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CITY OF BATESVILLE

FINANCIAL STATEMENT

SEPTEMBER 30, 2015

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William H. Polk & Co.

Certified Public Accountant

A Professional Association

105 Public Square

Batesville, MS 38606

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WILLIAM H. POLK & CO.

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Association

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Board of Aldermen
City of Batesville, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Batesville, Mississippi, as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the City of Batesville, Mississippi as of September 30, 2015 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.

Emphasis of Matter

As discussed in Note 9, in fiscal 2015, the City of Batesville, Mississippi has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The transitional requirements resulted in a restatement to decrease the beginning net position by \$8,971,609 in governmental activities and \$2,666,229 in business-type activities. As discussed in Note 12, there was also a restatement to decrease the beginning net position by \$207,987 in governmental activities to correct a fiscal 2014 error.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the budgetary comparison information on pages 4-10 and 51-54, and the City's proportionate share of net pension liability on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Batesville, Mississippi's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A- 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2016 on our consideration of the City of Batesville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Batesville, Mississippi's internal control over financial reporting and compliance.

Wm. H. Poek + Co.

Batesville, Mississippi
May 5, 2016

**CITY OF BATESVILLE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

An overall review of the City's financial activities and performance for the year ending September 30, 2015 is provided in this Discussion and Analysis of the City of Batesville. The discussion and analysis looks at the financial performance as a whole, but it is suggested that the basic financial statements be reviewed to help in the understanding.

FINANCIAL HIGHLIGHTS

Total assets and deferred outflows of resources increased approximately \$3,952,000 or 6.3% from 2014.

Total liabilities and deferred inflows of resources increased approximately \$13,596,000 or 109.4% from that previously reported for 2014. This is distorted due to the \$13,370,000 in net pension liability and \$359,000 in deferred inflows that accounting standards require to be reported in 2015.

Total net position decreased approximately \$9,644,000 or 19.3%. This was primarily the result of a negative (\$11,638,000) adjustment to reflect the new accounting standard, before the \$2,202,000 increase resulting from this year's operations.

The governmental expenses exceeded revenues by approximately (\$310,000) before grants and transfers. The City's business-type revenues exceeded related expenses by approximately \$1,244,000 before grants and transfers.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (pages 11-13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these financial statements explain the financing of these services, plus they report the City's operations in more detail by providing information on the City's most significant funds.

Reporting the City as a Whole

The City's analysis as a whole will begin on page 6. A question often asked: "Is the City as a whole better or worse off as a result of the 2015 activities?" To help with the answer to this question, a look at the Statement of Net Position and the Statement of Activities will provide the answer. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The current year's revenues and expenses are all taken into account regardless of when cash is received or paid.

These statements report the City's net assets (shown as net position) and any changes to those assets. The change in assets tells the reader whether the City's financial position as a whole has diminished or improved. Non-financial information such as changes in the tax base and the condition of the capital assets will also need to be evaluated.

The Statement of Net Position and the Statement of Activities are divided into two kinds of activities:

Governmental activities - Basic services are reported here. These include police, fire, public works, parks departments and the general administration. These are financed mainly by property taxes, franchise fees and state and federal grants.

Business-type activities - Water, Sewer, Gas, Garbage and Civic Center department fees are reported here. These fees will cover most, if not all, of the expenses of these activities.

Reporting the City's Most Significant Funds

On page 7 is a comparative summary of the City's operations by fund type. Some funds are required by state law or bonds covenants. Many of the other funds established to control and manage money for particular projects or to meet certain legal responsibilities are set up by the City Board. The two kinds of funds the City uses are governmental and proprietary and do not use the same accounting approaches.

Governmental funds - Most of the City's basic services are reported in this fund type, which show the money flowing in and out of those funds and then the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. These fund statements provide a detailed short-term view of the general government operations and the basic service it provides. This information also helps you determine whether there are more or fewer financial resources available to be used in the near future to finance the City's programs. The differences between governmental activities and governmental funds are described in reconciliations adjacent to the fund financial statements. The detail financial statements for the governmental funds are on pages 14-18.

Proprietary funds - When the customers are charged for the provided services these services are generally reported as proprietary funds. These funds are also known as "business-type activities" or "enterprise funds". These funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. The detail financial statements for the propriety funds are on pages 19-22.

THE CITY AS A WHOLE

(Table 1)
Net Assets

	2015						Increase (Decrease)	Percentage Change
	Governmental Activities		Business-Type Activities		Totals			
	2015	2014	2015	2014	2015	2014		
Current and other assets	\$ 15,271,163	\$ 13,973,011	\$ 11,547,532	\$ 12,334,639	\$ 26,818,695	\$ 26,307,650	\$ 511,045	1.94%
Capital assets	14,052,295	13,937,692	23,835,675	22,176,929	37,887,970	36,114,621	1,773,349	4.91%
Total assets	29,323,458	27,910,703	35,383,207	34,511,568	64,706,665	62,422,271	2,284,394	3.66%
Total deferred outflows of resources	1,316,044	22,568	391,426	17,558	1,707,470	40,126	1,667,344	
Long-term debt	10,931,241	826,452	7,681,693	5,220,879	18,612,934	6,047,331	12,565,603	207.79%
Other liabilities	1,177,527	1,007,597	2,009,340	1,533,576	3,186,867	2,541,173	645,694	25.41%
Total liabilities	12,108,768	1,834,049	9,691,033	6,754,455	21,799,801	8,588,504	13,211,297	153.83%
Total deferred inflows of resources	3,899,741	3,600,776	323,787	238,516	4,223,528	3,839,292	384,236	
Net position:								
Invested in capital assets	14,510,297	13,171,521	18,731,773	16,383,659	33,242,070	29,555,180	3,686,890	12.47%
Restricted	5,000,565	4,733,609	-	-	5,000,565	4,733,609	266,956	5.64%
Unrestricted (Deficit)	(4,879,869)	4,593,316	7,028,040	11,152,496	2,148,171	15,745,812	(13,597,641)	-86.36%
Total net position	\$ 14,630,993	\$ 22,498,446	\$ 25,759,813	\$ 27,536,155	\$ 40,390,806	\$ 50,034,601	\$ (9,643,795)	-19.27%

The City's total assets and deferred outflow of resources increased \$3,952,000 during 2015 with governmental activities showing an increase of \$2,706,000 and business-type activities showing an increase of \$1,246,000. The major changes were a \$1,667,000 increase in deferred outflows, a \$693,000 increase in cash and investments, and a \$1,773,000 increase in net capital assets.

The City's total liabilities and deferred inflow of resources increased \$13,596,000 due mainly to the \$13,370,000 in net pension liability, the \$689,000 increase in accounts payable, and the \$(614,000) decrease in bonds and notes payable.

The City's net position decreased \$(9,644,000) due mainly to the negative \$(1,638,000) adjustment to initial net pension liability; which was partially offset by \$2,202,000 excess revenue for 2015. Included in this is \$1,262,000 in grants and donations received.

Table 2 shows the Changes in Net Position for the September 30, 2015 year end. A comparative analysis of government-wide data is as follows:

(Table 2)

Changes in Net Position

	2015				Totals		Increase (Decrease)	Percentage Change
	Governmental Activities		Business-Type Activities		2015	2014		
	2015	2014	2015	2014				
Program Revenues:								
Charges for services	\$ 802,537	\$ 818,989	\$ 8,112,778	\$ 8,876,857	\$ 8,915,315	\$ 9,695,846	\$ (780,531)	-8.05%
Federal and state grants and donations	535,262	170,174	731,903	753,945	1,267,165	924,119	343,046	37.12%
General Revenues:								
Property taxes	3,432,820	3,300,197	236,121	234,559	3,668,941	3,534,756	134,185	3.80%
Other taxes and other	6,370,749	6,299,534	70,857	41,794	6,441,606	6,341,328	100,278	1.58%
Sale of capital assets	10,366	13,419	(121,292)	27,550	(110,926)	40,969	(151,895)	-370.76%
Total revenues	11,151,734	10,602,313	9,030,367	9,934,705	20,182,101	20,537,018	(354,917)	-1.73%
Program expenses:								
General government	1,320,932	960,586	-	-	1,320,932	960,586	360,346	37.51%
Public safety	5,746,118	5,248,146	-	-	5,746,118	5,248,146	497,972	9.49%
Streets	2,178,141	1,979,399	-	-	2,178,141	1,979,399	198,742	10.04%
Other	1,630,332	1,532,522	-	-	1,630,332	1,532,522	97,810	6.38%
Interest on long-term debt	50,466	68,008	-	-	50,466	68,008	(17,542)	-25.79%
Water and sewer department	-	-	3,195,875	2,878,524	3,195,875	2,878,524	317,351	11.02%
Gas department	-	-	2,549,779	3,255,905	2,549,779	3,255,905	(706,126)	-21.69%
Multi-purpose Building	-	-	1,001,668	990,453	1,001,668	990,453	11,215	1.13%
Other business-type	-	-	306,760	308,446	306,760	308,446	(1,686)	-0.55%
Total expenses	10,925,989	9,788,661	7,054,082	7,433,328	17,980,071	17,221,989	758,082	4.40%
Increase (decrease) in net position before transfers	225,745	813,652	1,976,285	2,501,377	2,202,030	3,315,029	(1,112,999)	-33.57%
Net transfers	1,086,398	923,595	(1,088,398)	(923,595)	-	-	-	-
Change in net position	\$ 1,312,143	\$ 1,737,247	\$ 887,887	\$ 1,577,782	\$ 2,202,030	\$ 3,315,029	\$ (1,112,999)	-33.57%

Included in the 2015 governmental activity revenues are \$366,598 in donated land at estimated fair values.

Even though grant income remained fairly strong in 2015, the City's governmental activities continue to be primarily funded by sources other than property taxes, which made up only 32% of the total non-grant governmental revenues before interfund transfers. The major expense activities were public safety and streets, which respectively comprise 53% and 20% of total governmental expenses. Providing the services our residents expect is our continued commitment.

While business-type activities are accounted for similarly to businesses and are primarily supported by user fees, the City attempts to keep these fees as low as possible.

THE CITY'S FUNDS

As the year ended, the city's governmental funds reported a combined fund balance of \$9,780,000, which is \$1,425,000 greater than last year's total of \$8,355,000. The primary reasons for the increase were in the areas of property and sales taxes collected, as well as transfers from other funds. These increases in revenues were partially offset by increased expenses of \$379,000.

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

During 2015, the budget for this fund was amended as shown on pages 51-54. All recommendations for a change come from the department heads to the City Clerk for review before going to the Mayor and Board of Aldermen for consideration. The City does not allow budget changes that modify line items within any department without Board approval.

The General Fund is closely monitored for possible revenue shortfalls or over spending, since it supports so many departments. The General Fund's original budgeted revenues were \$12,005,000; with the final budgeted amount being \$12,670,000; and with \$11,248,000 in actual revenue collections. The shortage was caused primarily by the decision not to pursue transfers from other City funds. The General Fund's original budgeted expenditures of \$14,102,000 were amended to \$18,179,000, with actual expenditures of \$10,267,000. The main reason for the shortage was the postponing of capital projects and the general reduction of budgeted expenses for all departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015, the City has nearly \$38,000,000 invested in a large range of capital assets, including police and fire equipment, park facilities, water and sewer lines, roads, gas lines and buildings. Even though there was \$4,584,000 in additions to capital assets during 2015, there was \$2,665,000 in depreciation expenses which was the primary reason for the relatively small increase in net capital assets.

