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YAZOO CITY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2017



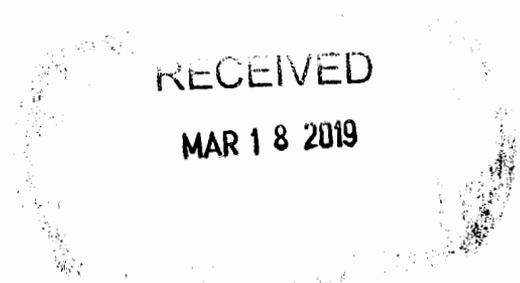
YAZOO CITY, MISSISSIPPI

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	14
Statement of Net Position	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Assets and Liabilities	24
Notes to Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION	51
Budgetary Comparison Schedule–Budget and Actual (Non-GAAP Basis) General Fund	52
Budgetary Comparison Schedule–Budget and Actual (Non-GAAP Basis) Debt & Debt Service Fund	53
Schedule of the City’s Proportionate Share of the Net Pension Liability – PERS	54
Schedule of the City’s Contributions – PERS	55
Schedule of Changes in the Net Pension Liability – MMRS	56
Schedule of Employer Contributions – MMRS	57
Notes to Required Supplementary Information	58
OTHER INFORMATION	61
Schedule of Surety Bonds for City Officials	62
Reconciliation of Tax Assessments to Fund Collections - 2016 Tax Rolls	63
Schedule of Long-Term Debt	65
Computation of Legal Debt Margin	66
SPECIAL REPORTS	67
Independent Auditor’s 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 <i>Government Auditing Standards</i>	68
Independent Auditor’s Report on Compliance with State Laws and Regulations	70
Limited Internal Control and Compliance Review Management Report	71
SCHEDULE OF FINDINGS AND RESPONSES	74

YAZOO CITY, MISSISSIPPI

FINANCIAL SECTION





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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Yazoo
Yazoo City, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Yazoo City, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 did not audit the financial statements of the Public Service Commission, which represents 100 percent, of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Yazoo City, Mississippi, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, the Schedule of the City's Proportionate Share of the New Pension Liability, and the Schedule of the City's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Schedule of Surety Bonds for City Officials, Reconciliation of Tax Assessments to Fund Collections – 2017 Tax Rolls, Schedule of Long Term Debt, and Computation of Legal Debt Margin have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018, on our consideration of Yazoo City, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 *Governmental Auditing Standards* in considering Yazoo City, Mississippi's internal control over financial reporting and compliance.

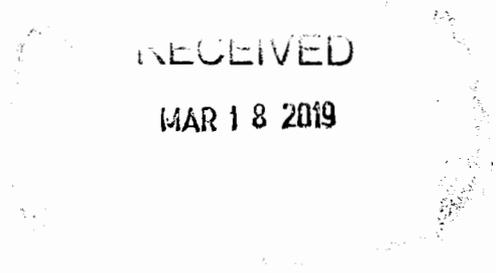
Bridgers, Goodman, Aldridge, Baird & Clarke, PLLC

Bridgers, Goodman, Aldridge, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi

November 1, 2018

YAZOO CITY, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS



YAZOO CITY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017

Our discussion and analysis of Yazoo City's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2017. Readers should also review the basic financial statements and disclosures to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of Yazoo City exceeded its liabilities and deferred inflows at the close of the 2017 fiscal year by \$2,624,374 (net position). Of this amount the unrestricted net position showed a deficit balance of (\$7,985,945).
- The remaining net position of the City includes: \$10,184,389 invested in capital assets, net of related debt; and \$425,930 restricted (for capital improvements, debt service and other).
- Total assets increased \$1,079,615 from 2016.
- Total deferred outflows of resources decreased \$491,958 from 2016.
- Total liabilities decreased \$863,136 from 2016.
- Total deferred inflows of resources increased \$496,640 from 2016.
- The City's total net position increased \$954,153 from 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Yazoo City, Mississippi's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. Required Supplementary Information is included in addition to the basic financial statements themselves.

Figure 1: Required Components of the City's Annual Report

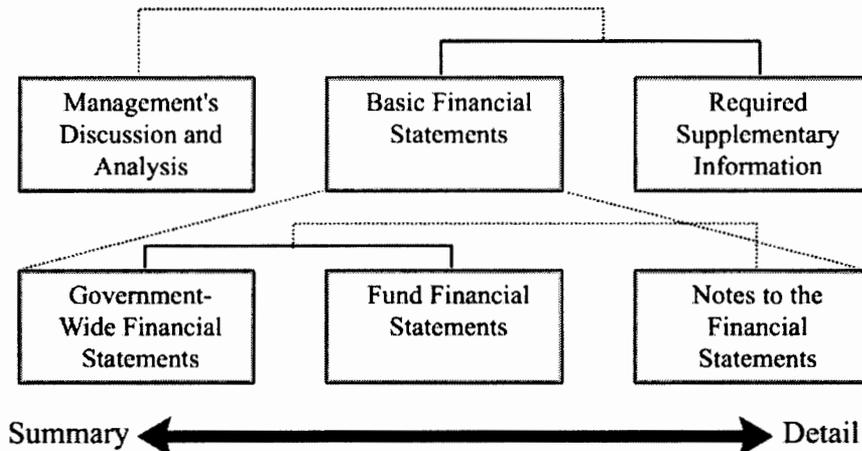


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

YAZOO CITY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017

Figure 2 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

Figure 2: Major Features of the City's Government-Wide and Fund Financial Statements

Government-Wide Financial Statements		Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	All activities of the City that are not business-type or fiduciary in nature	Activities of the City that operate similar to private businesses	The City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset, deferred outflow, liability, deferred inflow information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital and short and long term	Only assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, and short and long term	All assets, deferred outflows, liabilities, and deferred inflows, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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YAZOO CITY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017

1) Government-wide Financial Statements. The government-wide financial statements, presented on pages 15 and 16 are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities).

The government activities of the City include general government, public safety, highways and streets, culture and recreation, economic development, cemetery and debt service.

2) Fund Financial Statements. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: (1) governmental funds, (2) proprietary funds and (3) fiduciary funds.

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

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

Yazoo City maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt & Debt Service Fund which are considered to be major funds. All other funds are considered non-major and are presented in a single column. The governmental fund financial statements are presented on pages 17 through 20.

YAZOO CITY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017

Yazoo City adopts an annual budget. A budgetary comparison schedule has been provided for the General Fund, Debt & Debt Service Fund and Capital Project Fund to demonstrate compliance with their respective budget.

Proprietary Funds. The City maintains one type of proprietary fund - an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for solid waste operations. The fund is financed primarily through user fees.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are presented on pages 21 through 23.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City used 7 fiduciary funds consisting of the police and fire pension fund, city separate school district tax clearing fund, payroll clearing fund, accounts payable clearing, unemployment tax reserve, cemetery trust and crump school trust fund. The combined fiduciary financial statement of assets and liabilities can be found on page 24.

3) Notes to the Financial Statements. The notes, presented on pages 25 through 50, provide additional narrative and tabular information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Yazoo City's budgetary control and pensions on pages 51 through 60.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2017, the assets and deferred outflows of Yazoo City exceeded its liabilities and deferred inflows by \$2,624,374.

One of the largest portions of Yazoo City's net position, \$10,184,389 (388%) reflects its accumulation of funds to invest in capital assets (land, buildings, machinery and equipment, etc.). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

YAZOO CITY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017

(Table 1)
Net Position

	Governmental Activities		Business-type Activities		Total		Increase (Decrease)	Percentage change
	2017	2016	2017	2016	2017	2016		
Current and other assets	\$ 2,270,269	\$ 2,188,577	306,883	311,847	2,577,152	2,500,424	76,728	3.07%
Capital assets, net	14,486,686	13,403,195	875,807	956,411	15,362,493	14,359,606	1,002,887	6.98%
Total Assets	16,756,955	15,591,772	1,182,690	1,268,258	17,939,645	16,860,030	1,079,615	6.40%
Deferred outflows	1,296,135	1,667,633	117,138	237,598	1,413,273	1,905,231	(491,958)	-25.82%
Current and other liabilities	187,057	190,375	523	3,097	187,580	193,472	(5,892)	-3.05%
Net pension liability	9,419,342	9,460,700	748,053	1,137,841	10,167,395	10,598,541	(431,146)	-4.07%
Long-term debt	5,336,687	5,693,266	68,333	137,852	5,405,020	5,831,118	(426,098)	-7.31%
Total Liabilities	14,943,086	15,344,341	816,909	1,278,790	15,759,995	16,623,131	(863,136)	-5.19%
Deferred inflows	881,379	410,561	87,170	61,348	968,549	471,909	496,640	105.24%
Net Position:								
Invested in capital assets, net of related debt	9,362,272	7,915,671	822,117	850,291	10,184,389	8,765,962	1,418,427	16.18%
Restricted	425,930	809,254			425,930	809,254	(383,324)	-47.37%
Unrestricted	(7,559,577)	(7,220,422)	(426,368)	(684,573)	(7,985,945)	(7,904,995)	(80,950)	1.02%
Total Net Position	\$ 2,228,625	1,504,503	395,749	165,718	2,624,374	1,670,221	954,153	57.13%

The City's total assets increased \$1,079,615 during 2017 with governmental activities showing an increase of \$1,165,183 and business-type activities showing a decrease of \$85,568.

The City's total liabilities decreased \$863,136. The increase (decrease) in liabilities are (\$401,255) in governmental activities and (\$461,881) in business-type activities with a net decrease of \$5,892 in other liabilities.

The City's net position increased \$954,153 from 2017, which includes a prior period adjustment of \$495,691.

