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**City of Brookhaven  
Mississippi**

P. O. BOX 560

ZIP 39602-0560

**"HOMESEEKERS' PARADISE  
JOE COX, MAYOR  
PHONE 601-833-1414  
FAX 601-833-0787**

**ALDERMEN/ALDERWOMEN:  
KAREN SULLIVAN  
RANDY BELCHER  
TERRY L. BATES, SR.  
MRS. JERRY L. WILSON  
SHIRLEY ESTES  
FLETCHER GRICE  
DAVID PHILLIPS**

**MICHAEL JINKS, CITY CLERK  
BOBBY BELL, CHIEF OF POLICE**

December 29, 2016

Office of the State Auditor  
P.O. Box 956  
Jackson, MS 39205

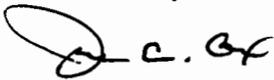
Re: Annual Municipal Audit

Accompanying this letter are two hard copies and one electronic copy of the annual audit of the City of Brookhaven, Mississippi, for the fiscal year ending September 30, 2015.

There was **no** management letter written to the City.

If you require any further information, Please do not hesitate to let us know.

Sincerely,

  
Joe C. Cox,  
Mayor

Enclosures





CITY OF BROOKHAVEN, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015









**CITY OF BROOKHAVEN, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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**CITY OF BROOKHAVEN, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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Max Halley PLLC

Certified Public Accountant

## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Alderman  
Brookhaven, Mississippi

### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brookhaven, 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.



**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-11 and 41-42 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 Brookhaven, Mississippi's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the 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.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016, on our consideration of the City of Brookhaven, 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 Brookhaven, Mississippi's internal control over financial reporting and compliance.

*Max Halley PLLC*

Max Halley PLLC  
Brookhaven, Mississippi

October 26, 2016





**MANAGEMENT'S DISCUSSION AND ANALYSIS**



# City of Brookhaven Mississippi

P. O. BOX 560

ZIP 39602-0560

“HOMESEEKERS’ PARADISE  
JOE COX, MAYOR  
PHONE 601-833-1414  
FAX 601-833-0787

## MANAGEMENT’S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Brookhaven’s financial performance provides an overall narrative review of the City’s financial activities for the fiscal year ended **September 30, 2015**. The City’s financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. To the extent this discussion contains any forward-looking statements of the City’s plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein. The discussion focuses on the City’s primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board’s (GASB) Statement No. 34 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments issued June 1999.

### Financial Highlights

The City’s assets exceeded its liabilities by \$51,815,491 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$50,946,392.

Total net position is comprised of the following:

- (1) Net investment in capital assets, of \$40,083,116 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net position of \$1,461,702 is restricted by constraints imposed from outside the city such as debt covenants, grantors, laws, or regulations.
- (3) Unrestricted net position of \$10,270,673 represents the portion available to maintain the City’s continuing obligations to citizens and creditors.

The City’s governmental funds reported total ending fund balance of \$8,367,692 this year. This compares to the prior year ending fund balance of \$7,986,691 showing an increase of \$381,001 during the year.

Total liabilities of the City increased by \$1,775,531 to \$11,573,008 during the fiscal year.

### Overview of the financial statements

Management’s Discussion and Analysis introduces the City’s basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

### *Government-wide Financial Statements*

The City’s annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.



The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, culture and recreation. Business-type activities include water utilities and solid waste management. Fiduciary activities such as the Separate School District Fund are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting includes the funds of the City (primary government) and organizations for which the City is accountable (component units). Some of these legally separate organizations operate like City departments. This type organization is blended into the primary government for financial reporting purposes. An example of a blended organization would be the Brookhaven Airport Authority. Other component units operate more independently or provide services directly to the citizens though the City remains accountable for their activities. These organizations, such as the City of Brookhaven Parks and Recreation Commission are reported separately from the primary government though included in the City's overall reporting entity. More comprehensive information about the City's component unit can be found in Note 1B.

#### *Fund Financial Statements*

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has three kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements focus on spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's current financial requirements. Governmental funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the City's operations.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to the government-wide statements to assist in understanding the differences between these two perspectives. These reconciliations are on pages 17 and 20 respectively.



Budgetary comparison statements are included in the basic financial statements for the general fund and major special revenue fund. Budgetary comparison schedules for other special revenue funds and the debt service fund can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water department and the solid waste department. Internal service funds provide services and charge fees to customers within the City organization such as equipment services (repair and maintenance of City vehicles). The City of Brookhaven does not maintain any internal service funds.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds and individual component units.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's programs. The accrual basis of accounting is used for fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are presented in separate Statements of Fiduciary Net Position on pages 24-25.