(Table 3)
Capital Assets at Year-end
(Net of Depreciation)
Business-Type

	Governmental Activities			Business-Type Activities			Totals		Amount Change	Percentage Change
	2015	2014	2015	2015	2014	2014	2015	2014		
Land	\$ 1,824,656	\$ 1,444,533	\$ 438,500	\$ 438,500	\$ 438,500	\$ 1,883,033	\$ 2,263,156	\$ 1,883,033	\$ 380,123	20.19%
Construction in progress	524,960	47,410	543,134	543,134	-	47,410	1,068,094	47,410	1,020,684	2152.89%
Buildings and improvements	3,153,262	3,301,637	7,736,827	7,736,827	8,007,373	11,309,010	10,890,089	11,309,010	(418,921)	-3.70%
Equipment	1,238,417	1,391,316	606,465	606,465	661,246	2,052,562	1,844,882	2,052,562	(207,680)	-10.12%
Infrastructure	7,311,000	7,752,796	14,510,749	14,510,749	13,069,810	20,822,606	21,821,749	20,822,606	999,143	4.80%
Totals	\$ 14,052,295	\$ 13,937,692	\$ 23,835,675	\$ 23,835,675	\$ 22,176,929	\$ 36,114,621	\$ 37,887,970	\$ 36,114,621	\$ 1,773,349	4.91%

The 2015 year was an extremely busy and productive one for the City; and the upcoming 2016 year is expected to be equally so. Some of these projects were:

1. The continuation of the waste water treatment plant upgrade. So far, Phase 2 has cost \$1.8 million, with approximately \$800,000 being reimbursed by federal grants.
2. The continuation of the street paving program; with an additional \$400,000 planned for 2016.
3. This was the first year for the City to host the Polar Express, which coincided with the start of the Downtown Square project. Phase 2 of this project should begin during the summer of 2016.
4. A tremendous amount of work was done on the Pine Lodge connector road, and it should be completed during 2016.
5. The new water well on highway 6E was started in 2015 along with a loop for the water system; and these should be completed during 2016 at a cost of \$1 M, with \$300,000 coming from grants.
6. Substantial work has been completed on the sanitary sewer line for Hunter's Trace, and should be completed during 2016-2017.
7. The City was donated the land containing the Indian Mound during 2015, and is in the process of developing the area as a tourist attraction along with the renovation of the City Hall and Police Department buildings during 2016.

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DEBT

At year-end, the City had \$5,646,000 in bonds and notes outstanding versus \$6,559,000 last year – a decrease of \$913,000.

	Governmental Activities		Business-Type Activities		Totals		Amount Change	Percentage Change
	2015	2014	2015	2014	2015	2014		
General obligation bonds	\$ -	\$ -	\$ 3,515,000	\$ 3,960,000	\$ 3,515,000	\$ 3,960,000	\$ (445,000)	-11.24%
Revenue bonds and notes	541,998	766,171	1,588,902	1,833,270	2,130,900	2,599,441	(468,541)	-18.02%
Totals	<u>\$ 541,998</u>	<u>\$ 766,171</u>	<u>\$ 5,103,902</u>	<u>\$ 5,793,270</u>	<u>\$ 5,645,900</u>	<u>\$ 6,559,441</u>	<u>\$ (913,541)</u>	<u>-13.93%</u>

The City continues its ability to decrease its debt. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

Not included above but reported as long-term debt in the financial statements is the accumulated employee leave time that would be paid as employees take leave or retire. Under GAAP reporting, this liability must be reported as a compensated absence at year-end, due to contract language to the effect that the employee has "earned" this compensation and thus is "owed" to them. Also, not included above is the City's proportionate share of the net pension liability of the Public Employee Retirement System of Mississippi (PERS) that is now required to be reported. This increased the City's reported debt by \$13,370,000. See Note 9 to the financial statement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget, tax rates, and fees that will be charged for the business-type activities. In an effort to maximize City efficiency and fiscal responsibility, the City Board did not increase tax rates or water and sewer usage rates for 2016.

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it received. If you have any questions about this report or need additional financial information, contact the City Clerk at 103 College Street, Batesville, MS 38606.

**CITY OF BATESVILLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 262,854	\$ 1,675,168	\$ 1,938,022
Temporary cash investments	6,590,650	8,363,499	14,954,149
Accounts receivable, net	311,798	157,490	469,288
Current portion of loans receivable (Note 4)	256,477	-	256,477
Intergovernmental receivables	1,181,208	248,187	1,429,395
Property and franchise tax receivable	3,684,240	244,257	3,928,497
Inventory	-	432,578	432,578
Prepaid items	22,569	17,558	40,127
Due from other funds (Note 8)	11,178	(11,178)	-
Restricted assets, (Note 4)			
Cash	2,271,524	-	2,271,524
Temporary cash investments	26,160	419,973	446,133
Loans receivable, non-current (Note 4)	652,505	-	652,505
Capital assets, net of accumulated depreciation (Note 6)	14,052,295	23,835,675	37,887,970
Total assets	<u>29,323,458</u>	<u>35,383,207</u>	<u>64,706,665</u>
DEFERRED OUTFLOW OF RESOURCES			
P. E. R. S. of Mississippi	<u>1,316,044</u>	<u>391,426</u>	<u>1,707,470</u>
LIABILITIES			
Accounts payable and accrued expenses	899,493	991,365	1,890,858
Current portion of long-term debt (Note 7)	243,090	598,002	841,092
Liabilities payable from restricted assets:			
Accounts payable and accrued expenses	16,627	-	16,627
Builder compliance bonds and seized funds held	18,317	-	18,317
Customer deposits	-	419,973	419,973
Non-current liabilities:			
Bonds payable	75,000	3,055,000	3,130,000
Notes and leases payable	223,908	1,450,900	1,674,808
Compensated absences	325,671	112,807	438,478
Net pension liability	10,306,662	3,062,986	13,369,648
Total liabilities	<u>12,108,768</u>	<u>9,691,033</u>	<u>21,799,801</u>
DEFERRED INFLOW OF RESOURCES			
Property tax receivables not currently available	3,507,045	238,825	3,745,870
Intergovernmental receivables not currently available	115,876	-	115,876
P. E. R. S. of Mississippi	276,820	82,267	359,087
Unearned rental deposits	-	2,695	2,695
Total deferred inflow of resources	<u>3,899,741</u>	<u>323,787</u>	<u>4,223,528</u>

See accompanying notes to financial statements

CITY OF BATESVILLE
STATEMENT OF NET POSITION - continued
SEPTEMBER 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
NET POSITION			
Net investment in capital assets, net of related debt	\$ 14,510,297	\$ 18,731,773	\$ 33,242,070
Restricted for:			
Economic development	1,727,258	-	1,727,258
Tourism development	1,022,108	-	1,022,108
Debt service	2,143,344	-	2,143,344
Capital improvements	81,695	-	81,695
Other	26,160	-	26,160
Unrestricted	<u>(4,879,869)</u>	<u>7,028,040</u>	<u>2,148,171</u>
 Total Net position	 <u>\$ 14,630,993</u>	 <u>\$ 25,759,813</u>	 <u>\$ 40,390,806</u>

**CITY OF BATESVILLE, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Governmental	Business-type	Total
	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Activities	
FUNCTIONS/PROGRAMS							
Governmental activities:							
General government	\$ 1,320,932	\$ 175,696	\$ 4,886	\$ 5,718	\$ (1,134,632)	\$ -	\$ (1,134,632)
City court	261,395	5,871	-	-	(255,524)	-	(255,524)
Police	4,006,935	489,654	-	13,425	(3,503,856)	-	(3,503,856)
Fire	1,739,183	48,691	-	70,000	(1,620,492)	-	(1,620,492)
Streets	2,178,141	-	-	80,353	(2,097,788)	-	(2,097,788)
Sanitation	365,797	12,250	-	-	(353,547)	-	(353,547)
Library	303,894	6,169	-	-	(297,725)	-	(297,725)
Parks	362,429	22,227	-	360,880	20,678	-	20,678
Code	271,938	41,979	-	-	(229,959)	-	(229,959)
Economic development	64,879	-	-	-	(64,879)	-	(64,879)
Interest on long-term debt	50,466	-	-	-	(50,466)	-	(50,466)
Total governmental activities	10,925,989	802,537	4,886	530,376	(9,588,190)	-	(9,588,190)
Business-type Activities							
Water	1,337,054	2,207,686	-	124,654	-	995,286	995,286
Sewer	1,858,821	1,491,834	-	479,991	-	113,004	113,004
Gas	2,549,779	3,933,343	-	127,258	-	1,510,822	1,510,822
Multi-purpose Building	1,001,668	137,379	-	-	-	(864,289)	(864,289)
Solid waste	306,760	342,536	-	-	-	35,776	35,776
Total business-type activities	7,054,082	8,112,778	-	731,903	-	1,790,599	1,790,599
Total primary government	\$ 17,980,071	\$ 8,915,315	\$ 4,886	\$ 1,262,279	(9,588,190)	1,790,599	(7,797,591)
General revenues							
Property taxes					3,432,820	236,121	3,668,941
Sales and tourism taxes					5,433,776	-	5,433,776
Franchise taxes					312,221	-	312,221
Other taxes and other					522,372	31,636	554,008
Unrestricted interest income					102,380	39,221	141,601
Gain (Loss) on disposition of capital assets					10,366	(121,292)	(110,926)
Transfers, net					1,086,398	(1,086,398)	-
Total general revenues and transfers					10,900,333	(900,712)	9,999,621
change in net position					1,312,143	889,887	2,202,030
Net position, beginning					22,498,446	27,536,155	50,034,601
Adjustment for initial recognition of net pension liability (Note 9)					(8,971,609)	(2,666,229)	(11,637,838)
Correction of prior error (Note 12)					(207,987)	-	(207,987)
Net position, ending					\$ 14,630,993	\$ 25,759,813	\$ 40,390,806

See accompanying notes to financial statements.

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CITY OF BATESVILLE
BALANCE SHEETS-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Tourism Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 249,114	\$ -	\$ 13,740	\$ 262,854
Temporary cash investments	6,559,030	-	31,620	6,590,650
Police fines receivable	310,901	-	-	310,901
Interest receivable	-	-	897	897
Current portion of loans receivable	-	-	256,477	256,477
Franchise and other tax receivable	104,805	-	-	104,805
Property tax receivable	3,579,435	-	-	3,579,435
Due (to) from governmental funds	29,105	-	(29,105)	-
Due (to) from enterprise funds	6,734	-	-	6,734
Intergovernmental receivables	982,241	198,967	-	1,181,208
Cash-restricted	3,099	823,482	1,444,943	2,271,524
Temporary cash investments-restricted	-	-	26,160	26,160
Non-current loans receivable	-	-	345,947	345,947
Inventory	-	-	-	-
Total assets	<u>\$ 11,824,464</u>	<u>\$ 1,022,449</u>	<u>\$ 2,090,679</u>	<u>\$ 14,937,592</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 896,209	\$ 341	\$ 275	\$ 896,825
Liabilities payable from restricted assets:				
Accounts payable and accrued expenses	-	-	16,627	16,627
Bulder compliance bonds and seized funds held	3,099	-	15,218	18,317
Total liabilities	<u>899,308</u>	<u>341</u>	<u>32,120</u>	<u>931,769</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes not currently available	3,507,045	-	-	3,507,045
Intergovernmental receivables not currently available	115,876	-	-	115,876
Police fine receivables not currently available	296,454	-	-	296,454
Current portion of loans/leases not currently available	-	-	306,455	306,455
Total deferred inflows of resources	<u>3,919,375</u>	<u>-</u>	<u>306,455</u>	<u>4,225,830</u>
Total liabilities and deferred inflows of resources	<u>4,818,683</u>	<u>341</u>	<u>338,575</u>	<u>5,157,599</u>
FUND BALANCES				
Nonspendable	-	-	345,947	345,947
Restricted	-	1,022,108	1,331,561	2,353,669
Committed	17,000	-	61,867	78,867
Assigned	935,000	-	12,729	947,729
Unrestricted	<u>6,053,781</u>	<u>-</u>	<u>-</u>	<u>6,053,781</u>
Total fund balances	<u>7,005,781</u>	<u>1,022,108</u>	<u>1,752,104</u>	<u>9,779,993</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 11,824,464</u>	<u>\$ 1,022,449</u>	<u>\$ 2,090,679</u>	<u>\$ 14,937,592</u>

CITY OF BATESVILLE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Total fund balance-total governmental funds	\$ 9,779,993
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	13,893,684
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Receivables that are not collected within 60 days of year end, as designated by the City, are not deemed available to pay for current-period expenditures and therefore are deferred by the funds	909,469
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Long term liabilities are not due and payable in the current period and therefore are not reported in the funds	(865,894)
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Prepaid expenses are not financial resources and therefore are not reported in the funds	22,568
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Change in accounting to recognize initial net pension liability (Note 9)	(8,971,609)
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Correction of 2014 error (Note 12)	(207,987)
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Contributions to the pension plan in the current fiscal year that are not expensed in the Statement of Activities	188,709
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Pension expenses in the Statement of Activities that do not require the use of current financial resources	(484,538)
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Value of donated land in the Statement of Activities that do not provide current financial resources	<u>366,598</u>
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Net position of governmental activities	<u>\$ 14,630,993</u>
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See accompanying notes to financial statements.

