the discount rate. The following table presents the library system's net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the library system's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate (amounts in thousands):

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability	\$ 5,514,988	4,301,111	3,293,986

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 ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 9 – RENTAL INCOME FROM OPERATING LEASES

The City leases certain office buildings on a fixed fee. Some of the rentals are on a month to month basis and are not included in the future rentals. Rental income for the year ended September 30, 2016 was \$58,656.

Minimum future rentals on non-cancelable operating leases in each of the next five years and thereafter as of September 30, 2016 are as follows:

2017 \$ 6,150

NOTE 10 – PRIOR PERIOD ADJUSTMENT

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Governmental Activities	Proprietary Activities
1. Implementation of GASB 68 and 71:		
Net pension liability (measurement date)	\$ (2,944,007)	\$ (439,909)
Deferred outflows - contributions made during fiscal year 2015	196,707	29,393
Total prior period adjustment related to GASB 68 and 71	<u>(2,747,300)</u>	<u>(410,516)</u>
Total	<u>\$ (2,747,300)</u>	<u>\$ (410,516)</u>

NOTE 11 – RISK MANAGEMENT

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



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 12 - RECONCILIATION OF BUDGETARY BASIS TO ACCRUAL

Mississippi law requires that municipalities' budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. All budgeted amounts lapse at year end.

The required budgetary basis is therefore not considered a generally accepted accounting principle.

The following schedule reconciles the fund balances on the budgetary basis to the GAAP basis for the general fund:

<u>General Fund:</u>	
Fund balance (budgetary basis)	\$2,446,560
Adjustment to GAAP basis:	
Accrued revenues	<u>2,472</u>
Fund balance (GAAP basis), Sept. 30	<u>\$2,449,032</u>

NOTE 13 - SUBSEQUENT EVENTS

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 the City of Ellisville, Mississippi evaluated the activity of the City through February 7, 2017, (the date the financial statements were available to be issued). Subsequently, the City has approved issuance of \$5,000,000 General Obligations bonds. The City also has contracts signed for ongoing water improvement projects.



CITY OF ELLISVILLE, MISSISSIPPI
REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF ELLISVILLE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

SCHEDULE 1a

	Budgeted Amounts			Variances	
				Positive (Negative)	
	Original	Final	Actual	Original to Final	Final to Actual
REVENUES					
Property taxes	\$ 875,970	\$ 816,645	\$ 808,525	\$ 59,325	\$ (8,120)
Franchise and other taxes	-	-	305,371	-	305,371
License and permits	389,248	378,818	28,974	(10,430)	(349,844)
Intergovernmental revenues	1,169,750	979,872	1,028,069	(189,878)	48,197
Charges for services	240,000	240,000	238,134	-	(1,866)
Fines and forfeitures	500,000	450,000	408,821	(50,000)	(41,179)
Miscellaneous	147,800	273,175	211,675	125,375	(61,500)
TOTAL REVENUES	<u>3,322,768</u>	<u>3,138,510</u>	<u>3,029,569</u>	<u>(65,608)</u>	<u>(108,941)</u>
EXPENDITURES					
General government	522,030	495,373	474,856	26,657	20,517
Public safety	2,266,428	2,332,340	2,108,349	(65,912)	223,991
Public works	597,894	644,822	547,228	(46,928)	97,594
Health and welfare	240,000	240,000	160,600	-	79,400
Culture & recreation	88,000	88,000	68,336	-	19,664
Economic Development Authority	46,856	46,856	43,312	-	3,544
Capital Outlay	-	-	73,028	-	(73,028)
Debt service	44,000	57,530	92,525	(13,530)	(34,995)
TOTAL EXPENDITURES	<u>3,805,208</u>	<u>3,904,921</u>	<u>3,568,234</u>	<u>(99,713)</u>	<u>336,687</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(482,440)</u>	<u>(766,411)</u>	<u>(538,665)</u>	<u>(165,321)</u>	<u>227,746</u>
OTHER FINANCING SOURCES (USES)					
Transfers	100,000	100,000	-	-	(100,000)
Loan proceeds	-	-	88,597	-	88,597
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,000</u>	<u>100,000</u>	<u>88,597</u>	<u>-</u>	<u>(11,403)</u>
NET CHANGE IN FUND BALANCES	<u>(382,440)</u>	<u>(666,411)</u>	<u>(450,068)</u>	<u>(165,321)</u>	<u>216,343</u>
FUND BALANCE -BEGINNING	<u>2,125,309</u>	<u>2,320,289</u>	<u>2,899,100</u>	<u>(194,980)</u>	<u>578,811</u>
FUND BALANCE - ENDING	<u>\$ 1,742,869</u>	<u>\$1,653,878</u>	<u>\$ 2,449,032</u>	<u>\$ (360,301)</u>	<u>\$ 795,154</u>