#### *Note to the financial statements*

The accompanying notes to the financial statements provide information that is essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-39 of this report.

Major funds and component units are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major and internal service funds are presented in a subsequent section of this report.



## Financial Analysis of the City as a Whole

The City's net position at fiscal year-end is \$51,815,491. This is a \$869,099 increase over last year's net position of \$50,946,392. The following table provides a summary of the City's net position for the fiscal year ended September 30, 2015.

The following tables provide a summary of the City's changes in net position:

	Summary of Net Position					
	Governmental Activities		Business-type Activities		Totals	
	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015
Current and other assets	\$ 11,857,530	\$ 12,513,596	\$ 4,061,883	\$ 4,578,099	\$ 15,919,413	\$ 17,091,695
Capital assets	31,268,275	30,757,670	13,251,529	15,176,297	44,519,834	45,933,967
Restricted assets			304,622	362,837	304,622	362,837
Total assets	<u>43,125,805</u>	<u>43,271,266</u>	<u>17,618,064</u>	<u>20,117,233</u>	<u>60,743,869</u>	<u>63,388,499</u>
Long-term liabilities	2,810,734	2,420,579	717,029	3,094,852	3,527,763	5,515,431
Other liabilities	<u>4,456,347</u>	<u>4,735,761</u>	<u>1,813,367</u>	<u>1,321,816</u>	<u>6,6269,714</u>	<u>6,057,577</u>
Total liabilities	<u>7,267,081</u>	<u>7,156,340</u>	<u>2,530,396</u>	<u>4,416,668</u>	<u>9,797,477</u>	<u>11,573,008</u>
Net Position:						
Net Investment in						
Capital Assets	28,134,709	28,001,671	11,828,697	12,081,445	39,963,406	40,083,116
Restricted	374,650	291,078	1,541,731	1,170,624	1,916,381	1,461,702
Unrestricted	<u>7,349,365</u>	<u>7,822,177</u>	<u>1,717,240</u>	<u>2,2248,496</u>	<u>9,066,605</u>	<u>10,270,673</u>
Total net position	<u>\$35,858,724</u>	<u>\$ 36,114,926</u>	<u>\$ 15,087,668</u>	<u>\$15,700,565</u>	<u>\$50,946,392</u>	<u>\$51,815,491</u>



Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 338,787	\$ 306,196	\$3,605,209	\$3,883,448	\$ 3,943,996	\$ 4,189,644
Grants and Contributions	1,941,832	719,441			1,941,832	719,441
General revenues						
Property taxes	3,607,433	3,449,692	394,450	514,758	4,001,883	3,964,450
Penalties and interest	112,594	128,712			112,594	128,712
License and Permits	82,412	115,861			82,412	115,861
Fines and forfeitures	319,876	289,701			319,876	289,701
In lieu taxes	41,018	59,247			41,018	59,247
Franchise tax	568,419	537,532			568,419	537,532
Grand Gulf Nuclear Plant	156,534	172,411			156,534	172,411
Sales tax	5,403,285	5,646,672			5,403,285	5,646,672
Gasoline tax	33,504	22,855			33,504	22,855
Homestead	172,213	182,898	22,551	23,214	194,764	206,112
Fire	66,089	57,400			66,089	57,400
Miscellaneous	318,885	79,211		1,570	318,885	80,781
Interest income	7,440	8,137	4,041	1,822	11,481	9,959
Rent	54,793	76,628			54,793	76,628
Transfers	(747,950)	11,098	11,950	180,000	(736,000)	191,098
<b>Total revenues</b>	<b>12,477,164</b>	<b>11,863,692</b>	<b>4,038,202</b>	<b>4,604,812</b>	<b>16,515,365</b>	<b>16,468,504</b>
<b>Expenses:</b>						
General government	2,165,785	2,511,508			2,165,785	2,511,508
Police administration	2,682,593	2,804,075			2,682,593	2,804,075
Police court	152,647	158,224			152,647	158,224
Fire administration	2,346,067	2,408,639			2,346,067	2,408,639
Building inspection	94,635	98,439			94,635	98,439
City streets	1,571,090	1,567,052			1,571,090	1,567,052
Traffic department	105,103	104,106			105,103	104,106
Airport	431,584	416,212			431,584	416,212
Cemetery	235,180	212,191			235,180	212,191
Interest on long term debt	131,687	2,430			131,687	2,430
Support appropriations	356,676	1,324,614			356,676	1,324,614
Water and sewer			2,784,615	2,700,397	2,784,615	2,700,397
Solid waste			1,309,531	1,291,518	1,309,531	1,291,518
<b>Total expenses</b>	<b>10,273,047</b>	<b>11,607,490</b>	<b>4,094,145</b>	<b>3,991,915</b>	<b>14,367,193</b>	<b>15,599,405</b>
<b>Change in net position</b>	<b>2,204,117</b>	<b>256,202</b>	<b>(55,944)</b>	<b>612,897</b>	<b>2,148,172</b>	<b>869,099</b>
<b>Beginning net position</b>	<b>33,654,607</b>	<b>35,858,724</b>	<b>15,143,613</b>	<b>15,087,668</b>	<b>48,798,220</b>	<b>50,946,392</b>
<b>Ending net position</b>	<b>\$35,858,724</b>	<b>\$36,114,926</b>	<b>\$15,087,668</b>	<b>\$15,700,565</b>	<b>\$50,946,392</b>	<b>\$51,815,491</b>