CITY OF BATESVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES--GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Tourism Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes, net	\$ 3,432,820	\$ -	\$ -	\$ 3,432,820
Road and bridge taxes	385,760	-	-	385,760
Licenses and permits	122,230	-	-	122,230
Intergovernmental revenues:	-	-	-	-
Federal grants	93,778	-	-	93,778
State shared revenues:	-	-	-	-
Grants	70,000	-	-	70,000
Sales tax	4,237,854	-	-	4,237,854
Liquor privilege tax	10,350	-	-	10,350
Fire protection	40,608	-	-	40,608
Gasoline tax	6,946	-	-	6,946
Homestead reimbursement	125,515	-	-	125,515
Other	3,722	-	-	3,722
Tourism tax	-	1,195,922	-	1,195,922
Franchise tax	312,221	-	-	312,221
Police fines	232,970	-	-	232,970
Parks and recreation	17,863	-	-	17,863
Fire department revenue-local	8,073	-	-	8,073
Loan collections	-	-	-	-
Interest income	38,226	329	16,635	55,190
Rents	44,934	-	207,987	252,921
Contributions	4,886	-	-	4,886
Reduction for uncollectables	-	-	-	-
Sale of City assets	-	-	-	-
Other	260,485	-	25,127	285,612
Total revenues	9,449,241	1,196,251	249,749	10,895,241
EXPENDITURES				
Current:				
General government	958,541	1,122	16,048	975,711
City court	261,434	-	-	261,434
Police	3,968,751	-	53,332	4,022,083
Fire	1,631,766	-	-	1,631,766
Streets	2,132,775	-	-	2,132,775
Sanitation	370,944	-	-	370,944
Library	276,395	-	-	276,395
Parks	305,339	-	-	305,339
Code	257,740	-	-	257,740
Economic development	-	64,879	-	64,879
Debt service:	-	-	-	-
Principal	-	-	224,173	224,173
Interest	-	-	49,810	49,810
Paying agent fees	-	-	656	656
Total expenditures	10,163,685	66,001	344,019	10,573,705
Excess (deficiency) of revenues over (under) expenditures	(714,444)	1,130,250	(94,270)	321,536

continued

See accompanying notes to financial statements.

CITY OF BATESVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES--GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General <u>Fund</u>	Tourism <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	\$ 1,896,398	\$ -	\$ 75,200	\$ 1,971,598
Transfers to other funds	(79,644)	(810,000)	-	(889,644)
Sale of assets	13,200	-	8,742	21,942
Long term debt issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>1,829,954</u>	<u>(810,000)</u>	<u>83,942</u>	<u>1,103,896</u>
 Net change in fund balances	 1,115,510	 320,250	 (10,328)	 1,425,432
 Fund balances, beginning	 <u>5,890,271</u>	 <u>701,858</u>	 <u>1,762,432</u>	 <u>8,354,561</u>
 Fund balances, ending	 <u>\$ 7,005,781</u>	 <u>\$ 1,022,108</u>	 <u>\$ 1,752,104</u>	 <u>\$ 9,779,993</u>

See accompanying notes to financial statements

**CITY OF BATESVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net changes in fund balances – total governmental funds \$ 1,425,432

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 depreciation exceeded capital outlays in the current period. (251,994)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 4,560

The proceeds of long-term debt provides financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is expenditure in the governmental funds, but the repayment reduces long-term liability in the statement of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. 63,376

Contributions to the pension plan in the current fiscal year that are not expensed in the Statement of Activities. 188,709

Pension expenses in the Statement of Activities that do not require the use of current financial resources. (484,538)

Value of donated land in the Statement of Activities that do not provide correct financial resources. 366,598

Change in net position of governmental activities \$ 1,312,143

See accompanying notes to financial statements

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**CITY OF BATESVILLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Water and Sewer Fund	Gas Fund	Civic Center Fund	Non-Major Sanitation Fund	Total
ASSETS					
Cash	\$ 873,357	\$ 192,950	\$ 398,224	\$ 210,637	\$ 1,675,168
Temporary cash investments	2,560,259	5,803,240	-	-	8,363,499
Accounts receivable, net	84,366	65,981	-	7,143	157,490
Current portion of loans receivable (Note 4)	-	-	-	-	-
Intergovernmental receivables	222,914	16,417	8,856	-	248,187
Property and franchise tax receivable	-	-	244,257	-	244,257
Inventory	101,555	331,023	-	-	432,578
Due from (to) other funds (Note 8)	(13,107)	1,363	-	566	(11,178)
Prepaid items	4,128	1,644	11,786	-	17,558
Restricted assets, (Note 4)	-	-	-	-	-
Cash	-	-	-	-	-
Temporary cash investments	184,180	235,793	-	-	419,973
Capital assets, net of accumulated depreciation (Note 6)	14,192,849	1,742,922	7,899,904	-	23,835,675
Total assets	<u>18,210,501</u>	<u>8,391,333</u>	<u>8,563,027</u>	<u>218,346</u>	<u>35,383,207</u>
DEFERRED OUTFLOW OF RESOURCES					
PERS retirement contributions	233,918	97,334	60,174	-	391,426
LIABILITIES					
Accounts payable and accrued expenses	761,778	132,304	45,227	52,056	991,365
Current portion of long-term debt (Note 7)	138,002	-	460,000	-	598,002
Liabilities payable from restricted assets:	-	-	-	-	-
Accounts payable and accrued expenses	-	-	-	-	-
Builder compliance bonds and seized funds held	-	-	-	-	-
Customer deposits	184,180	235,793	-	-	419,973
Non-current liabilities:	-	-	-	-	-
Net pension liability	1,839,664	748,700	474,622	-	3,062,986
Bonds payable	-	-	3,055,000	-	3,055,000
Notes and leases payable	1,450,900	-	-	-	1,450,900
Compensated absences	61,669	34,819	16,319	-	112,807
Total liabilities	<u>4,436,193</u>	<u>1,151,616</u>	<u>4,051,168</u>	<u>52,056</u>	<u>9,691,033</u>
DEFERRED INFLOW OF RESOURCES					
PERS retirement	49,410	20,109	12,748	-	82,267
Unearned rental deposits	-	-	2,695	-	2,695
Property tax receivables not currently available	-	-	238,825	-	238,825
	<u>49,410</u>	<u>20,109</u>	<u>254,268</u>	<u>-</u>	<u>323,787</u>
NET POSITION					
Invested in capital assets, net of related debt	12,603,947	1,742,922	4,384,904	-	18,731,773
Restricted for:	-	-	-	-	-
Economic development	-	-	-	-	-
Tourism development	-	-	-	-	-
Debt service	-	-	-	-	-
Capital improvements	-	-	-	-	-
Other	-	-	-	-	-
Unrestricted	<u>1,354,869</u>	<u>5,574,020</u>	<u>(67,139)</u>	<u>166,290</u>	<u>7,028,040</u>
Total Net Position	<u>\$ 13,958,816</u>	<u>\$ 7,316,942</u>	<u>\$ 4,317,765</u>	<u>\$ 166,290</u>	<u>\$ 25,759,813</u>

See accompanying notes to financial statements.

CITY OF BATESVILLE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS-PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Water And Sewer <u>Fund</u>	Gas <u>Fund</u>	Civic Center <u>Fund</u>	Non-Major Sanitation <u>Fund</u>	Total Enterprise <u>Funds</u>
OPERATING REVENUES					
Charges for sales and services:					
Water sales	\$ 2,146,946	\$ -	\$ -	\$ -	\$ 2,146,946
Sewer sales	1,466,430	-	-	-	1,466,430
Gas sales	-	3,876,981	-	-	3,876,981
Facility fees	-	-	134,185	-	134,185
Sanitation fees	-	-	-	334,675	334,675
Other	95,837	72,922	3,194	8,721	180,674
Total operating revenues	<u>3,709,213</u>	<u>3,949,903</u>	<u>137,379</u>	<u>343,396</u>	<u>8,139,891</u>
OPERATING EXPENSES					
Natural gas purchases	-	1,707,798	-	-	1,707,798
Materials and supplies	264,195	85,381	20,827	-	370,403
Salaries and benefits	1,127,340	476,508	278,252	-	1,882,100
Professional services	183,596	81,969	32,842	306,760	605,167
Promoter fees & facility expenses	-	-	34,568	-	34,568
Utilities and telephone	341,858	33,340	141,510	-	516,708
Depreciation and amortization	818,737	91,037	275,872	-	1,185,646
Repairs	282,064	14,957	33,396	-	330,417
Insurance	85,736	21,948	55,369	-	163,053
Rents	17,561	556	3,990	-	22,107
Other	220,280	52,525	16,898	-	289,703
Less capitalized expenses	(51,561)	(16,240)	-	-	(67,801)
Total operating expenses	<u>3,289,806</u>	<u>2,549,779</u>	<u>893,524</u>	<u>306,760</u>	<u>7,039,869</u>
Operating income (loss)	<u>419,407</u>	<u>1,400,124</u>	<u>(756,145)</u>	<u>36,636</u>	<u>1,100,022</u>
NON-OPERATING REVENUE (EXPENSES)					
Grant income	604,645	127,258	-	-	731,903
Property taxes	-	-	236,121	-	236,121
Homestead exemption	-	-	4,523	-	4,523
Interest income	15,009	23,948	264	-	39,221
Interest expense	(27,361)	-	(107,499)	-	(134,860)
Paying agent fees	-	-	(645)	-	(645)
Miscellaneous	-	-	-	-	-
Total non-operating revenues (expenses)	<u>592,293</u>	<u>151,206</u>	<u>132,764</u>	<u>-</u>	<u>876,263</u>
Income (loss) before contributions & transfers	1,011,700	1,551,330	(623,381)	36,636	1,976,285
Transfers from other funds	-	10,634	910,000	-	920,634
Transfers to other funds	(10,634)	(1,946,398)	-	(50,000)	(2,007,032)
Change in net position	1,001,066	(384,434)	286,619	(13,364)	889,887
Total net position, beginning	14,559,117	8,353,095	4,444,289	179,654	27,536,155
Initial recognition of net pension liability (Note 9)	(1,601,367)	(651,719)	(413,143)	-	(2,666,229)
Total net position, ending	<u>\$ 13,958,816</u>	<u>\$ 7,316,942</u>	<u>\$ 4,317,765</u>	<u>\$ 166,290</u>	<u>\$ 25,759,813</u>

See accompanying notes to financial statements.