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (7,985,945)
Less: unrestricted deficit in net position resulting from recognition of GASB 68 & 71	9,722,671
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 1,736,726</u>

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**YAZOO CITY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

(Table 2)
Statement of Activities

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2017	2016	2017	2016	2017	2016		
Program Revenues:								
Charges for services	\$ 254,095	510,108	1,071,683	1,083,664	1,325,778	1,593,772	(267,994)	-16.82%
Grants and contributions	589,084	3,056,550			589,084	3,056,550	(2,467,466)	-80.73%
General Revenues:								
Property taxes	3,706,694	3,691,385			3,706,694	3,691,385	15,309	0.41%
Sales and tourism taxes	1,851,286	1,729,534			1,851,286	1,729,534	121,752	7.04%
Other taxes and other	774,722	1,020,760	585	290	775,307	1,021,050	(245,743)	-24.07%
Total Revenues	7,175,881	10,008,337	1,072,268	1,083,954	8,248,149	11,092,291	(2,844,142)	-25.64%
Program Expenses:								
General government	\$ 1,301,512	1,627,835			1,301,512	1,627,835	(326,323)	-20.05%
Public safety	2,916,787	3,196,555			2,916,787	3,196,555	(279,768)	-8.75%
Highways and streets	848,966	1,316,246			848,966	1,316,246	(467,280)	-35.50%
Culture and recreation	78,387	72,575			78,387	72,575	5,812	8.01%
Economic development	22,292	42,916			22,292	42,916	(20,624)	-48.06%
Cemetery	123,782	157,257			123,782	157,257	(33,475)	-21.29%
Interest on long-term debt	173,712	193,915	1,851	3,702	175,563	197,617	(22,054)	-11.16%
Pension expense	1,186,138	1,082,846	96,568	140,629	1,282,706	1,223,475	59,231	4.84%
Solid Waste			1,039,692	1,396,217	1,039,692	1,396,217	(356,525)	-25.54%
Total Expenses	6,651,576	7,690,145	1,138,111	1,540,548	7,789,687	9,230,693	(1,441,006)	-15.61%
Increase (Decrease) in Net Position	\$ 524,305	2,318,192	(65,843)	(456,594)	458,462	1,861,598	(1,403,136)	-75.37%

The City's governmental activities continue to be funded primarily by property taxes, which made up 51.65% of the total revenues. The other major revenue sources were grants and contributions 8.21%, sales and tourism taxes 25.80%, and other taxes and other revenue 10.80%. The major expense activities were public safety, general government, highways and streets, and pension expense, which comprise 43.85%, 19.57%, 12.76%, and 17.83% of total expenses, respectively. The City remains committed to providing the services its residents expect and need.

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

FUND FINANCIAL ANALYSIS

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

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

As of the year ended, the City's governmental funds reported a combined fund balance of \$1,979,366 which is an increase of \$41,046 over last year's total of \$1,938,320.

YAZOO CITY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017

Governmental funds meeting the requirements for being reported as major funds include the General Fund and Debt & Debt Service Fund. The remaining governmental funds were combined and reported as non-major governmental funds. The general and debt & debt service funds reflected a net change in fund balance of \$496,853, and (\$226,858), respectively. The 2017 year had a combined net change in fund balance of \$41,046.

Major Fund Budgeting Highlights

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

During the course of 2017, the City amended its general fund budget. All recommendations for budget changes come from the Chief Administrative Officer and are presented to the Mayor and City Aldermen, as a whole, for ordinance enactment on the change. The City does not allow budget changes that modify line items within departments without aldermen approval. With the general fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had \$15,362,493 invested in a broad range of capital assets, including police, fire and solid waste equipment, and highways and streets. (See Table 3 following.) This amount represents a net increase (including additions, deletions, and adjustments) of approximately \$1,002,887 or 6.98% over the prior year. The following table is a summary of changes in capital assets, net of accumulated depreciation.

(Table 3)
CAPITAL ASSETS AT YEAR-END

	Government Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2017	2016	2017	2016	2017	2016		
Land	\$ 281,766	281,766	641,431	641,431	923,197	923,197	-	0.000%
Construction in progress	7,450,073	6,765,041			7,450,073	6,765,041	685,032	10.126%
Infrastructure	3,205,898	2,747,347			3,205,898	2,747,347	458,551	16.691%
Buildings & improvements	1,989,587	2,069,333			1,989,587	2,069,333	(79,746)	-3.854%
Mobile and machinery equipment	684,731	757,943	136,650	77,188	821,381	835,131	(13,750)	-1.646%
Furniture & equipment	199,843	221,262	6,429	8,743	206,272	230,005	(23,733)	-10.318%
Leased property under capital lease	674,788	560,503	91,297	229,049	766,085	789,552	(23,467)	-2.972%
Totals	\$14,486,686	13,403,195	875,807	956,411	15,362,493	14,359,606	1,002,887	6.98%

Yazoo City continues to provide for the growth and stability of its citizenry through various acquisitions of equipment and construction and rehabilitation projects.

**YAZOO CITY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

Long-term Debt

At year-end, the City had \$5,405,020 in long term debt outstanding compared to \$5,831,118 last year, a decrease of \$426,098. Of the total debt outstanding \$4,450,000 is backed by the full faith and credit of the City with debt service funded by voter-approved property taxes. The other components are capital leases in the amount of \$728,104 and compensated absences in the amount of \$226,916.

The following table illustrates the total Long-term Debt of Yazoo City as of September 30, 2017:

(Table 4)
LONG-TERM DEBT
Outstanding at Year-end

	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)	Percentage Change
	2017	2016	2017	2016	2017	2016		
General obligation bonds	\$ 4,450,000	4,880,000			4,450,000	4,880,000	(430,000)	-8.81%
Other loans	-	32,875			-	32,875	(32,875)	-100.00%
Capital leases	674,414	574,649	53,690	106,120	728,104	680,769	47,335	6.95%
Compensated absences	212,273	205,742	14,643	31,732	226,916	237,474	(10,558)	-4.45%
Totals	\$ 5,336,687	5,693,266	68,333	137,852	5,405,020	5,831,118	(426,098)	-7.31%

More detailed information about the City's long-term debt is presented in Notes (7) and (9) of the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when compiling and approving the fiscal year 2016 budget, such as tax rates for governmental activities and fees that will be charged for the business-type activities. The total property tax millage rate of 75.32 mills is expected to provide adequate funding in the following year.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional information, address requests to the City Clerk, at 128 East Jefferson Street, Yazoo City, MS 39194.

YAZOO CITY, MISSISSIPPI

FINANCIAL STATEMENTS

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**YAZOO CITY, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Public Service Commission
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,051,666	306,883	2,358,549	3,557,394
Investments				
Accrued interest receivable				284
Accounts receivable, net of allowance for doubtful accounts of \$103,598				1,559,857
Fines receivable, net of allowance for doubtful accounts of \$1,751,454.	164,695		164,695	
Intergovernmental receivable	16,827		16,827	
Inventories and prepaid items				879,079
Restricted assets-cash and cash equivalents	37,081		37,081	4,533,945
Capital assets, net				
Land and construction in progress	7,731,839	641,431	8,373,270	
Other capital assets, net	6,754,847	234,376	6,989,223	23,587,370
Total Assets	16,756,955	1,182,690	17,939,645	34,117,929
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows related to pensions	1,296,135	117,138	1,413,273	289,065
Total Deferred Outflows of Resources	1,296,135	117,138	1,413,273	289,065
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	81,044	419	81,463	1,051,338
Liabilities payable from restricted assets				989,299
Accrued interest payable	60,849	104	60,953	
Unredeemed bond payable	45,164		45,164	
Long-term liabilities:				
Net pension liability	9,419,342	748,053	10,167,395	7,889,437
Due within one year:				
Capital related debt	380,260	53,690	433,950	87,820
Non-capital related debt				4,000
Due in more than one year:				
Capital related debt	4,744,154		4,744,154	250,538
Non-capital related debt	212,273	14,643	226,916	191,585
Total Liabilities	14,943,086	816,909	15,759,995	10,464,017
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows related to pensions	881,379	87,170	968,549	172,524
Total Deferred Inflows of Resources	881,379	87,170	968,549	172,524
<u>NET POSITION</u>				
Invested in capital assets, net of related debt	9,362,272	822,117	10,184,389	23,249,012
Restricted:				
Expendable:				
Public safety	172,149		172,149	
Public works	7,329		7,329	4,533,945
Highways and streets	37,081		37,081	
Economic development and assistance	4,533		4,533	
Debt service	204,838		204,838	
Unrestricted	(7,559,577)	(426,368)	(7,985,945)	(4,012,504)
Total Net Position	\$ 2,228,625	395,749	2,624,374	23,770,453

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

**YAZOO CITY, MISSISSIPPI
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2017**

	Program Revenues			Net (Expense) Revenue and Change in Net Position			Component Unit Public Service Commission
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
FUNCTIONS/PROGRAMS							
Governmental activities:							
General government	\$ 1,301,512	254,095		284,320	(763,097)	(763,097)	
Public safety	2,916,787		63,846		(2,852,941)	(2,852,941)	
Highways and streets	848,966		104,731	87,237	(656,998)	(656,998)	
Culture and recreation	78,387				(78,387)	(78,387)	
Economic development	22,292			48,950	26,658	26,658	
Cemetery	123,782				(123,782)	(123,782)	
Interest on long-term debt	173,712				(173,712)	(173,712)	
Pension expense	1,186,138				(1,186,138)	(1,186,138)	
Total governmental activities	6,651,576	254,095	168,577	420,507	(5,808,397)	(5,808,397)	
Business-type activities:							
Solid Waste	1,075,909	1,071,683				(4,226)	
Total business-type activities	1,075,909	1,071,683				(4,226)	
Total primary government	7,727,485	1,325,778	168,577	420,507	(5,808,397)	(4,226)	(5,812,623)
Component unit:							
Public Service Commission	13,395,238	14,658,769					
Total Component Unit	\$ 13,395,238	14,658,769					1,263,531
General revenues:							
Property taxes					3,706,694	3,706,694	
Sales and tourism tax					1,851,286	1,851,286	
Franchise taxes					129,369	129,369	
Rental income					57,422	57,422	
PSC - Revenue sharing					350,000	350,000	
Unrestricted interest income					5,244	5,829	16,879
Grants and contributions not restricted to specific programs					8,604	8,604	
Cemetery					54,142	54,142	
Other taxes and other income					362,583	362,583	
Interest and other miscellaneous expenses						(1,851)	(21,658)
Transfers					(192,642)	(60,351)	(392,519)
Pension expense							(968,304)
Total general revenues and transfers					6,332,702	(61,617)	6,271,085
Change in net position					524,305	(65,843)	458,462
Net Position - beginning, as originally reported					1,504,503	165,718	1,670,221
Prior period adjustment					199,817	295,874	495,691
Net Position - beginning, as restated					1,704,320	461,592	2,165,912
Net position, ending					\$ 2,228,625	395,749	2,624,374