## Financial Analysis of the City's Funds

### Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$8,367,692. Of this year-end total \$7,156,802 is unassigned indicating availability for continuing City service requirements. The remainder is restricted fund balance \$371,284; nonspendable fund balance of \$54,019 and committed fund balance of \$785,587.

The total ending fund balances of governmental funds show an increase of \$381,001 from the prior year.

### Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased by \$453,925.

### General Fund Budgetary Highlights

The General Fund budget for expenditures for fiscal year 2015 was \$11,377,553. This was a decrease of \$767,109 from the prior year's amended budget.

### Capital Asset and Debt Administration

#### Capital assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2015 was \$30,757,670 and \$15,176,297 respectively. The net change for this investment was a 2% decrease for governmental and a increase of 15% for business-type activities. The overall increase was 3% for the City as a whole.

	Capital Assets Net of Accumulated Depreciation					
	Governmental Activities		Business-type Activities		Totals	
	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015
Non Depreciable Assets:						
Land/Land Improvements	\$ 7,167,867	\$ 6,349,992	\$ 84,499	\$ 84,499	\$ 7,252,366	\$ 6,434,491
Depreciable Assets:						
Building	7,586,289	7,481,316			7,586,289	7,481,316
Improvements other than bldg	12,877,651	13,354,616	12,821,632	14,774,574	25,699,283	28,129,190
Machinery & equipment	3,636,468	3,571,746	345,427	317,224	3,981,895	3,888,970
<b>Total</b>	<b>\$31,268,275</b>	<b>\$30,757,670</b>	<b>\$13,251,558</b>	<b>\$15,176,297</b>	<b>\$ 44,519,833</b>	<b>\$45,933,967</b>



**Long-term debt**

At the end of the fiscal year, the City had total debt outstanding of \$5,850,851. Of this amount, \$2,951,370 is backed by the full faith and credit of the City (general obligation bonds) with debt service fully funded by voter-approved property taxes. \$2,600,000 is supported by pledged revenue generated primarily by the business-type activities of the City (revenue bonds). A capital lease was acquired during the year for a new fire truck. The balance of the lease is \$299,481 at the end of the year.

	Outstanding Bonds and Notes					
	Governmental Activities		Business-type Activities		Totals	
	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015
General Obligation bonds and notes	\$ 2,531,053	\$ 2,356,518	\$ 847,862	\$ 594,852	\$ 3,378,915	\$ 2,951,370
Revenue bonds and notes	195,000	100,000	575,000	2,500,000	770,000	2,600,000
Capital Lease	407,513	299,481	0	0	407,513	299,481
<b>Total</b>	<b>\$ 3,133,556</b>	<b>\$ 2,755,999</b>	<b>\$ 1,422,862</b>	<b>\$ 3,094,852</b>	<b>\$4,556,428</b>	<b>\$5,850,851</b>

**Economic Factors and Next Year's Budgets and Rates**

The city leadership's primary objective when creating the budget is to provide city services while at the same time attempting to keep property tax rates low.

The City of Brookhaven is one of the major commercial centers for Southwest Mississippi. Our economic base of retail sales in this region has remained steady even in the current economic climate. Because of this, the City is not dependent on any particular business to maintain its tax base. We have been able to see a steady tax base this year and experience a stable economy from economic development and moderate employment growth.

The City of Brookhaven has the following projects that will be of benefit to the Municipality.