**CITY OF BATESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Water And Sewer Fund	Gas Fund	Civic Center Fund	Non-Major Sanitation Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 3,802,649	\$ 3,978,583	\$ 143,263	\$ 348,486	\$ 8,272,981
Payments to suppliers for goods and services	(642,993)	(1,966,512)	(362,264)	(305,335)	(3,277,104)
Payments to employees for services	(1,061,544)	(442,178)	(259,940)	-	(1,763,662)
Net cash provided (used) by operating activities	<u>2,098,112</u>	<u>1,569,893</u>	<u>(478,941)</u>	<u>43,151</u>	<u>3,232,215</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	10,634	254,154	37,983	302,771
Transfers to other funds	(49,505)	(1,946,398)	-	(50,000)	(2,045,903)
Other	-	12,066	-	-	12,066
Net cash provided (used) by non-capital financing activities	<u>(49,505)</u>	<u>(1,923,698)</u>	<u>254,154</u>	<u>(12,017)</u>	<u>(1,731,066)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Grant proceeds	509,136	110,841	-	-	619,977
Taxes received	-	-	240,407	-	240,407
Sale of assets	12,183	-	-	-	12,183
Acquisition and construction of capital assets	(2,758,005)	(194,355)	(25,579)	-	(2,977,939)
Proceeds from capital debt	-	-	-	-	-
Principal paid on capital debt	(141,666)	-	(547,702)	-	(689,368)
Interest paid on capital debt	(27,463)	-	(104,345)	-	(131,808)
Transfers from other funds for capital assets	-	-	655,846	-	655,846
Transfers to other funds for capital assets	-	-	-	-	-
Donations and other	-	-	-	-	-
Net cash provided (used) by capital financing activities	<u>(2,405,815)</u>	<u>(83,514)</u>	<u>218,627</u>	<u>-</u>	<u>(2,270,702)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Reductions (additions) to investments	2,296,872	4,062,097	-	-	6,358,969
Interest income	15,009	23,948	264	-	39,221
Net cash provided (used) by investing activities	<u>2,311,881</u>	<u>4,086,045</u>	<u>264</u>	<u>-</u>	<u>6,398,190</u>
Net increase (decrease) in cash and cash equivalents	1,954,673	3,648,726	(5,896)	31,134	5,628,637
Cash and cash equivalents, beginning	1,663,123	2,583,257	404,120	179,503	4,830,003
Cash and cash equivalents, ending	<u>\$ 3,617,796</u>	<u>\$ 6,231,983</u>	<u>\$ 398,224</u>	<u>\$ 210,637</u>	<u>\$ 10,458,640</u>

continued

See accompanying notes to financial statements.

**CITY OF BATESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS-continued
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Water And Sewer Fund	Gas Fund	Civic Center Fund	Non-Major Sanitation Fund	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 419,407	\$1,400,124	\$ (756,145)	\$ 36,636	\$1,100,022
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	818,737	91,037	275,872	-	1,185,646
Non-cash pension expense	53,789	19,756	14,053	-	87,598
Loss on disposition of equipment	121,364	-	-	-	121,364
(Increase) decrease in accounts receivable	84,589	24,765	5,724	5,090	120,168
(Increase) decrease in inventories	4,896	53,098	-	-	57,994
(Increase) decrease in prepaid items	-	-	-	-	-
Increase (decrease) in accounts payable and accrued expenses	586,483	(22,802)	(18,605)	1,425	546,501
Increase (decrease) in customer deposits	8,847	3,915	160	-	12,922
Total adjustments	1,678,705	169,769	277,204	6,515	2,132,193
Net cash provided (used) by operating activities	\$2,098,112	\$1,569,893	\$ (478,941)	\$ 43,151	\$3,232,215
NON-CASH INVESTING, CAPITAL, AND FINANCIAL ACTIVITIES:					
Acquisition of capital assets through accounts payables	\$ 651,863	\$ 4,200	\$ -	\$ -	\$ 656,063

See accompanying notes to financial statements

**CITY OF BATESVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Batesville, Mississippi (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City does not apply FASB pronouncements or APB opinions issued after November 30, 1989. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The City of Batesville is located in Panola County, Mississippi, was incorporated in 1866, and operates under an elected Mayor-Board of Aldermen form of government. The City provides the following services to the citizenry: general administration; water, sewer, gas, and garbage disposal; police and fire protection; economic development; street repair and library services. The primary sources of revenues are property taxes, utility billings and sales taxes. Various criteria are applied in order to determine the various funds and activities which should be reported as part of the City. Such criteria include oversight responsibility by the elected officials such as decision-making authority, accountability to the City, legal and fiscal responsibility, and inter-agency relationships. All agencies meeting the above criteria are included in the financial statements of the City. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Each blended component unit has a September 30 year end.

The Batesville Public Improvement Corporation is a non-profit organization formed in 1991 to construct and finance the new Batesville Library. The Corporation issued \$610,000 in "certificates of participation" which was used, along with a \$200,000 library grant obtained by the City, to construct and furnish a new library facility. The City's Mayor and Board of Aldermen also serve as the Corporation's Board of Directors, and the City was the Corporation's designated agent responsible for all phases of construction. During 1998, the Corporation incurred \$1,921,000 in notes payable to a commercial bank in order to fund the construction of a new post office. The building was leased to the Postal Service in 1998 and the lease was accounted for as a lease-sale. For financial reporting purposes, the Corporation is reported as a blended component unit as if it were part of the City's operations. The Corporation has no assets, liabilities or income.

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

B. Government-wide and Fund Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments.

Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Major revenue sources susceptible to accrual include: sales and use taxes, tourism taxes, property taxes, franchise taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. See Note 5 for information describing restricted assets.

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The City reports the following governmental funds:

- a) *General Fund* - The General Fund is the City's primary operating fund. It accounts for all financial resources of the City's general government, except those required to be accounted for in another fund.
- b) *Special Revenue Funds* - Special Revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes.
- c) *Debt Service Funds* - Debt Service Funds account for the servicing of general long-term debt.
- d) *Capital Projects Funds* - Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects (other than those financed by proprietary funds).

Proprietary Funds

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City reports the following proprietary funds:

- a) *Enterprise Funds* - Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business, primarily through user charges or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fiduciary Funds

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent.

- a) *Agency Funds* – Agency Funds are custodial in nature and do not present results of operations or have a measurement focus.

D. Major Funds

For 2015, the City reports the following major governmental funds:

General Fund- reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Tourism Tax Fund - This fund accounts for the collection and use of the City's Tourism Tax on motels and restaurants. The assets of the fund are used for the promotion of the City of Batesville.

The City reports the following major enterprise funds:

Water and Sewer Fund- accounts for the operating activities of the City's water, sewer and sewage treatment facility utility services.

Gas Fund- accounts for the operating activities of the City's natural gas utility services.

Multi-Purpose Building Fund- accounts for the operating activities of the City's multi-purpose building. This facility is used to both promote the City and local business enterprises, and provide a place for civic and cultural events.

E. Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates market. The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

F. Inventories and Prepaids

Inventories of the enterprise funds are stated at cost as determined by the moving average method.

The other governmental funds record inventoriable items as expenses when purchased, thus inventories of supplies on hand are not reported as assets.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

G. Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Following are the estimated useful lives used for computing depreciation:

Building and improvements	10-50 years
Equipment and fixtures	5-10 years
Water and sewerage plant	20-50 years
Gas system	10-40 years

H. Capitalized Interest

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. All repairs and maintenance are expensed as incurred. Interest costs charged to operations consist of the following:

Interest cost incurred	\$ 142,816
Decrease as a result of capitalizing interest as a cost of construction	<u>7,946</u>
Interest charges to operations	<u>\$ 134,870</u>

I. Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. The difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

J. Fund Equity

During 2011, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which established accounting and financial reporting requirements to improve the usefulness of information about fund balance in the governmental fund statements by providing clearer, more structured fund balance classifications and clarifying the definitions of existing governmental fund types. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

1. *Nonspendable* fund balance is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by formal action (ordinance) of the City Board.
4. *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts are determined by the City Board.
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

City management implemented this statement by performing a detailed review of each governmental fund's activities, fund sources and plans.

The City's Board is its highest level of decisions making authority, and fund balance commitments may be established, modified or rescinded by formal Board modification of the City budgets.

The City Board authorized the City Clerk to assign amounts for various purposes reflected in the City's adopted budgets.

Whenever there are options as to the payment of City expenses, it was determined that the order of the funds used would be:

1. Restricted
2. Committed
3. Assigned
4. Unassigned

K. Compensated Employee Absences

Employees can accumulate vacation days and sick days up to a maximum at which point any additional days are lost. Employees are completely vested in vacation

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

days up to the maximum in that they can take them or be paid for them upon termination. Sick days may be taken only for bona fide sickness and are lost upon termination of employment.

The City accrues compensated absences when vested. The current portions of the Governmental Funds' compensated absences liabilities are recorded as accrued liabilities. The current and noncurrent portions are recorded in the government-wide financial statements. The amount of vacation recognized as expense is the amount earned during the year.

L. 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 settlement amounts have not exceeded insurance coverage for the current year or the prior three years.

M. 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.

N. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

O. 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 and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, contributions made to the pension plan in the 2015 fiscal year and its proportionate share of Mississippi Public Employees' Retirement System (PERS) changes in actuarial assumptions and differences in expected and actual experience, resulting from the implementation of GASB Statement 68. 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 and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – intergovernmental and property taxes receivable, and deferrals

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

of pension expense that result from the implementation of GASB Statement 68.

Note 2. BUDGET POLICY

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

- A. Prior to September 30, the City Clerk submits to the Mayor and Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenses and 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 a public hearing is conducted on the budget.
- C. The budget as submitted is reviewed by the Mayor and Aldermen and necessary revisions are made to the budget. Then the budget is approved prior to September 30.
- D. The budget is formally revised during July of each year or anytime a deficit is indicated.
- 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 on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principle. Governmental accounting requires that the "budget to actual" statements be prepared according to budgetary laws and the statement of revenues, expenditures, and fund balance is 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. CASH AND INVESTMENTS

The City follows the practice of pooling the excess cash of all unrestricted funds, and investing the total in the most advantageous manner. Earnings of these investments are allocated among the participating funds based upon their relationship to the total investment. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Note 3. CASH AND INVESTMENTS-continued

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

The City's investment policy to address the above risks is to only invest in short term bank certificates of deposit or bank savings accounts. In addition, all such certificates of deposits or bank demand deposits are to be only with financial institutions that are members of the statewide Collateral Pool Program.

The City had deposits that exceeded 5% of the total City deposits in two different banks.

Deposits

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature. Under this program, the entity's funds are protected through a collateral pool administrated by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Category 1 - Insured

Category 2 - Collateralized by the state public funds guaranty pool

Category 3 - Uncollateralized

<u>Balance per Bank</u>	<u>Category</u>		
	<u>1</u>	<u>2</u>	<u>3</u>
\$ 19,832,000	\$1,023,000	\$ 18,809,000	\$ 0

These cash balances differ from the amounts shown in the financial statements because of in-transit items.

Investments

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City may invest its surplus funds in certificates of deposits, any bonds or direct obligations of the United States of America or the State of Mississippi, or in the bonds of any county, municipality or school district of Mississippi provided such bonds have been approved by a reputable bond attorney or have been validated by a decree of the Chancery Court.

Note 3. CASH AND INVESTMENTS-continued

Market value of the City's investments (bank savings accounts) was determined by the specific identification method based upon current yields of comparable saving account deposits.