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

**YAZOO CITY, MISSISSIPPI
BALANCE SHEET- GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	<u>General Funds</u>	<u>Debt & Debt Service Funds</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,604,690	310,851	173,206	2,088,747
Fines receivable (net of allowance for uncollectibles of (\$1,751,454))	164,695			164,695
Intergovernmental receivables			16,827	16,827
Total Assets	<u>1,769,385</u>	<u>310,851</u>	<u>190,033</u>	<u>2,270,269</u>
<u>LIABILITIES</u>				
Claims payable	44,963		36,081	81,044
Unredeemed bond payable		45,164		45,164
Total Liabilities	<u>44,963</u>	<u>45,164</u>	<u>36,081</u>	<u>126,208</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Unavailable revenue - fines	164,695			164,695
Total deferred inflows of resources	<u>164,695</u>	<u>-</u>	<u>-</u>	<u>164,695</u>
<u>FUND BALANCES</u>				
Restricted for:				
Public safety			172,149	172,149
Public works			7,329	7,329
Highways and streets			37,081	37,081
Economic development and assistance			4,533	4,533
Debt service		265,687		265,687
Unassigned	1,559,727		(67,140)	1,492,587
Total Fund Balances	<u>1,559,727</u>	<u>265,687</u>	<u>153,952</u>	<u>1,979,366</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,769,385</u>	<u>310,851</u>	<u>190,033</u>	<u>2,270,269</u>

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

**YAZOO CITY, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

Total Fund Balance - Governmental Funds	\$ 1,979,366
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds, net of accumulated depreciation of \$10,355,129.	14,486,686
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	164,695
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund financial statements.	
Capital debt	(5,124,414)
Compensated absences	(212,273)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(60,849)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund financial statements.	(9,419,342)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental fund financial statements:	
Deferred outflows of resources related to pensions	1,296,135
Deferred inflows of resources related to pensions	(881,379)
Total Net Position - Governmental Activities	<u>\$ 2,228,625</u>

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

YAZOO CITY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Funds	Debt & Debt Service Funds	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 3,212,103	494,591		3,706,694
Licenses and permits	35,805			35,805
Intergovernmental:				
Federal grants	48,950		420,998	469,948
State of Mississippi:				
Grants			55,291	55,291
General sales tax	1,851,286			1,851,286
Grand gulf	11,650			11,650
Liquor Licenses	8,325			8,325
Municipal aid	12,877			12,877
Privilege tax	28,920			28,920
Gasoline tax	9,901			9,901
Homestead reimbursement	153,912			153,912
Fire protection			63,846	63,846
Other state revenue	36,328			36,328
Franchise tax	129,369			129,369
Fines and forfeitures	179,669			179,669
Interest income	3,813	911	520	5,244
Rental income	57,422			57,422
Cemetery	54,142			54,142
Contributions	8,377		227	8,604
Other income	50,768	2,150	21,834	74,752
Total revenues:	<u>5,893,617</u>	<u>497,652</u>	<u>562,716</u>	<u>6,953,985</u>
EXPENDITURES:				
Current:				
General government	1,305,853	1,963	693,010	2,000,826
Public safety	3,263,612		29,191	3,292,803
Highways and streets	898,976		191,211	1,090,187
Culture and recreation	48,269			48,269
Economic development	4,417			4,417
Cemetery	151,381			151,381
Debt service:				
Principal paid	68,471	430,000	55,148	553,619
Interest paid	3,052	172,719	3,284	179,055
Total expenditures:	<u>5,744,031</u>	<u>604,682</u>	<u>971,844</u>	<u>7,320,557</u>
Excess (deficiency) of revenues over (under) expenditures	<u>149,586</u>	<u>(107,030)</u>	<u>(409,128)</u>	<u>(366,572)</u>
OTHER FINANCING SOURCES (USES):				
PSC - Revenue sharing	350,000			350,000
Long-term capital debt issued	190,779			190,779
Proceeds from sale of capital assets	59,481			59,481
Transfers In			180,179	180,179
Transfers Out	(252,993)	(119,828)		(372,821)
Net other financing sources (uses)	<u>347,267</u>	<u>(119,828)</u>	<u>180,179</u>	<u>407,618</u>
Net change in fund balances	<u>496,853</u>	<u>(226,858)</u>	<u>(228,949)</u>	<u>41,046</u>
Fund Balance, beginning	<u>1,062,874</u>	<u>492,545</u>	<u>382,901</u>	<u>1,938,320</u>
Fund Balance, ending	<u>\$ 1,559,727</u>	<u>265,687</u>	<u>153,952</u>	<u>1,979,366</u>

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

YAZOO CITY, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2017

Net Changes in Fund Balances - Governmental Funds \$ 41,046

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$968,764 exceeded depreciation expense of \$347,130. 621,634

The proceeds of long-term debt provides financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$553,619 exceeds debt proceeds of \$190,779. 362,840

Fine revenue recognized on the modified accrual basis in the funds during the current year decreased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. 38,621

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$25,917 and the proceeds from the sale of \$59,481 in the current period. (33,564)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the balance by a combination of the following items:

Change in accrued interest on long-term debt	5,343
Change in compensated absences	(6,531)

Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(1,186,138)
Recording of contributions made prior and subsequent to the measurement date	681,054

Change in Net Position of Governmental Activities \$ 524,305

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

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**YAZOO CITY, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2017**

	Business-Type Activities
	Enterprise Fund Solid Waste Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 306,883
Due from other funds	
Total Current Assets	306,883
Non-current assets:	
Land	641,431
Mobile Equipment	759,005
Furniture & Equipment	18,000
Leased equipment	255,634
Accumulated depreciation	(798,263)
Total Non-Current Assets	875,807
Total Assets	1,182,690
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to pensions	117,138
Total Deferred Outflows of Resources	117,138
<u>LIABILITIES</u>	
Current liabilities:	
Claims payable	419
Accrued interest payable	104
Capital debt:	
Capital leases payable	53,690
Total Current Liabilities	54,213
Non-current liabilities:	
Net pension liability	748,053
Non-Capital debt:	
Compensated absences	14,643
Total Non-Current Liabilities	762,696
Total Liabilities	816,909
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows related to pensions	87,170
Total Deferred Inflows of Resources	87,170
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	822,117
Unrestricted	(426,368)
Total Net Position	\$ 395,749

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

YAZOO CITY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2017

	Business-Type Activities Enterprise Fund Solid Waste Fund
<u>OPERATING REVENUES:</u>	
Charges for services:	
Garbage collection fees	\$ 1,071,683
Total Operating Revenues	1,071,683
<u>OPERATING EXPENSES:</u>	
Personal services	389,536
Contractual services	456,219
Consumable supplies	52,982
Depreciation expense	80,604
Pension expense	96,568
Total Operating Expenses	1,075,909
Operating Income (Loss)	(4,226)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	585
Interest expenses	(1,851)
Transfers out	(60,351)
Total Non-operating Revenues (Expenses)	(61,617)
Net Income (Loss)	(65,843)
Net Position, beginning, as previously reported	165,718
Prior period adjustment	295,874
Net Position, beginning, as restated	461,592
Total Net Position, Ending	\$ 395,749

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

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**YAZOO CITY, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
SEPTEMBER 30, 2017**

	Business-Type Activities
	Enterprise Fund Solid Waste Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from customers and users	\$ 1,071,683
Payments to suppliers for goods and services	(511,671)
Payments to employees for services	(450,826)
Net Cash Provided (Used) by Operating Activities	109,186
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Principal payments on long-term debt	(52,430)
Interest paid on bonds, loans and capital leases	(1,954)
Net Cash Provided (Used) by Capital and Related Financing Activities	(54,384)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Interest on deposits	585
Net Cash Provided (Used) by Investing Activities	585
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers out	(60,351)
Net Cash Provided (Used) by Investing Activities	(60,351)
Net Increase (Decrease) in Cash and Cash Equivalents	(4,964)
Cash and Cash Equivalents, October 1	311,847
Cash and Cash Equivalents, September 30	\$ 306,883
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating income (loss)	\$ (4,226)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	80,604
(Increase) decrease in deferred outflows of resources	120,460
Increase (decrease) in accounts payable and accrued expenses	(2,471)
Increase (decrease) in compensated absences payable	(17,089)
Increase (decrease) in net pension liability	(93,914)
Increase (decrease) in deferred inflows of resources	25,822
Total adjustments	113,412
Net Cash Provided (Used) by Operating Activities	\$ 109,186

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

YAZOO CITY, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
SEPTEMBER 30, 2017

	<u>Cemetery</u>	<u>Crump School</u>	<u>Agency</u>
	<u>Trust Fund</u>	<u>Trust Fund</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 128,198	\$ 24,123	\$ 36,008
Investments	220,846	2,221,713	
Accrued interest receivable		9,893	
Total Assets	<u>349,044</u>	<u>2,255,729</u>	<u>36,008</u>
LIABILITIES			
Intergovernmental payables		9,863	36,008
Total Liabilities	<u>-</u>	<u>9,863</u>	<u>\$ 36,008</u>
NET POSITION			
Held in trust for:			
Individuals, organizations and other governments	<u>\$ 349,044</u>	<u>\$ 2,245,866</u>	

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

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Yazoo City (City), located in Yazoo County, Mississippi, was incorporated under the laws of the State of Mississippi in 1839. The City operates under an elected Mayor-Aldermen form of government with a full-time mayor elected from the City at-large and four part-time aldermen members (City Aldermen) elected from wards. The City provides the following services to the citizenry: general administration, police and fire protection, public works, culture and recreation, health and welfare, economic and community development, and solid waste disposal. The primary sources of revenues are property taxes, sales taxes, other state shared revenues, and solid waste billings.