- 1) Annexation: The city is continuing to take steps to implement the services and facilities plan. The board has begun the process of securing funding for the expansion of water and sewer services and has adopted a plan for this expansion.
- 2) Linbrook Business Park: The City will continue working with the Chamber of Commerce and the I.D.F. in efforts to secure new industries for the park.
- 3) Downtown Business District: The Downtown Business District shows continued growth and improvement and the city feels that this growth will continue.
- 4) FEMA 361 SHELTER: Work on the F.E.M.A. 361 Shelter has been completed and this grant has been closed.
- 5) American Rail Car: The A.R.I. project has been completed and this grant has been closed.



- 6) Public Safety (Police/Fire): The City will continue to utilize various grants for the improvement of the Police department and Fire departments.
- 7) Street overlays: The City has funding in place for the overlay of Brookway Boulevard from Highway 51 east to Monticello Street and has approved a long term paving plan.
- 8) Bethel Park: The City, additional funding from Pearl River Basin Development District and Lincoln County has installed a "Spray Pad" in Bethel Park. This is the third spray park in the City of Brookhaven.
- 9) Other Projects: The City has received grants for a M.D.O.T. "Safe Routes to School" for sidewalks around Alexander Jr. High School, and Blue Cross Blue Shield "Healthy Home Town" grant which was used to put a walking trail at Bi-Centennial park.

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**BASIC FINANCIAL STATEMENTS**



**STATEMENT OF NET POSITION**  
**CITY OF BROOKHAVEN, MISSISSIPPI**  
**SEPTEMBER 30, 2015**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 7,813,950	\$ 3,440,017	\$ 11,253,967	\$ 244,968
Cash-Certificate of Deposit	383,381	-	383,381	-
Accounts receivables	-	423,485	423,485	-
Intergovernmental receivables	47,408	123,329	170,737	-
Federal receivable	-	-	-	-
Taxes receivable	4,169,484	515,119	4,684,603	-
Other receivable	45,354	-	45,354	-
Inventories	54,019	76,149	130,168	-
Capital assets				
Land and other improvements	6,349,992	84,499	6,434,491	-
Other capital assets, net	24,407,678	15,091,798	39,499,476	-
Restricted assets:				
Customer deposits	-	362,837	362,837	-
<b>Total assets</b>	<b>43,271,266</b>	<b>20,117,233</b>	<b>63,388,499</b>	<b>244,968</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	607,016	284,360	891,376	-
Deferred revenue	3,491,480	422,442	3,913,922	-
Intergovernmental payables	47,408	194,730	242,138	-
Compensated absences	234,462	31,909	266,371	-
Accrued interest expense	19,975	14,582	34,557	-
Other accrued expenses	-	10,956	10,956	-
Customer deposits	-	362,837	362,837	-
Long term liabilities - notes:				
Due within one year	335,420	131,162	466,582	-
Due within more than one year	2,420,579	2,963,690	5,384,269	-
<b>Total liabilities</b>	<b>7,156,340</b>	<b>4,416,668</b>	<b>11,573,008</b>	<b>-</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	28,001,671	12,081,445	40,083,116	-
Restricted for debt services	291,078	1,170,624	1,461,702	-
Unrestricted	7,822,177	2,448,496	10,270,673	244,968
<b>Total net position</b>	<b>\$ 36,114,926</b>	<b>\$ 15,700,565</b>	<b>\$ 51,815,491</b>	<b>\$ 244,968</b>

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



**STATEMENT OF ACTIVITIES**  
**CITY OF BROOKHAVEN, MISSISSIPPI**  
**YEAR ENDED SEPTEMBER 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 2,511,508	\$ 568	\$ -	\$ 719,441	\$ (1,791,499)
Police administration	2,804,075	-	32,400	-	(2,771,675)
Police court	158,224	-	-	-	(158,224)
Fire administration	2,408,639	-	-	-	(2,408,639)
Building inspection	98,439	-	-	-	(98,439)
City streets	1,567,052	-	-	-	(1,567,052)
Traffic department	104,106	-	-	-	(104,106)
Airport	416,212	203,321	25,000	-	(187,891)
Cemetery	212,191	44,907	-	-	(167,284)
Interest on long term debt	2,430	-	-	-	(2,430)
Disposal of assets	-	-	-	-	-
Support appropriations	1,324,614	-	-	-	(1,324,614)
Total governmental activities	<u>11,607,490</u>	<u>248,796</u>	<u>57,400</u>	<u>719,441</u>	<u>(10,581,853)</u>
Business-type activities:					
Water and sewer	2,700,397	2,768,100	-	-	67,703
Solid waste	1,291,518	1,115,348	-	-	(176,170)
Total business-type activities	<u>3,991,915</u>	<u>3,883,448</u>	<u>-</u>	<u>-</u>	<u>(108,467)</u>
Total primary government	<u>\$ 15,599,405</u>	<u>\$ 4,132,244</u>	<u>\$ 57,400</u>	<u>\$ 719,441</u>	<u>\$ (10,690,320)</u>
<b>Component units:</b>					
Parks and recreation commission	\$ 1,050,873	\$ 252,950	\$ -	\$ -	\$ (797,923)
Total component units	<u>\$ 1,050,873</u>	<u>\$ 252,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (797,923)</u>