Note 4. RECEIVABLES, UNCOLLECTIBLES AND DEFERRED REVENUE

Enterprise Receivables

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The enterprise funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivables past due more than 60 days. Related amounts are shown in the following table.

	<u>Water and Sewer</u>	<u>Gas</u>	<u>Civic Center</u>	<u>Sanitation</u>	<u>Total</u>
Accounts receivable	\$ 282,358	\$ 272,227	\$ 490	\$ 20,941	\$ 576,016
Less: allowance for uncollectible accounts	<u>(197,992)</u>	<u>(206,246)</u>	<u>(490)</u>	<u>(13,798)</u>	<u>(418,526)</u>
Net accounts receivable	<u>\$ 84,366</u>	<u>\$ 65,981</u>	<u>\$ 0</u>	<u>\$ 7,143</u>	<u>\$ 157,490</u>
Uncollectible bad accounts or (recoveries) netted with revenues	<u>\$ 18,102</u>	<u>\$ (7,014)</u>	<u>\$ 2,361</u>	<u>\$ (860)</u>	<u>\$ 12,589</u>

Significant receivables include amounts due from customers for utility services that are based on monthly cycle billings. These accounts receivables and related revenues are reported net of estimated uncollectibles. Customer deposits are obtained to assist in the collection of such receivables. Unbilled revenues at September 30, 2015 were approximately:

Water and Sewer	\$ 289,000
Gas	\$ 124,000
Sanitation	\$ 24,000

Tax and Intergovernmental Receivables

In the government-wide financial statements, the receivables and related revenues include all amounts due the City regardless of when cash is received. In the governmental fund financial statements, the revenues are offset and revenue recognition deferred by the amounts not received within 60 days of year end. Intergovernmental receivables are composed of:

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Note 4. RECEIVABLES, UNCOLLECTIBLES AND DEFERRED REVENUE-continued

Sales and tourism taxes	\$ 938,320
Homestead exemption	124,732
Grants receivable	319,684
County reimbursement and other	<u>46,659</u>
	<u>\$ 1,429,395</u>

Lease and Loan Receivables

During 1998, the City completed construction of the new post office building and entered into a lease-sale with the U.S. Postal Service. Minimum lease payments receivable at September 30, 2015 were:

	<u>Principal Portion</u>	<u>Interest Portion</u>	<u>Total Lease</u>
2016	\$ 175,010	\$ 32,977	\$ 207,987
2017	190,479	17,508	207,987
2018	<u>101,464</u>	<u>2,530</u>	<u>103,994</u>
	<u>\$ 466,953</u>	<u>\$ 53,015</u>	<u>\$ 519,968</u>

The grant proceeds of previous CDBG programs are being used to promote industrial growth by making loans to local concerns. All loan repayments will continue to be restricted to the Economic Development Program. Summaries of the gross loans at September 30, 2015 are:

	<u>Original Term</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Loan Balance</u>
Loan #1	10 years	2011	3.00%	\$ 119,953
Loan #2	5 years	2012	3.00%	41,128
Loan #3	10 years	2019	3.00%	414,591
Loan #4	10 years	2022	3.00%	51,869
Loan #5	10 years	2022	3.00%	<u>255,592</u>
				883,133
				<u>(345,887)</u>
				<u>\$ 537,246</u>

The estimated total amounts receivable for future years are approximately:

2016	\$ 345,887
2017	85,133
2018	87,079
2019	89,642
2020	61,980
Thereafter	<u>213,412</u>
	<u>\$ 883,133</u>

Note 4. RECEIVABLES, UNCOLLECTIBLES AND DEFERRED REVENUE-continued

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Gross loans	\$ 345,887	\$ 537,246	\$ 883,133
Allowance for uncollectibility	<u>(264,420)</u>	<u>(191,299)</u>	<u>(455,719)</u>
	<u>\$ 81,467</u>	<u>\$ 345,947</u>	<u>\$ 427,414</u>

The City also administers a program that provided funds to rehabilitate substandard housing for low income individuals. A portion of each loan is forgiven each year that the eligible party occupies the residence. The intent of the program was that loan payment was not expected unless there was a balance due upon the death or abandonment by the eligible party.

Total City loans consisted of the following:

	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Post Office	\$ 175,010	\$ 291,943	\$ 466,953
Economic development	345,887	537,246	883,133
Home program	<u>0</u>	<u>54,855</u>	<u>54,855</u>
	520,897	884,044	1,404,941
Allowance for uncollectability	<u>(264,420)</u>	<u>(231,539)</u>	<u>(495,959)</u>
	<u>\$ 256,477</u>	<u>\$ 652,505</u>	<u>\$ 908,982</u>

Management monitors the adequacy of the allowance for loan losses in order to maintain it at a level deemed adequate to absorb potential losses. Management's determination of the allowance is based on the evaluation of the loan portfolio, past experience, current economic conditions and other relevant factors. Additions to the allowance account are charged against earnings. Loans which in the opinion of management are uncollectible are charged to the allowance account. For 2015, the City had an allowance for loan losses of \$495,959

The following is a summary of information pertaining to impaired loans at September 30, 2015:

Impaired loans without a valuation allowance	\$ 119,953
Impaired loans with a valuation allowance	<u>455,720</u>
Total impaired loans	<u>\$ 575,673</u>
Average investment in impaired loans	<u>\$ 576,734</u>
Interest income recognized on impaired loans	<u>\$ 566</u>

Note 4. RECEIVABLES, UNCOLLECTIBLES AND DEFERRED REVENUE-continued

No additional funds are committed to be advanced in connection with impaired loans.

Changes in the allowance for loan losses were as follows:

Balance at beginning of year	\$ 498,464
Payments on reserved loans	0
Adjustments for home loans	<u>(2,505)</u>
Balance at end of year	<u>\$ 495,959</u>

Note 5. RESTRICTED ASSETS

Certain assets are restricted for construction funded through long-term debt, federal grants and debt service. In addition, certain assets are held as deposits and are only potentially available for City use.

	<u>General</u>	<u>Water and Sewerage</u>	<u>Gas</u>	<u>Other</u>	<u>Total</u>
Capital additions	\$ 0	\$ 0	\$ 0	\$ 96,913	\$ 96,913
Customer deposits	0	184,180	235,793	0	419,973
Building compliance bonds	3,099	0	0	0	3,099
Excess tax collection and other	0	0	0	75,208	75,208
Tourism	0	0	0	823,482	823,482
Economic development	0	0	0	<u>1,298,982</u>	<u>1,298,982</u>
	<u>\$ 3,099</u>	<u>\$184,180</u>	<u>\$ 235,793</u>	<u>\$2,294,585</u>	<u>\$ 2,717,657</u>

Note 6. CAPITAL ASSETS

The following table provides a summary of changes in capital assets during 2015:

	Not Depreciated		Depreciated			
	Land	Construction In Progress	Buildings and Improvements	Infrastructure	Furniture and Equipment	Total
<u>Governmental Activities</u>						
Balance, 9/30/14	\$ 1,444,533	\$ 47,410	\$ 6,271,809	\$ 22,592,747	\$ 6,701,119	\$ 37,057,618
Increases	380,123	477,550	54,495	452,176	241,241	\$ 1,605,585
Decreases	-	-	-	-	(362,986)	(362,986)
Transfers	-	-	-	-	2,500	2,500
Balance, 9/30/15	<u>1,824,656</u>	<u>524,960</u>	<u>6,326,304</u>	<u>23,044,923</u>	<u>6,581,874</u>	<u>38,302,717</u>
<u>Accumulated Depreciation</u>						
Balance, 9/30/14	-	-	2,970,172	14,839,951	5,309,803	23,119,926
Increases	-	-	202,870	893,972	382,355	1,479,197
Decreases	-	-	-	-	(351,201)	(351,201)
Transfers	-	-	-	-	2,500	2,500
Balance, 9/30/15	<u>-</u>	<u>-</u>	<u>3,173,042</u>	<u>15,733,923</u>	<u>5,343,457</u>	<u>24,250,422</u>
Capital Assets, Net	<u>\$ 1,824,656</u>	<u>\$ 524,960</u>	<u>\$ 3,153,262</u>	<u>\$ 7,311,000</u>	<u>\$ 1,238,417</u>	<u>\$ 14,052,295</u>
<u>Business type Activities</u>						
Balance, 9/30/14	\$ 438,500	\$ -	\$ 10,699,547	\$ 29,550,633	\$ 2,772,824	\$ 43,461,504
Increases	-	543,134	4,647	2,274,231	155,928	2,977,940
Decreases	-	-	-	(315,642)	(63,539)	(379,181)
Transfers	-	-	-	-	(2,500)	(2,500)
Balance, 9/30/15	<u>438,500</u>	<u>543,134</u>	<u>10,704,194</u>	<u>31,509,222</u>	<u>2,862,713</u>	<u>46,057,763</u>
<u>Accumulated Depreciation</u>						
Balance, 9/30/14	-	-	2,692,174	16,480,823	2,111,578	21,284,575
Increases	-	-	275,193	741,659	168,794	1,185,646
Decreases	-	-	-	(224,009)	(21,624)	(245,633)
Transfers	-	-	-	-	(2,500)	(2,500)
Balance, 9/30/15	<u>-</u>	<u>-</u>	<u>2,967,367</u>	<u>16,998,473</u>	<u>2,256,248</u>	<u>22,222,088</u>
Capital Assets, Net	<u>\$ 438,500</u>	<u>\$ 543,134</u>	<u>\$ 7,736,827</u>	<u>\$ 14,510,749</u>	<u>\$ 606,465</u>	<u>\$ 23,835,675</u>
Total Capital Assets, Net	<u>\$ 2,263,156</u>	<u>\$ 1,068,094</u>	<u>\$ 10,890,089</u>	<u>\$ 21,821,749</u>	<u>\$ 1,844,882</u>	<u>\$ 37,887,970</u>

Depreciation expense was charged to City functions as follows:

<u>Governmental Activities</u>		<u>Business-type</u>	<u>Activities</u>
General	\$ 53,584	Water & Sewer	\$ 818,737
Police	139,873	Gas	91,037
Code	14,454	Civic Center	<u>275,872</u>
Court	4,122		\$ 1,185,646
Fire	188,872		
Streets	953,966		
Sanitation	3,667		
Parks	88,557		
Library	<u>32,102</u>		
	\$1,479,197		

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Note 7. LONG-TERM DEBT

The City's long-term debt is made up of general obligation bonds, revenue bonds, and notes payable. General obligation bonds are direct obligations, and pledge the full faith and credit of the City. Revenue debt is payable solely from the revenues of the underlying facilities. The City also incurs debt in the form of various notes 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 such 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 above, bonds issued for school purposes, bonds payable exclusively from the revenues of any municipally- owned utility, general obligation industrial bonds issued under the provisions of Sections 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, 2015 is approximately:

<u>15% Limit</u>	<u>20% Limit</u>
<u>\$15,505,000</u>	<u>\$21,845,000</u>

Note 7. LONG-TERM DEBT – continued

Detail of bonds and notes outstanding:

				<u>September 30, 2015 Balance</u>	
				<u>Governmental Activities</u>	<u>Business-type Activities</u>
				<u>Original Amount</u>	
				<u>Maturity Date</u>	
				<u>Issue Date</u>	
				<u>Interest Rates</u>	
General Obligations Bonds:					
General Obligation Bonds-Series 2011	2.00% to 2.50%	11-22-11	07-01-22	\$ 5,300,000	\$ 3,515,000
Revenue Bonds:					
Combined Water and Sewer System Tax Increment Limited Obligation Bond	3.50% to 4.50%	10-01-03	10-01-17	750,000	0
Other Issued Debt:					
Note Payable:					
State of Mississippi	3.00%	09-09-99	09-01-19	211,650	50,394
State of Mississippi	3.00%	03-07-00	03-01-20	395,853	109,303
State of Mississippi	3.00%	08-07-01	08-01-16	269,358	18,634
State of Mississippi	3.00%	08-03-01	03-01-22	200,000	77,505
State of Mississippi	2.00%	05-16-03	05-01-23	294,848	127,382
Bank	8.50%	11-07-96	11-01-17	1,921,000	0
SRF Loan – Auto meters	1.95%	07-21-13	03-01-34	864,400	827,604
SRF Loan - GE/Covenant Crossing	1.75%	07-13-10	03-01-31	129,030	378,080
				<u>396,998</u>	<u>0</u>
				<u>0</u>	<u>827,604</u>
				<u>0</u>	<u>378,080</u>
				<u>\$ 541,998</u>	<u>\$ 5,103,902</u>