B. Individual Component Unit Disclosure

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the City (the primary government) and its component unit, an entity for which the City is considered to be financially accountable.

The Government Accounting Standards Board ("GASB") has set forth criteria to be considered in determining financial accountability. "Financial accountability" is the benchmark for determining which organizations are component units of a primary government. Financial accountability exists when an organization is fiscally dependent on a primary government or when a primary government has appointed a voting majority of the governing body of a legally separate organization and (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burdens on the primary government. GASB provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as discretely presented component units, organizations that raise and hold economic resources for the direct benefit of the primary government.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component unit discussed below is included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Unit

Public Service Commission of Yazoo City, Mississippi

The Public Service Commission's Board of Commissioners is appointed by the City's Board of Aldermen. The legal liability for the general obligation portion of PSC debt remains with the City. Complete financial statements may be obtained from the Public Service Commission.

C. Basis of Presentation

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

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

Government-wide Financial Statements:

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

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

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 constitutes its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column Non-Major Governmental Funds.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property tax revenues are recognized in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the City. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

The City reports the following major governmental funds:

General Fund- The general fund is the primary operating fund of the City. It is used to account for all activities of the general government for which a separate fund has not been established.

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

The City reports the following major proprietary fund:

Solid Waste Fund- This fund accounts for revenues and expenses related to disposal of solid waste within the City.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPES

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

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

FIDUCIARY FUND TYPES

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

Private-purpose Trust Funds - These funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

E. Account Classifications.

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

F. Deposits and Investments

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. The City deposits excess funds in financial institutions selected by the Aldermen. State statutes specify how these depositories are to be selected.

G. Receivables

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

H. Inter-fund Transactions and Balances

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

I. Restricted Assets

Proprietary Fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, aldermen resolutions and donor specifications have been reported as restricted assets. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

**YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

J. Capital Assets, Depreciation, and Amortization

Capital asset acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated, the methods of estimation are not readily available. The City generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. Donated capital assets are recorded at estimated fair market value at the time of donation. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. Interest cost incurred during the construction of Proprietary Fund capital assets is capitalized as part of the cost of construction. Donated capital assets are recorded at their fair value at the time of donation.

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

The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ No minimum	N/A
Infrastructure	No minimum	20-50 years
Building	50,000	20-40 years
Improvements other than buildings	25,000	20 years
Mobile equipment and machinery	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital lease	*	*

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

K. Deferred Outflows/Inflows of Resources

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

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 8 for additional details.

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

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 8 for additional details.

L. Pensions

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

M. Long-Term Liabilities

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of 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.

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

N. Equity Classifications

Government-wide Financial Statements:

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

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, notes, or other borrowings attributable to the acquisition, construction or improvement of those assets.

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YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

Unrestricted net position- All other net position not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

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

Fund Financial Statements:

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

Government fund balance is classified as restricted or unassigned. The following are descriptions of fund classifications used by the City:

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

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

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

O. Risk Management

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

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

P. Estimates and Assumptions

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

Q. Property Taxes

Numerous statutes exist under which the City may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The City, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All unpaid taxes levied October 1st become delinquent February 1st of the following year. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. The City entered an inter-local agreement with the Yazoo County Tax Collector for the billing and collection of its real and personal property taxes, motor vehicle, and mobile home. Taxes are billed, collected, and remitted to the City by the Yazoo County Tax Collector each month. The millage rate for the City for the 2016 tax year was 75.32 mills as: 57.13 mills for the general fund, 10.58 mills for the debt service fund, 1.29 mills for library maintenance, 2.75 mills for park maintenance, and 3.57 mills for fire and police disability fund.

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

R. Intergovernmental Revenues in Governmental Funds

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

S. Compensated Absences

Effective October 1, 2012, Yazoo City adopted a new ordinance pertaining to the two types of compensated absences (1) personal leave and (2) medical or sick leave. The following tables present the method of accruing personal leave and medical or sick leave:

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

Personal Leave Benefits

<u>Continuous Service Period</u>	<u>Accrual Rate Monthly</u>	<u>Accrual Rate Annually</u>
1 month – 3 years (36 months)	12 hours	18 days
37 months – 8 years (96 months)	14 hours	21 days
97 months – 15 years (180 months)	16 hours	24 days
181 months & beyond	18 hours	27 days

Medical or Sick Leave Benefits

<u>Continuous Service Period</u>	<u>Accrual Rate Monthly</u>	<u>Accrual Rate Annually</u>
1 month – 3 years (36 months)	8 hours	12.00 days
37 months – 8 years (96 months)	7 hours	10.50 days
97 months – 15 years (180 months)	6 hours	9.00 days
181 months & beyond	5 hours	7.50 days

T. Changes in Accounting Standards

The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues – and amendment of GASB Statements No. 67, No. 68, and No. 73*. The provisions of these standards have been incorporated into the financial statements and notes; however, no disclosure for Statement No. 77 is required for the current fiscal year.

NOTE 2 – BUDGET POLICY

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

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

Mississippi laws require that municipalities budget revenue and expenditures on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the statement of revenues, expenditures, and fund balance be prepared according to the modified-accrual basis (GAAP). The major reconciling items between the budgetary and GAAP presentations are presented on the "budget to actual" statements.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

A summary of significant equity adjustments is as follows:

<u>Statement of Activities.</u>	
<u>Explanation</u>	<u>Amount</u>
Governmental Activities	
To correct prior year error in long-term debt.	\$ 270
To adjust prior year capita assets.	495,421
To adjust net pension liability and related deferred outflows and inflows.	(295,874)
Total prior period adjustments - governmental activities	<u>199,817</u>
Business-type Activities	
To adjust net pension liability and related deferred outflows and inflows.	295,874
Total prior period adjustments - business-type activities	<u>295,874</u>
Total prior period adjustments governmental and business-type activities	<u><u>\$ 495,691</u></u>
<u>Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.</u>	
<u>Explanation</u>	<u>Amount</u>
To adjust net pension liability and related deferred outflows and inflows.	\$ 295,874
Total prior period adjustments	<u><u>\$ 295,874</u></u>

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The carrying amount of the City's total deposits with financial institutions at September 30, 2017 was \$2,583,959, and the bank balance was \$3,523,318. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace deposits not covered by the Federal Depository Insurance Corporation (FDIC).

Custodial Credit Risk- Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

Investments

The City's investments consisted of the following at September 30, 2017:

Cemetery Trust Fund Investments

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of deposit – Bank Plus	Less than one year	\$ 107,505
Certificate of deposit – Bank of Yazoo City	Less than one year	113,341
Total		<u>\$ 220,846</u>

Crump School Fund Investments

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
United States Treasury Notes	Various	\$ <u>2,221,713</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. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk: State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, 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 the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

NOTE 5 – INTER-FUND TRANSACTIONS AND BALANCES

Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	Debt & Debt Service Funds	\$ 119,828
Other Governmental Funds	Enterprise Fund	60,351
Agency Funds	General Fund	252,993
Total		<u>\$ 433,172</u>

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YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2017, was as follows:

GOVERNMENTAL ACTIVITIES	Balance				Balance
	Oct. 1, 2016	Additions	Deletions	Adjustments	Sept. 30, 2017
YAZOO CITY					
Non-depreciable capital assets:					
Land	\$ 281,766				281,766
Construction in progress	6,765,041	705,903		(20,871)	7,450,073
Total non-depreciable capital assets	<u>7,046,807</u>	<u>705,903</u>	<u>-</u>	<u>(20,871)</u>	<u>7,731,839</u>
Depreciable capital assets:					
Infrastructure	8,248,132			516,292	8,764,424
Buildings & Improvements	3,563,213				3,563,213
Mobile and machinery equipment	3,100,452	49,383	334,444		2,815,391
Furniture & equipment	1,055,208	22,699	12,000		1,065,907
Leased property under capital lease	710,262	190,779			901,041
Total depreciable capital assets	<u>16,677,267</u>	<u>262,861</u>	<u>346,444</u>	<u>516,292</u>	<u>17,109,976</u>
Less accumulated depreciation for:					
Infrastructure	5,500,785	57,741			5,558,526
Buildings & Improvements	1,493,880	79,746			1,573,626
Mobile and machinery equipment	2,342,509	89,151	301,000		2,130,660
Furniture & equipment	833,946	43,998	11,880		866,064
Leased property under capital lease	149,759	76,494			226,253
Total accumulated depreciation	<u>10,320,879</u>	<u>347,130</u>	<u>312,880</u>	<u>-</u>	<u>10,355,129</u>
Depreciable capital assets, net	<u>6,356,388</u>	<u>(84,269)</u>	<u>33,564</u>	<u>516,292</u>	<u>6,754,847</u>
Governmental activities capital assets, net	<u>\$ 13,403,195</u>	<u>621,634</u>	<u>33,564</u>	<u>495,421</u>	<u>14,486,686</u>
BUSINESS-TYPE ACTIVITIES					
YAZOO CITY					
Non-depreciable capital assets:					
Land	\$ 641,431				641,431
Total non-depreciable capital assets	<u>641,431</u>				<u>641,431</u>
Depreciable capital assets:					
Mobile equipment	465,327			293,678	759,005
Furniture & equipment	18,000				18,000
Leased property under capital lease	549,312			(293,678)	255,634
Total depreciable capital assets	<u>1,032,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,032,639</u>
Less accumulated depreciation for:					
Mobile equipment	388,139	45,423		188,793	622,355
Furniture & equipment	9,257	2,314			11,571
Leased property under capital lease	320,263	32,867		(188,793)	164,337
Total accumulated depreciation	<u>717,659</u>	<u>80,604</u>	<u>-</u>	<u>-</u>	<u>798,263</u>
Depreciable capital assets, net	<u>314,980</u>	<u>(80,604)</u>	<u>-</u>	<u>-</u>	<u>234,376</u>
Business-Type activities capital assets, net	<u>\$ 956,411</u>	<u>(80,604)</u>	<u>-</u>	<u>-</u>	<u>875,807</u>