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



**STATEMENT OF ACTIVITIES ( continued)**  
**CITY OF BROOKHAVEN, MISSISSIPPI**  
**YEAR ENDED SEPTEMBER 30, 2015**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Change in net position:</b>				
<b>Net (expense) revenue</b>	<b>\$ (10,581,853)</b>	<b>\$ (108,467)</b>	<b>\$ (10,690,320)</b>	<b>\$ (797,923)</b>
<b>General Revenues:</b>				
<b>Taxes:</b>				
Property taxes	3,449,465	514,758	3,964,223	-
Penalties and interest	128,712	-	128,712	-
License and Permits	115,861	-	115,861	-
Fines and Forfeitures	289,701	-	289,701	-
In lieu taxes	59,247	-	59,247	-
Franchise tax	537,532	-	537,532	-
Grand Gulf Nuclear Plant	172,411	-	172,411	-
Sales tax	5,646,672	-	5,646,672	-
Gasoline tax	22,855	-	22,855	-
Homestead reimbursement	182,898	23,214	206,112	-
Hotel/Motel tax	7,340	-	7,340	-
Federal Sources	109,539	-	109,539	-
Miscellaneous	19,959	1,570	21,529	-
Interest income	8,137	1,822	9,959	-
Rent	76,628	-	76,628	-
Transfers	11,098	180,000	191,098	869,919
<b>Total general revenues     and transfers</b>	<b>10,838,055</b>	<b>721,364</b>	<b>11,559,419</b>	<b>869,919</b>
<b>Change in net position</b>	<b>256,202</b>	<b>612,897</b>	<b>869,099</b>	<b>71,996</b>
<b>Net position - beginning</b>	<b>35,858,724</b>	<b>15,087,668</b>	<b>50,946,392</b>	<b>172,972</b>
<b>Net position - ending</b>	<b>\$ 36,114,926</b>	<b>\$ 15,700,565</b>	<b>\$ 51,815,491</b>	<b>\$ 244,968</b>

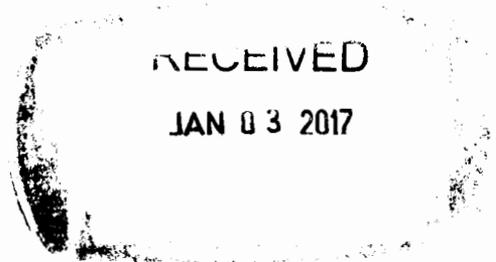
The accompanying notes to the financial statements are an integral part of this statement.



**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**CITY OF BROOKHAVEN, MISSISSIPPI**  
**SEPTEMBER 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,698,695	\$ 1,115,255	\$ 7,813,950
Cash-Certificate of Deposit	383,381	-	383,381
Receivables:			
Sales tax	500,237	-	500,237
Property taxes	3,669,247	-	3,669,247
Federal receivable	-	-	-
Due from other funds	68,475	169,178	237,653
Other	44,006	1,348	45,354
Inventories	54,019	-	54,019
<b>Total assets</b>	<b>11,418,060</b>	<b>1,285,781</b>	<b>12,703,841</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	497,334	109,682	607,016
Deferred revenue	3,491,480	-	3,491,480
Due to other funds	218,425	19,228	237,653
Other accrued expenses	-	-	-
<b>Total liabilities</b>	<b>4,207,239</b>	<b>128,910</b>	<b>4,336,149</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventory	54,019	-	54,019
Restricted:			
Debt service	-	371,284	371,284
Committed:			
Capital Improvements	-	785,587	785,587
Unassigned	7,156,802	-	7,156,802
<b>Total fund balances</b>	<b>7,210,821</b>	<b>1,156,871</b>	<b>8,367,692</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,418,060</b>	<b>\$ 1,285,781</b>	<b>\$ 12,703,841</b>