Note 7. LONG-TERM DEBT - continued

The following is a summary of changes in long-term debt for the year ended September 30, 2015:

	<u>Balance</u> <u>9-30-14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9-30-15</u>	<u>Due within</u> <u>One year</u>
Governmental Activities:					
Tax Increment Limited					
Obligation Bonds	\$ 210,000	\$ 0	\$ 65,000	\$ 145,000	\$ 70,000
Blended Component unit:					
Notes Payable Post Office	<u>556,171</u>	<u>0</u>	<u>159,173</u>	<u>396,998</u>	<u>173,090</u>
	766,171	0	224,173	541,998	243,090
Compensated absences	341,901	21,533	0	363,434	37,763
Net Pension Liability	<u>0</u>	<u>11,551,983</u>	<u>1,245,321</u>	<u>10,306,662</u>	<u>0</u>
Total Governmental	<u>1,108,072</u>	<u>11,573,516</u>	<u>1,469,494</u>	<u>11,212,094</u>	<u>280,853</u>
Business-type Activities:					
General Obligations Bonds:					
Major Enterprise Funds:					
Civic Center	<u>3,960,000</u>	<u>0</u>	<u>445,000</u>	<u>3,515,000</u>	<u>460,000</u>
Notes Payable:					
Major Enterprise Funds:					
Water and Sewer	1,730,568	0	141,666	1,588,902	138,002
Civic Center	<u>102,702</u>	<u>0</u>	<u>102,702</u>	<u>0</u>	<u>0</u>
Total notes payable	<u>1,833,270</u>	<u>0</u>	<u>244,368</u>	<u>1,588,902</u>	<u>138,002</u>
Compensated Absences:					
Major Enterprise Fund:					
Water and Sewer	64,950	2,435	0	67,385	5,716
Gas	26,795	8,024	0	34,819	0
Civic Center	<u>20,716</u>	<u>1,488</u>	<u>0</u>	<u>22,204</u>	<u>5,886</u>
	<u>112,461</u>	<u>11,947</u>	<u>0</u>	<u>124,408</u>	<u>11,602</u>
Net Pension Liability:					
Major Enterprise Fund:					
Water and Sewer	0	2,061,945	222,281	1,839,664	0
Gas	0	839,163	90,463	748,700	0
Civic Center	<u>0</u>	<u>531,969</u>	<u>57,347</u>	<u>474,622</u>	<u>0</u>
	<u>0</u>	<u>3,433,077</u>	<u>370,091</u>	<u>3,062,986</u>	<u>0</u>
Total Business Type	<u>5,905,731</u>	<u>3,445,024</u>	<u>1,059,459</u>	<u>8,291,296</u>	<u>609,604</u>
Total Long-Term Debt	<u>\$ 7,013,803</u>	<u>\$15,018,540</u>	<u>\$ 2,528,953</u>	<u>\$19,503,390</u>	<u>\$ *890,457</u>

*Includes the current portion of compensated absences and net pension liability.

Note 7. LONG-TERM DEBT – continued

The annual debt service requirements of long-term debt as of September 30, 2015 are as follows:

Governmental Activities

	<u>Revenue Bonds</u>		<u>Notes and Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 70,000	\$ 6,163	\$ 173,090	\$ 27,001
2017	75,000	3,187	188,469	11,622
2018	0	0	35,439	359
2019	0	0	0	0
2020	0	0	0	0
2021-2025	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 145,000</u>	<u>\$ 9,350</u>	<u>\$ 396,998</u>	<u>\$ 38,982</u>

Total Governmental Debt Issued

Serviced by General Fund

	<u>Principal</u>	<u>Interest</u>
2016	\$ 243,090	\$ 33,164
2017	263,469	14,809
2018	35,439	359
2019	0	0
2020	0	0
2021-2025	<u>0</u>	<u>0</u>
Totals	<u>\$ 541,998</u>	<u>\$ 48,332</u>

Business-Type Activities

	<u>Notes Payable Major Enterprise Fund Water and Sewer</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 138,002	\$ 30,957
2017	123,972	28,478
2018	126,902	25,547
2019	126,977	22,550
2020	104,379	19,798
2021-2025	398,999	71,826
2026-2030	366,684	37,357
2031-2035	<u>202,987</u>	<u>6,549</u>
Total	<u>\$1,588,902</u>	<u>\$ 243,062</u>

Note 7. LONG-TERM DEBT – continued

	General Obligation Bonds Major Enterprises Fund <u>Civic Center Building</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 460,000	\$ 100,800
2017	470,000	89,300
2018	485,000	77,550
2019	500,000	63,000
2020	515,000	48,000
2021-2025	1,085,000	49,050
2026-2030	0	0
2031-2035	0	0
Total	<u>\$3,515,000</u>	<u>\$ 427,700</u>

	Total Business-Type <u>Debt Issued</u>	
2016	\$ 598,002	\$ 131,757
2017	593,972	117,778
2018	611,902	103,097
2019	626,977	85,550
2020	619,379	67,798
2021-2025	1,483,999	120,876
2026-2030	366,684	37,357
2031-2035	202,987	6,549
Total	<u>\$5,103,902</u>	<u>\$ 670,762</u>

Note 8. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and assets acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

The governmental and business type funds financial statements, presented as the statement of net assets and the statement of activities generally reflect such transactions as transfers. Balances at September 30, 2015, were:

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Note 8. INTERFUND TRANSACTIONS- continued

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 1,896,398	\$ 75,200
Tourism	0	810,000
Non-major governmental funds	75,200	0
Water and Sewer fund	0	10,634
Gas fund	10,634	1,946,398
Civic Center fund	910,000	0
Non-major business-type fund	<u>0</u>	<u>50,000</u>
	<u>\$ 2,892,232</u>	<u>\$ 2,892,232</u>

Individual fund interfund receivable and payable balances at September 30, 2015 arising from these transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 40,283	\$ 0
Non-major governmental funds	278	29,207
Water and Sewer fund	113,481	126,588
Gas fund	115,677	114,314
Civic Center fund	0	176
Non-major business-type funds	<u>10,251</u>	<u>9,685</u>
	<u>\$ 279,970</u>	<u>\$ 279,970</u>

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

Note 9. DEFINED BENEFIT PENSION PLAN

Plan Description – The City of Batesville contributes to the Public Employees’ Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Note 9. DEFINED BENEFIT PENSION PLAN- continued

Funding Policy – PERS members were required to contribute 9.0% of their annual covered salary and City of Batesville is required to contribute at an actuarially determined rate which is currently 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Batesville's contributions to PERS for the years ending September 30, 2015, 2014 and 2013 were \$886,463 \$842,542, and \$787,993 respectively, equal to the required contributions for each year.

During 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*. The implementation of the standard required the City to record its proportionate share of PERS' beginning net Pension liability and the effects on net position of contributions made by the City during the measurement period. As a result, beginning net position for Batesville's governmental and business-type activities decreased by \$8,971,609 and \$2,666,229 respectively. The restatement of net position was made entirely to unrestricted net position.

At September 30, 2015, the City reported net pension liability in its governmental and business-type activities of \$10,306,662 and \$3,062,986 respectively for a total of \$13,369,648. The total pension assets and liabilities used to calculate the net pension liability were determined by an actuarial valuation for a measurement date of June 30, 2015. The City's proportion of the net pension liability was based on its total employer contribution for the year ended June 30, 2015 relative to all member employer contributions for the same period. The City's proportion at June 30, 2015 and 2014 was 0.086490% and 0.089505% respectively.

For the year ended September 30, 2015, the City recognized pension expense of \$1,271,890. At September 30, 2015, 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	\$ 310,613	\$ 0
Changes of assumption	1,151,749	0
Net difference between projected and actual earnings on pension plan investments	0	359,087
City contributions subsequent to the measurement date	245,108	0
Total	\$ 1,707,470	\$ 359,087

The \$245,108 reported as deferred outflows of resources related to pensions resulted from City contributions subsequent of the measurement date, and will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. The other amounts reported as deferred outflows / inflows of resources will be reported as reductions in net liabilities/pension expense as follows:

Note 9. DEFINED BENEFIT PENSION PLAN- continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 803,100	\$ 184,884
2017	545,033	184,884
2018	359,337	184,886
2019	0	(195,567)
2020	0	0
Thereafter	0	0
	<u>\$ 1,707,470</u>	<u>\$ 359,087</u>

A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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 and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. The PERS plan financial report is included in the Comprehensive Annual Financial Report of the Public Employees' Retirement System available at www.PERS.ms.gov.

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Note 9. DEFINED BENEFIT PENSION PLAN- continued

The total pension liability was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34.00%	5.20%
International Equity	19.00	5.00
Emerging Markets	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
Total	100.00%	

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.

Note 9 . DEFINED BENEFIT PENSION PLAN- continued

Sensitivity of 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 one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease	Current Rate	1% Increase
	(6.75%)	(7.75%)	(8.75%)
City's proportionate share of			
Pension liability	<u>\$17,622,421</u>	<u>\$13,369,648</u>	<u>\$9,840,642</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued 2015 PERS Comprehensive Annual Report on the PERS website, www.PERS.ms.gov for collective calculations and note disclosures.

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

Note 10. OPERATING LEASES

The City periodically leases various equipment on monthly or as-needed basis; but has no long-term, non-cancelable operating leases. Rental expense for 2015 was:

General Fund	\$ 56,303
Water and Sewer fund	17,561
Gas fund	556
Civic Center fund	<u>3,990</u>
	<u>\$ 78,410</u>

Note 11. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 11. COMMITMENTS AND CONTINGENCIES - continued

The City is periodically exposed to various claims against it, as well as to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance, and settled claims from these risks have not exceeded the insurance coverage for the last three years. There were no significant reductions in insurance coverage during the current year. While at September 30, 2015 the City was involved in certain legal proceedings, it is City management's opinion that the ultimate disposition of these will not have a materially adverse impact on the City's financial statements.

The City intends to continue street expansion and improvement projects in 2016 with estimated costs of \$325,000. The project will be funded primarily through City operations.

The City continues the improvement of the water and sewer systems in the East part of town. The cost is expected to be approximately \$716,000 and will be funded \$175,000 by grants with the balance by City operations.

The City also hopes to build another fire station for approximately \$1.2 million, with the costs to be funded 50% through grants.

There are also plans for the parks department to build a walking trail for approximately \$100,000 to be fully funded by grants; and to begin renovations of City Hall at an estimated cost of \$100,000 which will be funded through city operations.

Note 12. ERROR CORRECTION

During 2015, it was determined that an error was made when adjusting the governmental funds presentation to that used in the Statement of Net Position and the Statement of Activities. The impact on the 2014 financial statements was:

	<u>Over Stated</u>
Cash	\$ 207,987
Other general revenues	\$ 207,987
Net position	\$ 207,987

Note 13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 5, 2016 which is the date the financial statements were available to be issued.