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

Depreciation expense was charged to the governmental functions as follows:

GOVERNMENTAL ACTIVITIES

General government	\$ 13,944
Public safety	163,098
Streets	113,029
Culture & recreation	30,118
Cemetery	9,066
Economic development	17,875
Total governmental activities depreciation expense	<u>\$ 347,130</u>

BUSINESS-TYPE ACTIVITIES

Solid Waste	<u>\$ 80,604</u>
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COMPONENT UNIT	Balance				Balance
	Oct. 1, 2016	Additions	Deletions	Adjustments	Sept. 30, 2017
PUBLIC SERVICE COMMISSION					
Capital assets:					
Electric utility plant in service	\$ 38,298,667	1,047,319	427,883		\$ 38,918,103
Water utility plant in service	11,024,475	409,531	160,077		11,273,929
Sewer utility plant in service	10,762,667	256,583	26,728		10,992,522
Total depreciable capital assets	<u>60,085,809</u>	<u>1,713,433</u>	<u>614,688</u>	<u>-</u>	<u>61,184,554</u>
Less accumulated depreciation for:					
Electric utility plant in service	23,905,094	1,130,169	106,103		24,929,160
Water utility plant in service	5,497,711	241,347	5,521		5,733,537
Sewer utility plant in service	6,606,749	327,738			6,934,487
Total accumulated depreciation	<u>36,009,554</u>	<u>1,699,254</u>	<u>111,624</u>	<u>-</u>	<u>37,597,184</u>
Capital assets, net	<u>\$ 24,076,255</u>	<u>14,179</u>	<u>503,064</u>	<u>-</u>	<u>\$ 23,587,370</u>

Commitments with respect to unfinished capital projects at September 30, 2017, consisted of the following:

GOVERNMENTAL ACTIVITIES – YAZOO CITY

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Willie Morris Parkway	\$ 222,909	January 2018
City Hall Renovation	124,236	June 2018
Garden House Renovation	3,498	December 2017

**YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 7 – CAPITAL LEASES

As Lessee:

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Mobile Equipment	\$ 901,041	\$ 255,634
Less: Accumulated depreciation	226,253	164,337
Leased Property Under Capital Leases	<u>\$ 674,788</u>	<u>\$ 91,297</u>

The following is a schedule by years of the total payments due as of September 30, 2017:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 145,260	\$ 16,818	\$ 53,690	\$ 692
2019	102,386	13,910		
2020	82,657	11,676		
2021	46,899	10,090		
2022	25,874	9,044		
2023-2027	141,671	32,921		
2028-2032	129,667	10,012		
Total	<u>\$ 674,414</u>	<u>\$ 104,471</u>	<u>\$ 53,690</u>	<u>\$ 692</u>

	<u>Component Activities</u>	
	<u>Total</u>	<u>Interest</u>
2018	\$ 87,820	\$ 17,065
2019	92,959	11,926
2020	98,398	6,487
2021	60,036	1,146
Total	<u>\$ 339,213</u>	<u>\$ 36,624</u>

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MAR 18 2019

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan – Public Employees Retirement System

General Information about the Pension Plan

Plan Description. Yazoo City, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 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 the 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 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. At September 30, 2017 PERS members were required to contribute 9% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate at September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016, and 2015 were \$491,121, \$505,383, and \$512,627, respectively, equal to the required contributions for each year.

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

At September 30, 2017 the City reported a liability of \$8,311,699 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participation entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2017 net pension liability was 0.050 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.001 percent from its proportion share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the City recognized pension expense of \$1,072,983. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 118,913	60,648
Net difference between projected and actual earnings on pension plan investments	753,889	642,207
Changes of assumptions	191,788	13,881
Changes in the proportion and differences between actual contributions and proportionate share of contributions	125,621	251,813
Contributions subsequent to the measurement date	111,316	
Total	<u>\$ 1,301,527</u>	<u>968,549</u>

\$111,316 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 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:

<u>Year ending September 30:</u>	<u>Amount</u>
2018	\$ 241,063
2019	118,087
2020	23,066
2021	(160,554)
Total	<u>\$ 221,662</u>

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases, including inflation	3.75 - 18.50 percent
Investment rate of return, net of pension plan investment expense, including inflation	7.75 percent

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

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YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.50
Cash	1.00	-
	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (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 to the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Proportionate share of the net pension liability	\$ 10,901,346	8,311,699	6,161,726

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

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

YAZOO CITY COMPONENT UNIT

Public Service Commission of Yazoo City

Plan Description. The Public Service Commission of Yazoo City (Commission) contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan.

Contributions. The Commission's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016 and 2015 were \$486,171, \$465,210, and \$452,196, respectively, equal to 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, 2017 the Commission reported a liability of \$7,889,437 for its proportionate share of the net pension liability. At June 30, 2017, the Commission's proportion was 0.047520 percent.

For the year ended September 30, 2017, the Commission recognized pension expense of \$968,304. At September 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 175,575	57,640
Net difference between projected and actual earnings on pension plan investments	113,490	
Changes of assumptions		13,461
Changes in the proportion and differences between actual contributions and proportionate share of contributions		101,423
Total	\$ 289,065	172,524

\$reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017.

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

	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Proportionate share of the net pension liability	\$ 10,369,192	7,889,560	5,856,104

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

Agent Multiple-Employer Defined Benefit Pension Plan - Mississippi Municipal Retirement Systems

General information about the Plan

Plan Description. The City also participates in the Mississippi Municipal Retirement Systems ("MMRS") City of Yazoo City Fire and Police Plan which has been closed to new participants since July 1, 1976. MMRS is an agent multiple-employer defined benefit plan administered by PERS. MMRS was designed to provide retirement benefits for firefighters and police officers. The City is one of seventeen cities providing retirement benefits to firefighters and police officers. Plan provisions are established by Miss. Code Ann. §21-29-1 et seq. (1972, as amended) and annual local and private legislation. Statutes may be amended only by the Mississippi Legislature. PERS issues a publicly available report entitled the Report on the Annual Valuation of the Mississippi Municipal Retirement Systems. 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 the MMRS is comprised of employees who were hired prior to July 1, 1976, and includes only those eligible employees of the City who did not opt to become a member of PERS. MMRS provides retirement, disability, and death benefits to plan members and their beneficiaries.

A retirement allowance is payable to any member who retires and has completed at least 20 years of creditable service, regardless of age. Any firefighter or police officer who has attained age 65 shall be retired forthwith. The annual retirement allowance payable to a retired member is equal to (1) 50.0 percent of average compensation, plus (2) 1.7 percent of average compensation for each year of credited service over 20. The aggregate amount of (1) and (2) shall not exceed 66.6 percent of average compensation, regardless of service.

A disability retirement allowance is payable to any member who is not eligible for a service retirement benefit, but who becomes totally and permanently disabled regardless of creditable service, if the disability is due to causes in the performance of duty. If the disability is not due to causes in the performance of duty, the member must have completed at least five years of creditable service to be eligible for disability retirement. The annual disability retirement allowance payable is equal to 50.0 percent of the member's salary at the time of retirement, if the disability is due to causes in the performance of duty. If the disability is not due to causes in the performance of duty, the allowance is equal to 2.5 percent times credited service, not in excess of 20 years, times the member's salary at the time of retirement for firefighters and police officers.

A death benefit is payable upon the death of a member under the following conditions: (a) the member has retired; (b) the member is eligible to retire; (c) the death is in the line of duty; or (d) the death is not in the line of duty, but occurs after the member has five years of credited service. The death benefit is payable to the surviving spouse and to children under age 18, to dependent children through age 23 when full-time students, and to dependent children of any age if handicapped. The annual benefit payable, under all conditions in the case of firefighters and police officers is equal to 2.5 percent of average compensation for each year of credited service up to 20 and 1.7 percent of average compensation for each year over 20, with a maximum benefit of 66.67 percent of average compensation.

Upon a member's termination of employment for any reason before retirement, the member's accumulated contributions are refunded. Upon the death of a member who is not eligible for any other death benefit, the member's accumulated contributions are paid to the member's beneficiary.

**YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

The minimum monthly allowance paid to members for all retirement and death benefits is \$600.

The allowances of certain retired members are adjusted annually by a Cost-of-Living Adjustment ("COLA") on the basis of the annual percentage change in each fiscal year of the Consumer Price Index. All retirees and beneficiaries who were receiving a retirement allowance as of June 30, 1999, were granted a 3.9 percent ad-hoc benefit increase.

At June 30, 2016 (measurement date), the following employees were covered by the plan:

Inactive Members or Their Beneficiaries Currently Receiving Benefits	14
--	----

Contributions. Funding policies for MMRS are established by Mississippi statutes. Employer contributions are paid through an annual millage rate on the assessed property values of the City. For the year ended September 30, 2017, the City levied 3.57 mills to help fund MMRS. These millage rates are determined through review of the plan benefit structure during the MMRS annual actuarial valuation and certification by the actuary as to the funding level required of the City. The City's contributions to the Yazoo City Fire and Police Plan for the fiscal year ended September 30, 2017, was \$234,134.