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





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

Total fund balance - total governmental funds	\$ 8,367,692
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$48,230,829, net of accumulated depreciation of \$17,473,159, are	30,757,670
Accrued compensated absences are not reported in the funds.	(234,462)
Accrued interest expense is not reported in the funds.	(19,975)
Bonds payable are not included in the funds.	(2,410,000)
Notes payable are not included in the funds.	(345,999)
Net position of governmental activities.	<u>\$ 36,114,926</u>

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



**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**CITY OF BROOKHAVEN, MISSISSIPPI**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b><u>REVENUES</u></b>			
General property taxes			
Current year	\$ 3,529,041	\$ 283,312	\$ 3,812,353
Prior year	116	-	116
Penalties and interest on		-	
Delinquent taxes	128,712	-	128,712
License and permits	115,861	-	115,861
Fines and penalties	289,701	-	289,701
In lieu taxes	59,247	-	59,247
Franchise taxes:	537,352	-	537,352
Intergovernmental Revenue:		-	
Federal sources	609,906	109,535	719,441
State sources:		-	
Grand Gulf Nuclear Plant	172,411	-	172,411
Sales tax	5,646,672	-	5,646,672
State gasoline tax	22,855	-	22,855
Homestead reimbursement	182,898	-	182,898
Hotel/Motel Tax	7,340	-	7,340
State grants	-	-	-
County sources	20,000	-	20,000
Charges for services:		-	
City clerk's office	568	-	568
Airport	228,321	-	228,321
Cemetery	44,907	-	44,907
Rent	76,628	-	76,628
Drug task force reimbursements	37,850	-	37,850
Interest	6,815	1,322	8,137
Miscellaneous	109,859	-	109,859
<b>Total Revenues</b>	<b>\$ 11,827,060</b>	<b>\$ 394,169</b>	<b>\$ 12,221,229</b>

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



**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (CONTINUED)**  
**CITY OF BROOKHAVEN, MISSISSIPPI**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>EXPENDITURES</u></b>			
General Government	\$ 727,316	\$ -	\$ 727,316
Police Administration	2,804,075	-	2,804,075
Municipal Court	158,224	-	158,224
Fire Administration	2,408,639	-	2,408,639
Building Inspection	98,439	-	98,439
City Streets	1,419,913	-	1,419,913
Traffic Department	104,106	-	104,106
Airport	216,212	-	216,212
Cemetery	212,191	-	212,191
Support Appropriations	1,324,614	-	1,324,614
Debt Service:			
Principal	24,535	245,000	269,535
Interest	2,430	119,611	122,041
<b>Total Expenditures</b>	<b>9,500,694</b>	<b>364,611</b>	<b>9,865,305</b>
<b>Excess &lt;deficiency&gt; of revenues over expenditures</b>	<b>2,326,366</b>	<b>29,558</b>	<b>2,355,924</b>
<b><u>OTHER FINANCING SOURCES &lt;USES&gt;</u></b>			
Construction	(1,640,702)	(156,482)	(1,797,184)
Machinery and Equipment	(186,837)	-	(186,837)
Paying Agent and Professional Fees	-	(2,000)	(2,000)
Operating transfers	(44,902)	56,000	11,098
<b>Net Other Financing Sources &lt;Uses&gt;</b>	<b>(1,872,441)</b>	<b>(102,482)</b>	<b>(1,974,923)</b>
<b>Net change in fund balances</b>	<b>453,925</b>	<b>(72,924)</b>	<b>381,001</b>
<b>Fund balances beginning</b>	<b>6,756,896</b>	<b>1,229,795</b>	<b>7,986,691</b>
<b>Fund balances ending</b>	<b>\$ 7,210,821</b>	<b>\$ 1,156,871</b>	<b>\$ 8,367,692</b>

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



**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
CITY OF BROOKHAVEN, MISSISSIPPI  
SEPTEMBER 30, 2015**

Net change in fund balances - total governmental funds	\$	381,001
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,984,021 exceeded depreciation of \$1,676,752 in the current period.		307,269
Repayment of debt principal is an expenditure in the governmental funds, but the expenditure reduces long-term liabilities in the statement of net position.		269,535
The issuance of new debt is shown as income in the governmental funds, but the issuance increases long-term liabilities in the statement of net position.		(709,842)
The decrease in compensated absences reported in the statement of activities does not require the use of current financial resources and are not reported as expenditures in governmental funds.		2,880
The decrease in accrued interest expense is not reported in the fund statements, but it is reported in the statement of activities.		5,359
Change in net position of governmental activities.	<u>\$</u>	<u>256,202</u>