CITY OF BATESVILLE, MISSISSIPPI
CITY OF BATESVILLE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
September 30, 2015

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Batesville's proportion of the net pension liability (%)	0.089505%	0.086490%	-	-	-	-	-	-	-	-
Batesville's proportion of the net pension liability (\$)	\$ 10,864,268	\$ 13,369,648	-	-	-	-	-	-	-	-
Batesville's covered-employee payroll	\$ 5,439,789	\$ 5,641,028	-	-	-	-	-	-	-	-
Batesville's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.72%	237.01%	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	67.21%	67.21%	-	-	-	-	-	-	-	-

This schedule is presented to illustrate information for 10 years. However, until a full 10-year trend is completed, information is presented for those years for which information is available.

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CITY OF BATESVILLE, MISSISSIPPI
EMPLOYER CONTRIBUTIONS
TO PUBLIC EMPLOYEE RETIREMENT SYSTEM OF MISSISSIPPI
September 30, 2015

Fiscal year ended	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Statutorily required employer contributions	\$ 856,768	\$ 888,463	-	-	-	-	-	-	-	-
Contributions in relation to statutorily required contributions	\$ 856,768	\$ 888,463	-	-	-	-	-	-	-	-
Annual contributions deficiency (excess)	\$ -	\$ -	-	-	-	-	-	-	-	-
Covered employee payroll	\$ 5,439,789	\$ 5,641,028	-	-	-	-	-	-	-	-
Actual contributions as a percentage of covered-employee payroll	15.75%	15.75%								

This schedule is presented to illustrate information for 10 years. However, until a full 10-year trend is completed, information is presented for those years for which information is available.

CITY OF BATESVILLE
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2015

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Amount</u>
Jerry Autrey	Mayor	Liberty Mutual Surety	\$ 50,000
Teddy Morrow	Alderman	Liberty Mutual Surety	100,000
William W. Dugger	Alderman	Liberty Mutual Surety	100,000
Ted Stewart	Alderman	Liberty Mutual Surety	100,000
Eddie Nabors	Alderman	Liberty Mutual Surety	100,000
Stanley B. Harrison	Alderman	Liberty Mutual Surety	100,000
Susan B. Berryhill	City Clerk	Liberty Mutual Surety	50,000
William A. Jones	Chief of Police	Liberty Mutual Surety	50,000

CITY OF BATESVILLE
GENERAL FUND
STATEMENT OF RECEIPTS, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL(NON-GAAP BUDGETARY BASIS)
YEAR ENDED SEPTEMBER 30, 2015

	ORIGINAL 2015 <u>BUDGET</u>	INCREASE <u>(DECREASE)</u>	AMENDED 2015 <u>BUDGET</u>	Total <u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
<u>REVENUES</u>					
Ad valorem Taxes	\$ 3,133,000	\$ 12,000	\$ 3,145,000	\$ 3,071,345	\$ (73,655)
Court Fines and Bonds	3,000	1,000	4,000	5,872	1,872
Fire Protection	43,000	-	43,000	48,680	5,680
In Lieu of Taxes	432,000	136,000	568,000	360,061	(207,939)
Interest Earned	35,000	-	35,000	37,343	2,343
Licenses	79,000	-	79,000	89,713	10,713
Park and Recreation Fees	25,000	-	25,000	17,863	(7,137)
Permits	68,700	1,000	69,700	41,680	(28,020)
Police Fines	257,200	100	257,300	238,251	(19,049)
Refunds and Rebates	65,000	2,000	67,000	39,410	(27,590)
State of MS-Sales Tax	3,200,000	-	3,200,000	4,169,261	969,261
State of MS-Streets	10,000	-	10,000	6,946	(3,054)
Taxes-Franchise	320,000	12,000	332,000	304,554	(27,446)
Taxes-Road	485,000	-	485,000	385,516	(99,484)
Rents and Miscellaneous	270,400	7,000	277,400	274,650	(2,750)
Grants	454,500	(10,000)	444,500	121,425	(323,075)
State of MS-Homestead Exemption	104,000	-	104,000	125,515	21,515
Total Receipts	<u>8,984,800</u>	<u>161,100</u>	<u>9,145,900</u>	<u>9,338,085</u>	<u>192,185</u>
<u>EXPENDITURES</u>					
General:					
Personnel Services	(463,000)	17,000	(480,000)	(465,784)	14,216
Supplies	(25,000)	4,500	(29,500)	(10,407)	19,093
Other Services and Charges	(461,000)	162,400	(623,400)	(482,264)	141,136
Capital Outlay	(60,000)	100,000	(160,000)	(7,219)	152,781
Debt Retirement	-	-	-	-	-
	<u>(1,009,000)</u>	<u>283,900</u>	<u>(1,292,900)</u>	<u>(965,674)</u>	<u>327,226</u>
Police Department:					
Personnel Services	(2,721,000)	175,000	(2,896,000)	(2,773,419)	122,581
Supplies	(202,700)	-	(202,700)	(139,990)	62,710
Other Services and Charges	(1,176,100)	17,800	(1,193,900)	(900,064)	293,836
Capital Outlay	(481,900)	97,100	(579,000)	(198,202)	380,798
Debt Retirement	-	-	-	-	-
	<u>(4,581,700)</u>	<u>289,900</u>	<u>(4,871,600)</u>	<u>(4,011,675)</u>	<u>859,925</u>

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CITY OF BATESVILLE
GENERAL FUND
STATEMENT OF RECEIPTS, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-continued
YEAR ENDED SEPTEMBER 30, 2015

	ORIGINAL 2015 BUDGET	INCREASE (DECREASE)	AMENDED 2015 BUDGET	Total Actual	Favorable (Unfavorable) Variance
City Code:					
Personnel Services	\$ (199,000)	\$ 10,000	\$ (209,000)	\$ (196,740)	\$ 12,260
Supplies	(10,800)	700	(11,500)	(5,340)	6,160
Other Services and Charges	(74,100)	1,300	(75,400)	(53,608)	21,792
Capital Outlay	(9,000)	10,000	(19,000)	(2,109)	16,891
	<u>(292,900)</u>	<u>22,000</u>	<u>(314,900)</u>	<u>(257,797)</u>	<u>57,103</u>
City Court:					
Personnel Services	(159,000)	26,000	(185,000)	(176,443)	8,557
Supplies	(7,600)	-	(7,600)	(2,014)	5,586
Other Services and Charges	(77,700)	7,200	(84,900)	(70,392)	14,508
Capital Outlay	(15,000)	-	(15,000)	(3,887)	11,113
	<u>(259,300)</u>	<u>33,200</u>	<u>(292,500)</u>	<u>(252,736)</u>	<u>39,764</u>
Fire Department:					
Personnel Services	(1,330,000)	75,000	(1,405,000)	(1,207,693)	197,307
Supplies	(65,000)	1,000	(66,000)	(36,836)	29,164
Other Services and Charges	(370,100)	25,200	(395,300)	(279,823)	115,477
Capital Outlay	(529,500)	(89,500)	(440,000)	(118,615)	321,385
Debt Retirement	-	-	-	-	-
	<u>(2,294,600)</u>	<u>11,700</u>	<u>(2,306,300)</u>	<u>(1,642,967)</u>	<u>663,333</u>
Street Maintenance:					
Personnel Services	(876,000)	150,000	(1,026,000)	(820,224)	205,776
Supplies	(150,500)	7,500	(158,000)	(127,639)	30,361
Other Services and Charges	(442,800)	51,800	(494,600)	(276,245)	218,355
Capital Outlay	(2,142,000)	1,163,000	(3,305,000)	(882,271)	2,422,729
Debt Retirement	-	-	-	-	-
	<u>(3,611,300)</u>	<u>1,372,300</u>	<u>(4,983,600)</u>	<u>(2,106,379)</u>	<u>2,877,221</u>
Public Health and Sanitation:					
Personnel Services	(269,000)	10,000	(279,000)	(254,932)	24,068
Supplies	(94,500)	-	(94,500)	(46,603)	47,897
Other Services and Charges	(83,700)	24,800	(108,500)	(64,017)	44,483
Capital Outlay	(45,000)	-	(45,000)	(9,219)	35,781
Debt Retirement	-	-	-	-	-
	<u>(492,200)</u>	<u>34,800</u>	<u>(527,000)</u>	<u>(374,771)</u>	<u>152,229</u>
Parks and Recreation:					
Personnel Services	(225,000)	-	(225,000)	(190,892)	34,108
Supplies	(45,500)	1,000	(46,500)	(16,979)	29,521
Other Services and Charges	(151,050)	7,550	(158,600)	(63,430)	95,170
Capital Outlay	(185,200)	(10,200)	(175,000)	(20,726)	154,274
	<u>(606,750)</u>	<u>(1,650)</u>	<u>(605,100)</u>	<u>(292,027)</u>	<u>313,073</u>

CITY OF BATESVILLE
GENERAL FUND
STATEMENT OF RECEIPTS, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)-continued
YEAR ENDED SEPTEMBER 30, 2015

	ORIGINAL 2015 BUDGET	INCREASE (DECREASE)	AMENDED 2015 BUDGET	Total Actual	Favorable (Unfavorable) Variance
Library:					
Personnel Services	\$ (123,000)	\$ 30,000	\$ (153,000)	\$ (119,300)	\$ 33,700
Supplies	(7,000)	500	(7,500)	(4,247)	3,253
Other Services and Charges	(191,900)	5,100	(197,000)	(148,539)	48,461
Capital Outlay	(30,000)	12,000	(42,000)	(4,603)	37,397
Debt Retirement	-	-	-	-	-
	<u>(351,900)</u>	<u>47,600</u>	<u>(399,500)</u>	<u>(276,689)</u>	<u>122,811</u>
Total General Fund Expenditures	<u>(13,499,650)</u>	<u>2,093,750</u>	<u>(15,593,400)</u>	<u>(10,180,715)</u>	<u>5,412,685</u>
Excess Receipts (Expenditures)	<u>(4,514,850)</u>	<u>1,932,650</u>	<u>(6,447,500)</u>	<u>(842,630)</u>	<u>5,604,870</u>
OTHER FINANCING SOURCES (USES)					
Interfund Transfers In	3,000,000	501,900	3,501,900	1,896,398	(1,605,502)
Interfund Transfers Out	(602,000)	(1,983,500)	(2,585,500)	(86,378)	2,499,122
Sale of City Assets	20,000	2,000	22,000	13,200	(8,800)
Debt Proceeds	-	-	-	-	-
Net other financing sources (uses)	<u>2,418,000</u>	<u>(1,479,600)</u>	<u>938,400</u>	<u>1,823,220</u>	<u>884,820</u>
Excess (deficiency) of receipts and other sources over (under) expenditures and other uses	<u>(2,096,850)</u>	<u>3,412,250</u>	<u>(5,509,100)</u>	<u>980,590</u>	<u>6,489,690</u>
Fund balance, beginning	<u>5,890,271</u>	<u>-</u>	<u>5,890,271</u>	<u>5,890,271</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,793,421</u>	<u>\$ 3,412,250</u>	<u>\$ 381,171</u>	<u>6,870,861</u>	<u>\$ 6,489,690</u>
Adjustments to GAAP basis:					
Accrued revenues				118,146	
Accounts payable paid after October				<u>16,774</u>	
Fund balance, ending (GAAP basis)				<u>\$ 7,005,781</u>	

CITY OF BATESVILLE
TOURISM TAX FUND
STATEMENT OF RECEIPTS, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL(NON-GAAP BUDGETARY BASIS)
YEAR ENDED SEPTEMBER 30, 2015