Net Pension Liability. The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the plans was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liabilities in the June 30, 2017, actuarial valuations were determined using the following actuarial information and assumptions:

<u>Description</u>	<u>Assumptions</u>
Valuation date	June 30, 2017
Actuarial cost method	Ultimate Asset Reserve
Amortization method	N/A
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases#	4.00% - 5.50%
Inflation	3.00%

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were adopted by the PERS Board of Trustees when the Experience Investigation for the Four-Year Period Ending June 30, 2015, was adopted on April 18, 2017. Further details can be found on the PERS website.

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current employer contribution rate (3.57 mills). 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.

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

Changes in Net Pension Liability. Changes in the City's net pension liability for the year ended September 30, 2017 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 2,248,372	402,454	1,845,918
Changes for the year:			
Service Cost	-	-	-
Interest	165,195		165,195
Changes of assumptions	6,890		6,890
Difference between expected and actual experience	58,479		58,479
Contributions - employer		171,575	(171,575)
Contributions - employee		-	-
Net Investment income		50,690	(50,690)
Benefit payments, including refunds of employee contributions	(233,660)	(233,660)	-
Administrative expense		(3,432)	3,432
Other changes		1,953	(1,953)
Net Changes	<u>(3,096)</u>	<u>(12,874)</u>	<u>9,778</u>
Balances at June 30, 2017	<u>\$ 2,245,276</u>	<u>389,580</u>	<u>1,855,696</u>

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

	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Proportionate share of the net pension liability	\$ 2,028,254	1,855,696	1,704,492

Pension Plan Fiduciary Net Position. Detailed information about the pension plans fiduciary net position is available in the separately issued PERS and MMRS financial reports.

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

For the year ended September 30, 2017, the plan recognized pension expense of \$209,723.

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

At September 30, 2017, the plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 10,303	
Contributions subsequent to the measurement date	101,443	
Total	<u>\$ 111,746</u>	<u>-</u>

The above deferred outflows of resources and deferred inflows of resources represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of 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:

<u>Year ending September 30:</u>	<u>Amount</u>
2018	\$ 6,331
2019	6,329
2020	2,050
2021	(4,407)
Total	<u>\$ 10,303</u>

Summary of Pension Plan Balances

The City's pension related balances presented on the Statement of Net Position as of September 30, 2017, by individual plan are as follows:

	<u>PERS</u>	<u>MMRS</u>	<u>Total</u>
Deferred outflows - pensions	\$ 1,301,527	111,746	1,413,273
Net pension liability	8,311,699	1,855,696	10,167,395
Deferred inflows - pensions	968,549	-	968,549
Pension expense	\$ 1,072,983	209,723	1,282,706

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 9 – LONG-TERM DEBT

The City's long-term debt is made up of general obligation bonds, notes payable, capital leases and compensated absences. General obligation bonds are direct obligations, and are backed by the full faith and credit of the City. The City also incurs debt in the form of various notes payable and capital leases which are to be repaid through daily operations.

The City is subject to a general statutory debt limitation under which no City in the State may incur general obligation bonded indebtedness in the amount which will exceed 15 percent of the assessed value of the taxable property within the City according to the last completed assessment for taxation.

In computing general obligation bonded indebtedness for purposes of such 15 percent limitation, there may be deducted all bonds or other evidences of indebtedness issued for school, water, and sewerage systems, gas and light and power purposes and for construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying a City's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case may a City contract any indebtedness payable in whole or in part from proceeds of ad valorem taxes which, when added to all of its outstanding general obligation indebtedness, both bonded and floating, exceeds 20 percent of the assessed value of the taxable property within such City.

In arriving at the limitations set forth, bonds issued for school purposes, bonds payable exclusively from the revenues of any municipally-owned utility, general obligation industrial bonds issued under provisions of Section 57-1-1 to 57-1-51, Mississippi Code of 1972, Annotated, revised 1989 and special assessment improvement bonds issued under the provisions of Sections 21-41-1 to 21-41-53, Mississippi Code of 1972, Annotated, revised 1990, are not included. Also excluded from both limitations are contract obligations subject to annual appropriations.

The margin for additional debt under the above debt limits as of September 30, 2017 is approximately:

15% Debt Limit

\$ 2,698,908

20% Debt Limit

\$ 5,081,877

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YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

Debt outstanding as of September 30, 2017, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
<u>A. General Obligation Bonds:</u>			
GO Bond-Public Improvement-Projects	\$ 2,020,000	3.75-5.13	12-2030
GO Bond-Capital Improvements-Series 2012	2,430,000	Avg 2.74	06-2032
Total General Obligation Bonds	<u>\$ 4,450,000</u>		
<u>B. Capital Leases:</u>			
Trucks/Police Cars/Dump Truck/Tractor	\$ 93,231	2.75	08-2018
E-One Pumper	393,284	2.04	12-2030
2018 Mack Dump Truck	103,770	1.91	08-2020
Tractor/Alamo Cutter/Ztrak Mower	84,129	2.38	09-2021
Total Capital Leases	<u>\$ 674,414</u>		
Business-Type Activities:			
<u>A. Capital Leases:</u>			
Garbage Trucks/Excavator/Bulldozer Lease	\$ 53,690	2.75	08-2018
Total Capital Leases	<u>\$ 53,690</u>		
Component Unit Activities:			
<u>A. Capital Leases:</u>			
Equipment - Trustmark Bank	\$ 338,358	5.702	09-2021
Total Capital Leases	<u>\$ 338,358</u>		

The annual debt service requirements of long-term debt of September 30, 2017 are as follows:

Year Ending September 30,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 235,000	\$ 151,658
2019	245,000	143,976
2020	255,000	135,749
2021	265,000	126,946
2022	270,000	117,655
2023-2027	1,520,000	441,236
2028-2032	1,660,000	149,688
Totals	<u>\$ 4,450,000</u>	<u>\$ 1,266,908</u>

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

	Balance				Balance	Amount due
	Oct. 1, 2016	Additions	Reductions	Adjustments	Sept. 30, 2017	within one year
Governmental Activities:						
Compensated absences	\$ 205,742	6,531			212,273	
General obligation bonds	4,880,000		430,000		4,450,000	235,000
Other Loans	32,875		32,875		-	
Capital leases	574,649	190,779	90,744	(270)	674,414	145,260
Total	5,693,266	197,310	553,619	(270)	5,336,687	380,260
Business-Type Activities:						
Compensated absences	31,732		17,089		14,643	
Capital leases	106,120		52,430		53,690	53,690
Total	137,852	-	69,519	-	68,333	53,690
Component Activities:						
Compensated absences	180,444	15,141			195,585	
Capital leases	362,180		23,822		338,358	87,820
Total	\$ 542,624	15,141	23,822	-	533,943	87,820

NOTE 10 – OTHER EMPLOYMENT BENEFITS

Plan Description

The aldermen administer the City's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The City's health insurance plan may be amended by the City aldermen. The City purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the City's health insurance plan (the Plan).

Funding Policy

Employees' premiums are funded by the City with additional funding provided by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The City aldermen, acting in conjunction with the commercial insurance company, has the sole authority for setting health insurance premiums for the City's health insurance plan.

NOTE 11 – CONTINGENCIES

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

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

YAZOO CITY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 12 – JOINTLY GOVERNED

Yazoo City is a participant with Yazoo County in a joint venture, authorized by Senate Bill 2954, Laws of 1979, to operate the Yazoo Recreation Commission. The joint venture was created to manage recreation facilities in both the city and county and is governed by a twelve-member board, with five members appointed by Yazoo City, five members appointed by the Yazoo county Board of Supervisors, one member by the Yazoo City Municipal School District, and one member appointed by the Yazoo County School District. The City levied a 2.75 mill property tax and remitted \$130,474 to the Commission in fiscal year 2017. Complete financial statements for the Yazoo Recreation Commission may be obtained by written request to the Commission at P.O. Box 9, Yazoo City, MS 39194.

NOTE 13 – FUND RECLASSIFICATION

The Capital Projects Fund beginning fund balance of \$178,908 was reclassified from a major fund to a Non-Major Governmental Fund. This reclassification was necessary because the Capital Projects Fund no longer met the requirements of a major fund.

NOTE 14 – SUBSEQUENT EVENTS

Events that occurred 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 Yazoo City evaluated the activity of the City through November 1, 2018 and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2017, Yazoo City issued the following debt obligations.