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



**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**CITY OF BROOKHAVEN, MISSISSIPPI**  
**SEPTEMBER 30, 2015**

	<u>Water &amp; Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and other deposits	\$ 1,648,604	\$ 1,791,413	\$ 3,440,017
Due from other funds	19,228	104,101	123,329
Accounts receivable	333,648	89,837	423,485
Property taxes receivable	-	515,119	515,119
Inventory	76,149	-	76,149
<b>Total current assets</b>	<u>2,077,629</u>	<u>2,500,470</u>	<u>4,578,099</u>
Restricted assets:			
Customer deposits	362,837	-	362,837
	<u>362,837</u>	<u>-</u>	<u>362,837</u>
Non-current assets:			
Capital assets:			
Land	84,499	-	84,499
Construction in Progress	-	-	-
Fixed assets net of depreciation	14,996,662	95,136	15,091,798
<b>Total non-current assets</b>	<u>15,081,161</u>	<u>95,136</u>	<u>15,176,297</u>
<b>Total Assets</b>	<u>17,521,627</u>	<u>2,595,606</u>	<u>20,117,233</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Due to other funds	63,568	131,162	194,730
Accounts payable	124,955	159,405	284,360
Deferred revenues	-	422,442	422,442
Customer deposits	362,837	-	362,837
Accrued interest	14,582	-	14,582
Accrued Salaries	-	-	-
Compensated absences	23,684	8,225	31,909
Other accrued expenses	10,956	-	10,956
Current portion of long term debt	131,162	-	131,162
<b>Total current liabilities</b>	<u>731,744</u>	<u>721,234</u>	<u>1,452,978</u>
Non-current liabilities:			
Notes payable	74,852	-	74,852
Bonds payable	2,888,838	-	2,888,838
<b>Total non-current liabilities</b>	<u>2,963,690</u>	<u>-</u>	<u>2,963,690</u>
<b>Total liabilities</b>	<u>3,695,434</u>	<u>721,234</u>	<u>4,416,668</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	11,986,309	95,136	12,081,445
Restricted for debt service	1,206,650	-	1,206,650
Unrestricted	633,234	1,815,262	2,448,496
<b>Total net position</b>	<u>\$ 13,826,193</u>	<u>\$ 1,874,372</u>	<u>\$ 15,700,565</u>

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



**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**CITY OF BROOKHAVEN, MISSISSIPPI**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Water &amp; Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>
<b><u>OPERATING REVENUES</u></b>			
Charges for services:			
Water / Sewer charges	\$ 2,691,030	\$ -	\$ 2,691,030
Garbage compost and rubbish fees	-	1,115,348	1,115,348
Tap fees and construction fees	77,070	-	77,070
Total operating revenues	<u>2,768,100</u>	<u>1,115,348</u>	<u>3,883,448</u>
<b><u>OPERATING EXPENSES</u></b>			
Administrative expenses	338,509	-	338,509
Water and field maintenance	832,837	-	832,837
Waste water treatment expenses	377,304	-	377,304
Water wells and plant expenses	267,824	-	267,824
Solid waste expenses	-	984,189	984,189
Solid waste personnel services	-	302,491	302,491
Bad debt expense	-	-	-
Depreciation expense	633,577	39,429	673,006
Total operating expenses	<u>2,450,051</u>	<u>1,326,109</u>	<u>3,776,160</u>
Operating income (loss)	<u>318,049</u>	<u>(210,761)</u>	<u>107,288</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Interest income	228	1,594	1,822
Homestead reimbursement	-	23,214	23,214
Federal sources	-	-	-
Property taxes	-	363,312	363,312
Interest expense	(58,392)	-	(58,392)
Bond agent fees	(5,918)	-	(5,918)
Operating transfers	180,000	-	180,000
Miscellaneous income	1,570	-	1,570
Total non-operating revenue (expenses)	<u>117,488</u>	<u>388,120</u>	<u>505,608</u>
Change in net position	435,537	177,359	612,896
Total net position beginning	13,390,656	1,697,013	15,087,669
Total net position ending	<u>\$ 13,826,193</u>	<u>\$ 1,874,372</u>	<u>\$ 15,700,565</u>