	ORIGINAL 2015 BUDGET	INCREASE (DECREASE)	AMENDED 2015 BUDGET	Total Actual	Favorable (Unfavorable) Variance
<u>REVENUES</u>					
Tourism Tax	\$ 1,200,000	\$ -	\$ 1,200,000	\$ 1,189,438	\$ (10,562)
Interest Income	500	-	500	329	(171)
Total Receipts	1,200,500	-	1,200,500	1,189,767	(10,733)
<u>EXPENDITURES</u>					
Tourism Expense	(175,000)	5,000	(180,000)	(64,879)	115,121
Other Services and Charges	(2,900)	100	(3,000)	(1,122)	1,878
Total Expenditures	(177,900)	5,100	(183,000)	(66,001)	116,999
Excess Receipts (Expenditures)	1,022,600	(5,100)	1,017,500	1,123,766	106,266
<u>OTHER FINANCING SOURCES (USES)</u>					
Interfund Transfers Out	(1,062,500)	(162,500)	(900,000)	(852,500)	47,500
Excess (deficiency) of receipts and other sources over (under) expenditures and other uses	(39,900)	157,400	117,500	271,266	153,766
Fund balance, beginning	701,858	-	701,858	701,858	-
Fund balance, ending	<u>\$ 661,958</u>	<u>\$ 157,400</u>	<u>\$ 819,358</u>	973,124	<u>\$ 153,766</u>
Adjustments to GAAP basis:					
Accrued revenues				6,486	
Accounts payable paid after October				<u>42,500</u>	
Fund balance, ending (GAAP basis)				<u>\$ 1,022,110</u>	

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**CITY OF BATESVILLE, MISSISSIPPI
PROPERTY TAX RECONCILIATION
FOR THE YEAR ENDING SEPTEMBER 30, 2015**

	<u>Assessed Value</u>	<u>Tax</u>
<u>ASSESSED VALUATION</u>		
Realty	\$ 59,298,560	
Personal - other than auto	57,597,721	
Public Utilities	1,432,750	
Auto and mobile homes	<u>8,472,442</u>	
Total City @ 28.05 Mills	<u>\$ 126,801,473</u>	\$ 3,556,781
Less:		
Homestead exemption allowed		(130,506)
Tax exempt properties		(91,845)
Add:		
Actual homestead reimbursement		130,119
Prior year tax collections		0
In lieu of taxes		<u>360,061</u>
Total to be accounted for		<u>\$ 3,824,610</u>

	<u>Taxes, Penalties, Interest</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
<u>CREDITS</u>			
Collections allocated to:			
General Fund	\$ 2,466,508	\$ 125,515	
Fire Protection	29,475	-	
Library	575,361	-	
Civic Center Debt	<u>235,804</u>	<u>4,603</u>	
Totals	<u>\$ 3,307,148</u>	<u>\$ 130,118</u>	\$ 3,437,266
In lieu of taxes			360,061
Balance represented by:			
Unknown variance			<u>27,283</u>
Total accounted for:			<u>\$ 3,824,610</u>

CITY OF BATESVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Federal Agency/ Pass-through entity Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Homeland Security</u>			
Passed through Mississippi Department of Public Safety Homeland Security Grant	97.067	11HSS111T	\$ <u>11,925</u>
<u>U.S. Department of Transportation</u>			
Passed through Mississippi Department of Transportation: Highway Planning and Construction	20.205	STP-0012-00(027)	<u>80,353</u>
<u>U.S. Department of Justice</u>			
Direct Program: Bulletproof Vest Partnership Program	16.607		<u>1,500</u>
<u>Appalachian Regional Commission</u>			
Passed through Mississippi Development Authority Appalachian Area Development Grant	23.002	MS-17963	<u>124,654</u>
<u>Environmental Protection Agency</u>			
Direct Program: Congressionally Mandated Projects	66.202	XP-00DO1812	<u>479,991</u>
<u>Total of all Federal Awards</u>			\$ <u>698,423</u>

See accompanying notes to schedule to expenditures of federal awards.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING SEPTEMBER 30, 2015**

Note 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Batesville, Mississippi under programs of the federal government for the year ended September 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Batesville, Mississippi, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Batesville, Mississippi.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. A reconciliation to the amounts reported as grants in the Statement of Activities is:

Operating grants and contributions	\$ 4,886
Capital grants and contributions	1,262,279
Less amounts of contributions	(371,484)
Less amounts of state grants	<u>(197,258)</u>
	<u>\$ 698,423</u>

A reconciliation from the cash basis expenditures to the accrual basis is:

Cash basis federal	\$ 470,748
Accrued and recognized in 2015	303,267
Accrued and recognized in 2014	<u>(75,592)</u>
	<u>\$ 698,423</u>

CITY OF BATESVILLE
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDING SEPTEMBER 30, 2015

Findings 2014-001: Financial Statements and Related Disclosures.

Condition: This finding was a material weakness stating the City relies on its outside auditors for the preparation of external financial statements and related footnote disclosures.

Current Status: The city continues to feel that the outsourcing continues to be less costly than establishing internal controls over hiring and continually training the necessary staff to perform these tasks.

Finding 2014-002: Utility Billing Software and Reports.

Condition: This finding was a material weakness in that the various utility billing reports were not being adequately reviewed for accuracy and reconciled to actual cash activity.

Recommendation: It was recommended that additional training be obtained from the software provider, and that a closer review of the reports be performed.

Current Status: Additional training was obtained for the utility clerks, and additional report review procedures were established and implemented. While this resulted in more accurate billings, we noted that errors continue to occur involving the accurate allocation of cash collections among the various utility funds. This is reported as finding 2015-002.

Finding 2014-003: Utility Customer Deposits.

Condition: This finding was a material weakness whereby the application of customer deposits were not reflected in the various utility funds.

Recommendation: It was recommended that the utilization of customer deposits be entered into a spreadsheet, with the resulting monthly totals entered into the appropriate funds through a combination of cash transactions and adjusting entries.

Current Status: While it was noted that the customer deposit information was now being entered into spreadsheets, the resulting applications among the utility funds were still not being made. This is reported as finding 2015-003.

Finding 2014-004: Utility Billing Adjustments.

Condition: This finding was a significant deficiency whereby not all documentation required by the City to support adjustments to customer utility bills was being retained.

Recommendation: It was recommended that full supporting documentation of the circumstances involved along with managerial approval be obtained and retained.

Current Status: The recommendation was adopted in fiscal 2015, and no similar findings were noted during the 2015 audit.

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CITY OF BATESVILLE
SCHEDULE OF PRIOR AUDIT FINDINGS - continued
FOR THE YEAR ENDING SEPTEMBER 30, 2015

Environmental Protection Agency

Finding 2014-005: Congressionally Mandated Projects.

Condition: This finding was a significant deficiency whereby a project contractor was paid in excess of the accepted bid amounts.

Recommendation: It was recommended that greater care be taken in verifying the completeness and accuracy of grant-related reports, and that internal audit functions be expanded to reconcile such report activity to the City's general ledger detail.

Current Status: The recommendation was adopted and the overpayment collected in March, 2015. No similar findings were noted in the 2015 audit.

WILLIAM H. POLK & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and Board of Aldermen
City of Batesville, 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, each major fund, and the aggregate remaining fund information of City of Batesville, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Batesville, Mississippi's basic financial statements and have issued our report thereon dated May 5, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses, and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will

not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-001, and 2015-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Batesville, 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 *Governmental Auditing Standards*.

We noted certain matters that are reported in the accompanying report on compliance with the requirements of the office of the state auditor dated May 5, 2016.

City of Batesville, Mississippi's Response to Findings

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

Purpose of this Report

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

Wm. H. Bell & Co.

Batesville, Mississippi
May 5, 2016

WILLIAM H. POLK & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and Board of Aldermen
City of Batesville, Mississippi

Report on Compliance for Each Major Federal Program

We have audited City of Batesville, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Batesville, Mississippi's major federal programs for the year ended September 30, 2015. City of Batesville, Mississippi's major federal programs are identified in the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Batesville, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Batesville, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Batesville, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Batesville, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of City of Batesville, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Batesville, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Batesville, Mississippi's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wm. H. Polk & Co.

Batesville, Mississippi
May 5, 2016

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CITY OF BATESVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

- Material weaknesses identified x yes no
- Significant deficiencies identified that are not considered to be material weaknesses x yes none reported
- Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified yes x no
- Significant deficiencies identified that are not considered to be material weaknesses yes x none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes x no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
23.002	Appalachian Regional Commission Appalachian Area Development
66.202	Congressionally Mandated Projects

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes x no

CITY OF BATESVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -continued
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Section 2: Findings – Financial Statement Audit

2015-001 Financial Statements and Related Disclosures

Condition: As is common for governments of this type and size, the City relies on its outside auditors for the preparation of external financial statements and related footnote disclosures.

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

Cause: Due to the size limitations and workload requirements of the City's small staff, the City has not designed internal control procedures for preparing external financial statements in accordance with GAAP.

Effect: The City must incur the expense of outsourcing the preparation of its external financial statements, related footnote disclosures and required supplemental information.

Recommendation: Due to the limited size of the City's staff and the cost of hiring and maintaining additional qualified personnel, no immediate change is felt to be warranted or recommended.

Response: We agree with the findings, but feel that the City is best served by continuing to outsource the preparation of such financial statements. This is less costly than establishing the internal controls over hiring and continually training the necessary staff to perform these tasks.

CITY OF BATESVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -continued
FOR THE YEAR ENDED SEPTEMBER 30, 2015

2015-002 Utility Collection Allocation

Condition: As the City's utility billing software does not allocate cash collections among the various utility funds, the City utilizes spreadsheets to compute allocations based upon billing percentages. However, it was noted that these allocation reports were not always used to make accurate and timely cash transfers among the utility funds.

Criteria: Accurate and timely allocations of utility collections should be made so that each funds financial statements can be accurately prepared.

Cause: A combination of staff reassignments, increased workload, and a change-over in bookkeeping software during 2015.

Effect: Significant errors may occur in the financial statements, as well as misleading cash balances among the utility funds.

Recommendation: Once the cash allocation spreadsheets are approved, the appropriate cash transfers should be made and recorded that business day.

Response: We agree with the finding, and will implement the proper use of the spreadsheets.

2015-003 Utility Customer Deposits

Condition: As the City's utility software does not allocate the application of customer deposits among the various utility funds, the City maintains separate spreadsheets that calculate the proper allocation. However, the monthly results were not appropriately entered into the various funds general ledgers.

Criteria: Each municipal fund's activity is to be accounted for separately and accurately.

Cause: While the spreadsheets were maintained, the monthly totals were not recorded by a combination of adjusting entries and actual cash transfers.

Effect: The individual utility funds may not provide for accurate financial information.

Recommendations: At least at the end of each month. The approved activity of the spreadsheet should be reflected in the utility funds by the means of actual cash transfers.

Response: We agree with the finding, and will implement the proper use of the spreadsheets

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CERTIFIED PUBLIC ACCOUNTANTS

A Professional Association

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

Honorable Mayor and Board of Aldermen
City of Batesville, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Batesville, Mississippi as of and for the year ended September 30, 2015 which collectively comprise the City of Batesville, Mississippi's basic financial statements and have issued our report thereon dated May 5, 2016.

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.

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

The results of those procedures and our audit of the general purpose financial statements disclosed the following immaterial instance of noncompliance with state laws and regulations.

2014-005 Budgets

Condition and Effect: The City had 4 instances whereby expenditures exceeded budgeted amounts. Two of these related to interfund transfers and one related to capital expenditures.

Criteria: The City is required, by state statutes, to prepare budgets for all funds to the City and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts.

Cause: It was apparent that the City reviews and amends its budgets. However, certain expenditures were under estimated.

Recommendation: Greater care should be taken when projecting expenditures during the amendment process.

Response: We agree with the findings and will make every effort to adequately budget all expenditures.

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

Wm. H. Bell & Co.

Batesville, Mississippi
May 5, 2016

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