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>
11/27/2017	1.91%	\$ 94,995	Capital Lease
12/11/2017	2.416%	136,270	Capital Lease
5/28/2018	2.51%	56,872	Other Loan

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YAZOO CITY, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION

Yazoo City, Mississippi
Budgetary Comparison Schedule
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2017

	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Ad Valorem Taxes	\$ 2,668,325	3,212,103	3,212,103	-
Licenses, Permits & Franchise Fees	172,500	35,805	35,805	-
Grants & Intergovernmental	2,567,500	2,291,518	2,291,518	-
Fines and Forfeits	175,000	179,669	179,669	-
Rental	23,000	57,422	57,422	-
Other revenues	84,000	117,100	117,100	-
Total Revenues	5,690,325	5,893,617	5,893,617	-
EXPENDITURES:				
Supervision & Finance	1,439,802	1,330,783	1,330,783	-
Police Department	1,976,248	1,787,322	1,787,322	-
Fire Department	1,596,386	1,483,477	1,483,477	-
Culture & Recreational	41,900	46,486	46,486	-
Street Department	803,048	902,337	902,337	-
Cemetery Department	151,010	151,742	151,742	-
Economic Development	-	4,417	4,417	-
Debt Service:				
Principal paid		68,471	68,471	-
Interest paid		3,052	3,052	-
Total Expenditures	6,008,394	5,778,087	5,778,087	-
Excess of Revenues over (under) Expenditures	(318,069)	115,530	115,530	-
OTHER FINANCING SOURCES (USES)				
Long Term Debt Issued		190,779	190,779	-
Proceeds from sale of capital assets		59,481	59,481	-
PSC - revenue sharing		350,000	350,000	-
Operating transfers in (out) transfers in and cash transfers (out)		(252,993)	(252,993)	-
Total other financing sources (uses)	-	347,267	347,267	-
Net Change in Fund Balance	(318,069)	462,797	462,797	-
Fund Balances - Beginning	452,087	2,453,677	2,453,677	-
Fund Balances - Ending	\$ 134,018	2,916,474	2,916,474	-

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

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Yazoo City, Mississippi
Budgetary Comparison Schedule
Budget and Actual (Non-GAAP Basis)
Debt & Debt Service Fund
For the Year Ended September 30, 2017

	Budgeted Amount		Actual Non-GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Ad Valorem Taxes	\$ 504,250	494,591	494,591	-
Other revenues		3,061	3,061	-
Total Revenues	504,250	497,652	497,652	-
EXPENDITURES:				
Supervision & Finance		1,963	1,963	-
Debt Service:				
Principal	430,000	430,000	430,000	-
Interest	172,800	172,719	172,719	-
Total Expenditures	602,800	604,682	604,682	-
Excess of Revenues over (under) Expenditures	(98,550)	(107,030)	(107,030)	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)				
transfers in				-
transfers (out)		(119,828)	(119,828)	-
Total other financing sources (uses)	-	(119,828)	(119,828)	-
Net Change in Fund Balance	(98,550)	(226,858)	(226,858)	-
Fund Balances - Beginning	(2,082,171)	(2,298,918)	(2,298,918)	-
Fund Balances - Ending	\$ (2,180,721)	(2,525,776)	(2,525,776)	-

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

Yazoo City, Mississippi
Schedule of the City's Proportionate Share of the Net Pension Liability - PERS
Last 10 Fiscal Years*
For the Fiscal Year Ended September 30, 2017

	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.050%	0.049%	0.052%	0.054%
Proportionate share of the net pension liability (asset)	\$ 8,311,699	8,752,624	8,038,175	6,554,611
Covered-employee payroll	\$ 3,191,141	3,164,924	3,254,776	3,131,181
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	260.46%	276.55%	246.97%	209.33%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

Yazoo City, Mississippi
Schedule of City Contributions - PERS
Last 10 Fiscal Years*
For the Fiscal Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 491,121	505,383	512,627
Contributions in relation to the contractually required contribution	<u>491,121</u>	<u>505,383</u>	<u>512,627</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 3,118,220	3,208,773	3,254,776
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

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

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

Yazoo City, Mississippi
Schedule of Changes in the Net Pension Liability - MMRS
Last 10 Fiscal Years*
For the Fiscal Year Ended September 30, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability			
Service Cost	\$ -	-	-
Interest	175,392	170,894	165,195
Changes of benefit terms	-	-	-
Differences between expected and actual experience	6,098	(8,459)	58,479
Changes of assumptions	70,508	-	6,890
Benefit payments, including refunds of employee contributions	(240,326)	(238,292)	(233,660)
Net change in total pension liability	<u>11,672</u>	<u>(75,857)</u>	<u>(3,096)</u>
Total pension liability - beginning	<u>2,312,557</u>	<u>2,324,229</u>	<u>2,248,372</u>
Total pension liability - ending (a)	<u><u>\$ 2,324,229</u></u>	<u><u>2,248,372</u></u>	<u><u>2,245,276</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 281,604	152,630	171,575
Contributions - member	-	-	-
Net investment income	15,090	2,158	50,690
Benefit payments, including refunds of employee contributions	(240,326)	(238,292)	(233,660)
Administrative expense	(5,632)	(3,053)	(3,432)
Other	-	58	1,953
Net change in plan fiduciary net position	<u>50,736</u>	<u>(86,499)</u>	<u>(12,874)</u>
Plan net position - beginning	<u>438,217</u>	<u>488,953</u>	<u>402,454</u>
Plan net position - ending (b)	<u><u>\$ 488,953</u></u>	<u><u>402,454</u></u>	<u><u>389,580</u></u>
Net pension liability (asset) - ending (a) - (b)	\$ 1,835,276	1,845,918	1,855,696
Plan fiduciary net position as a percentage of the total pension liability	21.04%	17.90%	17.35%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled the City has only presented information for those years for which information is available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

Yazoo City, Mississippi
Schedule of Employer Contributions - MMRS
Last 10 Fiscal Years*
For the Fiscal Year Ended September 30, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contributions	\$ 281,604	152,630	171,575
Contributions in relation to the actuarially determined contributions	<u>281,604</u>	<u>152,630</u>	<u>171,575</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Covered payroll**	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled the City has only presented information for those years for which information is available.

** Payroll-related information is not provided because the Plan is closed to new entrants and there are very few remaining active members.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

YAZOO CITY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2017

A. Budgetary Information.

Statutory 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 1, the City Clerk or Chief Administrative Officer prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the City aldermen that 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 no encumbrances to budget because state law does 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 originally 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. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of 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).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund, Debt & Debt Service Fund, and Capital Project Fund:

Governmental Fund Type	General Funds	Debt & Debt Service Funds
Budget (Cash Basis)	\$ 462,797	(226,858)
Increase (Decrease)		
Net adjustments for revenue accruals		
Net adjustments for expense accruals	34,056	
Net Change in Fund Balance - GAAP Basis	\$ 496,853	(226,858)

D. Excess of Actual Expenditures over Budget in Individual Funds.

No funds with actual expenditures over budgeted amounts were identified.

E. Unbudgeted Funds.

There were no unbudgeted funds.

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YAZOO CITY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2017

Pension Schedules - PERS

A. Changes in benefit provisions.

2017

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

B. Changes of assumptions.

2015

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

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

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

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

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

2016

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

2017

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

The wage inflation assumptions was reduced from 3.75% to 3.25%

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

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

YAZOO CITY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2017

Pension Schedules – MMRS

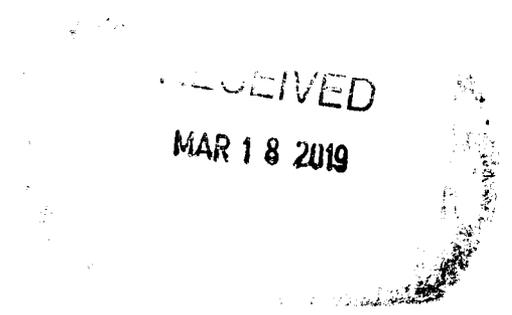
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ending September 30, 2017 were based on the June 30, 2015 actuarial valuation.

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Ultimate Asset Reserve
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	4.00 – 5.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

YAZOO CITY, MISSISSIPPI

OTHER INFORMATION



YAZOO CITY, MISSISSIPPI
SCHEDULE OF SURETY BONDS
September 30, 2017

Name	Position	Bond Amount	Expiration Date	Surety Company
Diane Delaware	Mayor	100,000	4/14/2018	Travelers Casualty and Surety Co.
Ron Johnson	Alderman	100,000	4/14/2018	Travelers Casualty and Surety Co.
Dr. Jack Varner	Alderman	100,000	4/14/2018	Travelers Casualty and Surety Co.
Aubrey Brent	Alderman	100,000	4/14/2018	Travelers Casualty and Surety Co.
Gregory Robertson	Alderman	100,000	4/14/2018	Travelers Casualty and Surety Co.
Mario Edwards	City Clerk	50,000	11/14/2017	Western Surety Company
Leonard Curtis	City clerk	50,000	11/1/2017	Western Surety Company
Kaneilia Williams	Executive Assistant to Mayor	50,000	5/1/2018	Western Surety Company
Jonquil Dent	Deputy City Clerk	50,000	6/5/2018	Western Surety Company
Patricia Yarborough	Deputy City Clerk	50,000	1/10/2018	Western Surety Company
Alisha Dixon	Deputy City Clerk	50,000	2/1/2018	Western Surety Company
David Green	Deputy City Clerk	50,000	6/5/2018	Western Surety Company
Shiela Scott	Deputy City Clerk	50,000	9/30/2017	Western Surety Company
Mary Johnson	Municipal Court Clerk	50,000	5/30/2018	Western Surety Company
Yvonne Turnage	Municipal Court Deputy Clerk	50,000	2/26/2018	Fidelity and Deposit Company of Maryland
Prentiss Young	Cemetery Sexton	50,000	11/1/2017	Fidelity and Deposit Company of Maryland
Russ Carter	City Building Inspector	50,000	7/1/2018	Western Surety Company
Andre Lloyd	Police Chief	50,000	1/9/2018	Western Surety Company

YAZOO CITY, MISSISSIPPI
RECONCILIATION OF TAX ASSESSMENTS TO FUND COLLECTIONS - 2016 TAX ROLLS
For the Fiscal Year Ended September 30, 2017

	Tax			
Assessments - 2016 Tax Rolls	Assessed Valuation	Ad Valorem		
Real property	\$ 32,744,936			
Personal property	9,329,419			
Mobile Home	39,939			
Auto	6,640,535			
Public Utility	3,270,490			
Total Assessed Valuation	52,025,319			
Total Ad Valorem Tax @ 76.37 Mills	3,918,547.03			
Less: Homestead Exemption Credit	\$ (328,842)			
Net Ad Valorem Taxes		\$ 3,589,705		
Other Collections:				
Actual Homestead Reimbursements		153,912		
Prior Year Tax Collections		41,249		
Penalties and Interest on Delinquent Taxes		47,054		
Deductions:				
Yazoo County Tax Collector's Commission		(86,984)		
Total Ad Valorem Taxes to be Accounted For		\$ 3,744,936		
Collections:				
Allocated to:	Fund #	Taxes	Homestead	Total
General Fund	001	2,635,237	153,912	2,789,149
Parks	001	130,474		130,474
Library	001	61,204		61,204
Debt Service	201	476,053		476,053
Fire & Police Pensi	410	169,568		169,568
		3,472,536	153,912	3,626,448
Balance Represented by:				
Unpaid realty & unaccounted for under (over) collections				118,488
Total Ad Valorem Taxes Accounted for				\$ 3,744,936