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



City of Ellisville, Mississippi

Schedule of the City's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years

	<u>2016</u>
City's proportion of the net pension liability (asset)	0.0219%
City's proportionate share of the net pension liability (asset)	\$ 4,301,111
City's covered-employee payroll	\$ 1,435,556
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.38%
Plan fiduciary net position as a percentage of the total pension liability	57%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/16, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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





City of Ellisville, Mississippi
Schedule of the City Contribution
PERS
Last 10 Fiscal Years

	<u>2016</u>
Contractually required contribution	\$ 250,284
Contributions in relation to the contractually required contribution	<u>\$ 250,284</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's covered-employee payroll	\$ 1,589,104
Contributions as a percentage of covered-employee payroll	15.75%

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

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



CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the budgetary basis, variances between the original budget and the final budget, and variances between the final budget and the actual data on the budgetary basis.

(2) Budget amendments and revisions.

The budget is adopted by the Board of Aldermen. Amendments can be made of the approval of the Board. A budgetary comparison is presented for the general fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) There were no changes in benefit terms.

(2) Changes of assumptions

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



CITY OF ELLISVILLE, MISSISSIPPI
OTHER SUPPLEMENTARY INFORMATION



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

Coverage with Old Republic Surety Company:

Mayor	\$70,000
City Clerk	70,000
Deputy Clerk	50,000
Police Chief	50,000
Court Clerk	50,000
Dispatcher	50,000

Coverage with Mississippi Municipal Bond Program:

Alderman	50,000 ea
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CITY OF ELLISVILLE, MISSISSIPPI
SCHEDULE OF INVESTMENTS – ALL FUNDS
SEPTEMBER 30, 2016

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other Information</u>	<u>Investment Cost/Value</u>
General Fund	Certificate of Deposit	0.45%	9/30/2017	Community Bank	\$ 23,558
General Fund	Certificate of Deposit	0.35%	9/30/2017	Community Bank	173,665
General Fund	Certificate of Deposit	0.45%	9/30/2017	Community Bank	435,847
General Fund	Certificate of Deposit	0.45%	9/30/2017	Community Bank	205,613
General Fund	Certificate of Deposit	0.40%	9/30/2017	Community Bank	52,052
Total General					<u>890,735</u>
Proprietary Fund	Certificate of Deposit	0.35%	3/30/2017	Community Bank	456,893
Proprietary Fund	Certificate of Deposit	0.45%	9/30/2017	Community Bank	239,669
Total Proprietary					<u>696,562</u>
Total Investment					<u>\$1,587,297</u>



CITY OF ELLISVILLE, MISSISSIPPI
REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA
Julie M. Uher, CPA
Kari M. Blackledge, CPA

H. I. Holt, CPA
Founder (1915-1997)

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

Honorable Mayor, Members of the
Board of Aldermen and City Clerk
City of Ellisville, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Ellisville, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Ellisville, Mississippi's basic financial statements, and have issued our report thereon dated February 7, 2017.

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2016-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

City of Ellisville Mississippi's Response to Findings

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

Purpose of this Report

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

Holt & Associates, PLLC

Laurel, MS
February 7, 2017





HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA
Julie M. Uher, CPA
Kari M. Blackledge, CPA

H. I. Holt, CPA
Founder (1915-1997)

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

Honorable Mayor, Members of the
Board of Aldermen and City Clerk
City of Ellisville, Mississippi

We have audited the financial statements of the governmental activities, business-type activities and each major fund and the aggregate remaining fund information of the City of Ellisville, Mississippi as of and for the year ended September 30, 2016, and have issued our report thereon dated February 7, 2017. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed no immaterial instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the management, City officials and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Holt & Associates, PLLC

Laurel, MS
February 7, 2017

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**CITY OF ELLISVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
FOR YEAR ENDED SEPTEMBER 30, 2016**

FINDING 2016-1

Finding:

There is a limited accounting staff to properly segregate the duties normally required for an efficient internal control structure. However, due to the limited number of personnel, an adequate segregation of duties is not possible without additional costs.

Recommendation:

The cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed.

Response:

Lack of segregation of duties has been a recurring deficiency. Since the cost to hire additional personnel is cost prohibited, this will continue to be a deficiency in future audits. Sufficient internal controls are present.