YAZOO CITY, MISSISSIPPI
RECONCILIATION OF TAX ASSESSMENTS TO FUND COLLECTIONS - 2016 TAX ROLLS (Cont'd)
For the Fiscal Year Ended September 30, 2017

Tax millage levies for the current fiscal year (tax year 2016) were as follows:

<u>Fund</u>	<u>Millage</u>	<u>Purpose</u>
General	57.13	General Current Expenditures & Maintenance
Parks	2.75	Park Current Expenditures & Maintenance
Library	1.29	Library Current Expenditures & Maintenance
Bond & Interest	10.58	General City Obligation Bonds & Interest
Fire & Police Disability	3.57	Fire & Police Disability Fund
Total Tax Levy	<u><u>75.32</u></u>	

Ad Valorem tax collections were found to be under the limitations of Sections 27-39-320 to 27-39-329, Miss. Code annotated (1972), as follows:

\$ 3,471,519 Base 2015-2016	\$ 3,472,536 Taxes collected 2016-2017
<u>502,845</u> Less: Applicable to Debt Service	<u>476,053</u> Less: Applicable to Debt Service
2,968,674	2,996,483
296,867 10 % Increase	153,912 Homestead Exemption
	<u>-</u> Less: Applicable to Debt Service
	<u>153,912</u>
	115,146 Under (Over) Limitation
<u><u>\$ 3,265,541</u></u>	<u><u>\$ 3,265,541</u></u>

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YAZOO CITY, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the Fiscal Year Ended September 30, 2017

Description	Issue Date	Balance		Paid	Balance 09/30/17	Amount Due	
		10/01/16	Issued			2018	Thereafter
General Obligation Bonds							
GO Bond-Public Improvement-Streets	10/28/2002	\$ 200,000		200,000	-		-
GO Bond-Public Improvement-Projects	1/13/2011	2,130,000		110,000	2,020,000	110,000	1,910,000
GO Bond-Capital Improvements-Series 2012	6/1/2012	2,550,000		120,000	2,430,000	125,000	2,305,000
		<u>4,880,000</u>	<u>-</u>	<u>430,000</u>	<u>4,450,000</u>	<u>235,000</u>	<u>4,215,000</u>
Other Loans							
Sun Belt Fire Truck	5/1/2007	32,875		32,875	-		-
		<u>32,875</u>	<u>-</u>	<u>32,875</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Leases							
BYC-Equipment Lease	8/2/2013	195,459		96,569	98,890	98,890	-
BYC-Equipment Lease	11/24/2014	69,483		21,452	48,031	21,901	26,130
E-One Pumper	12/18/2015	415,557		22,273	393,284	22,950	370,334
2018 Mack Dump Truck	8/21/2017	-	106,650	2,880	103,770	34,921	68,849
Tractor/Alamo Cutter/Ztrak Mower	9/15/2017	-	84,129		84,129	20,288	63,841
		<u>680,499</u>	<u>190,779</u>	<u>143,174</u>	<u>728,104</u>	<u>198,950</u>	<u>529,154</u>
Other:							
Compensated Absences		237,474	6,531	17,089	226,916		
Total Long Term Debt		<u>\$ 5,830,848</u>	<u>197,310</u>	<u>623,138</u>	<u>5,405,020</u>	<u>433,950</u>	<u>4,744,154</u>

YAZOO CITY, MISSISSIPPI
COMPUTATION OF LEGAL DEBT MARGIN
For the Fiscal Year Ended September 30, 2017

Date of Issue	Description	Total Outstanding G/O Debt	Bonds Subject To 15% Limitation	Bonds Subject To 20% Limitation
---------------	-------------	----------------------------	---------------------------------	---------------------------------

OUTSTANDING GENERAL OBLIGATION DEBT:

1/13/2011	GO Bond-Public Improvement-Projects	\$ 2,020,000	\$ 2,020,000	\$ 2,020,000
6/1/2012	GO Bond-Capital Improvements-Series 2012	2,430,000	2,430,000	2,430,000
	Total Outstanding General Obligation Debt	<u>4,450,000</u>	<u>4,450,000</u>	<u>4,450,000</u>

AUTHORIZED DEBT LIMIT:

Assessed Value for the fiscal year ended September 30, 2017	\$ 47,659,387	7,148,908	9,531,877
Present Debt (Subject to 15% and 20% Limitation, respectively)		<u>4,450,000</u>	<u>4,450,000</u>
Margin for Further Indebtedness (Under 15% and 20% Limitation, respectively)		<u>\$ 2,698,908</u>	<u>\$ 5,081,877</u>

LIMITATION OF INDEBTEDNESS- SECTION 21-33-303 AS AMENDED

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%) of the assessed value of taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

YAZOO CITY, MISSISSIPPI

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PRIVATE COMPANIES PRACTICE SECTION

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 and City Aldermen
City of Yazoo
Yazoo City, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Yazoo City, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 1, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yazoo City, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yazoo City, Mississippi's financial statements are free of 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*.

We noted certain matters that we reported to the management of Yazoo City, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated November 1, 2018 included within this document.

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 result 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. However, this report is a matter of public record and its distribution is not limited.

Bridgers, Goodman, Aldridge, Baird & Clarke, PLLC

Bridgers, Goodman, Aldridge, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi

November 1, 2018



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and City Aldermen
City of Yazoo
Yazoo City, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Yazoo City, Mississippi, as of and for the fiscal year ended September 30, 2017, which collectively comprise Yazoo City, Mississippi's basic financial statements and have issued our report thereon dated November 1, 2018. 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.

We have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

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

This report is intended solely for the information and use of management, City Aldermen, State Auditor's Office 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. However, this report is a matter of public record and its distribution is not limited.

Bridgers, Goodman, Aldridge, Baird & Clarke, PLLC

Bridgers, Goodman, Aldridge, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi

November 1, 2018



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Honorable Mayor and City Aldermen
City of Yazoo
Yazoo City, Mississippi

In planning and performing our audit of the financial statements of Yazoo City, Mississippi for the year ended September 30, 2017, we considered Yazoo City, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Yazoo City, Mississippi's financial reporting, we have performed some additional limited internal control and compliance tests. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated November 1, 2018 on the financial statements of Yazoo City, Mississippi.

The results of our review procedures and compliance tests identified certain immaterial instances that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

City Clerk's Office

1. Finding:

During the course of our test work, we found that receipt warrants were unaccounted for. An effective system of internal control requires receipt warrants to be issued for all cash collections, prenumbered, signed by the receiving clerk, and accounted for to ensure the completeness and inclusion of all cash collections.

Recommendation:

In order to maintain an effective internal control system and increase the accuracy in recording receipts, the City should develop procedures for the receipting of cash collections.

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City Clerk's Response:

The City Clerk's Office is currently using a Daily Receipts spreadsheet to account for all receipts each day and a Daily Deposits spreadsheet to verify and account for all items that are deposited on a daily basis. The receipts printed from the Delta are signed by the issuer and maintained in date order. We are working on developing stronger internal controls to eliminate issues in this area.

2. Finding:

The City is responsible for complying with the requirements of the State of Mississippi Policies and Procedures with reference to Public Purchasing Laws: Titles 31 and 37. A well designed purchasing system would comply with the provisions of Titles 31 and 37 and would include the use of purchase requisitions, purchase orders, and receiving reports. During our test work we selected 20 items and notes several instances where there were missing or incomplete, purchase requisitions, purchase orders, or receiving reports.

Recommendation:

The City should establish and maintain an adequate internal control system which would ensure that the City is in compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.

City Clerk's Response:

The City Clerk's Office is establishing stronger internal controls in the purchasing department. The accounts payable deputy clerk will follow up on P.O.s end to end and ensure that receiving reports are signed at the department level once orders are received and copies of the receiving reports are in our office with the corresponding requisitions and P.O.s.

3. Finding:

During the course of our test work, we found employee files contained no evidence of board approval for salary. We also found several instances of incomplete employment verification documents, and missing withholding documents.

Recommendation:

The City should maintain a complete employee file system which would ensure that the City is in compliance with State and Federal employee documentation laws.

City Clerk's Response:

The City Clerk's Office will audit all payroll files and print each employee's board approval document for the file. All employees do have board approvals in our minute books.

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Police Department

1. Finding:

Section 21-21-1, Miss. Code Ann. (1972), requires the Chief of Police to be bonded for no less than \$50,000. During our testing of Officials Bonds, we discovered that the Chief of Police was not bonded.

Recommendation:

The Chief of Police should ensure that he is bonded as required by Section 21-21-1, Miss. Code Ann. (1972).

Police Chief's Response:

Once we became aware of this issue, coverage was acquired prior to the issuance of this report.

Yazoo City, Mississippi's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City Aldermen, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

Bridgers, Goodman, Aldridge, Baird & Clarke, PLLC

Bridgers, Goodman, Aldridge, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi

November 1, 2018

YAZOO CITY, MISSISSIPPI

SCHEDULE OF FINDINGS AND RESPONSES

**YAZOO CITY, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditor's report issued on the financial statements: | |
| Governmental activities | Unmodified |
| Business-type activities | Unmodified |
| Aggregate discretely presented component units | Unmodified |
| General Fund | Unmodified |
| Debt & Debt Service Fund | Unmodified |
| Aggregate remaining fund information | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified? | None reported |
| 3. Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

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