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



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

	<u>Water &amp; Sewer</u> <u>Fund</u>	<u>Solid Waste</u> <u>Fund</u>	<u>Totals</u>
<b><u>Cash flows from operating activities:</u></b>			
Cash received from customers	\$ 2,822,617	\$ 1,193,262	\$ 4,015,879
Cash payments to suppliers for goods and services	(1,097,212)	(857,794)	(1,955,006)
Cash payments to employees and professional contractors for services	(790,407)	(303,925)	(1,094,332)
Net cash provided (used) by operating activities	<u>934,998</u>	<u>31,543</u>	<u>966,541</u>
<b><u>Cash flows from non-capital financing activities:</u></b>			
Cash received from taxes	-	302,583	302,583
Net cash provided by non-capital financing activities	<u>-</u>	<u>302,583</u>	<u>302,583</u>
<b><u>Cash flows from capital and related financing activities:</u></b>			
Acquisition and construction of capital assets	(2,597,745)		(2,597,745)
Sale of Surplus Equipment	1,570	-	1,570
Federal grant funds	-	-	-
Principal paid on bonds and note obligations	(828,010)	-	(828,010)
Net proceeds from bonds issued	2,500,000	-	2,500,000
Interest paid on bonds and note obligations	(58,392)	-	(58,392)
Bond agent fees	(5,918)	-	(5,918)
Transfers	180,000	-	180,000
Customer deposits	58,215	-	58,215
Net cash provided (used) by capital and related financing activities	<u>(750,280)</u>	<u>-</u>	<u>(750,280)</u>
<b><u>Cash flows from investing activities:</u></b>			
Investment income	228	1,594	1,822
Net cash provided (used) by investing activities	<u>228</u>	<u>1,594</u>	<u>1,822</u>
Net increase (decrease) in cash and cash equivalents	184,946	335,720	520,666
Cash and cash equivalents at October 1, 2014	1,826,495	1,455,693	3,282,188
Cash and cash equivalents at September 30, 2015	<u>2,011,441</u>	<u>1,791,413</u>	<u>3,802,854</u>
<b><u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u></b>			
Operating income (loss)	318,049	(210,761)	107,288
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	633,577	39,429	673,006
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	18,880	(93,745)	(74,865)
(Increase) decrease in due from other funds	35,637	(12,319)	23,318
(Increase) decrease in inventories	(2,218)	-	(2,218)
Increase (decrease) in accounts payable	(27,649)	90,369	62,720
Increase (decrease) in due to other funds	(44,916)	131,162	86,246
Increase (decrease) in other accruals	3,638	87,408	91,046
Total adjustments	<u>616,949</u>	<u>242,304</u>	<u>859,253</u>
Net cash provided by operating activities	<u>\$ 934,998</u>	<u>\$ 31,543</u>	<u>\$ 966,541</u>

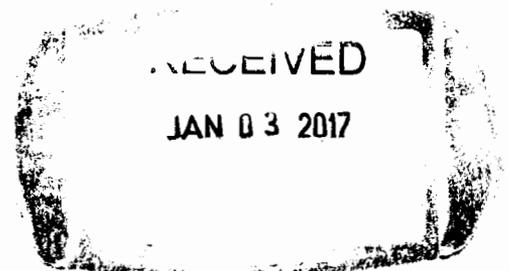
The accompanying notes to the financial statements are an integral part of this statement.



**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**CITY OF BROOKHAVEN, MISSISSIPPI**  
**SEPTEMBER 30, 2015**

	<b><u>Pension &amp; Other Employee Benefits</u></b>	<b><u>Private Purpose Trust</u></b>	<b><u>Agency Funds</u></b>	<b><u>Total</u></b>
<b><u>RESTRICTED ASSETS</u></b>				
Cash in bank	\$ 555,006	\$ 2,881	\$ 388,818	\$ 946,705
Taxes receivable			110,201	110,201
Total assets	<u>555,006</u>	<u>2,881</u>	<u>499,019</u>	<u>1,056,906</u>
<b><u>LIABILITIES</u></b>				
Due to other funds			13,318	13,318
Due to others			843	843
Payable school district			484,858	484,858
Total liabilities	<u>-</u>	<u>-</u>	<u>499,019</u>	<u>499,019</u>
<b><u>NET FIDUCIARY POSITION</u></b>	<b><u>\$ 555,006</u></b>	<b><u>\$ 2,881</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 557,887</u></b>

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





**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**CITY OF BROOKHAVEN, MISSISSIPPI**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<b><u>Pension &amp; Other Employment Benefits</u></b>	<b><u>Private Purpose Trust</u></b>	<b><u>Total</u></b>
<b><u>ADDITIONS</u></b>			
Interest	\$ 503	\$ 2	\$ 505
Receipts	13,810		13,810
Total additions	<u>14,313</u>	<u>2</u>	<u>14,315</u>
<b><u>DEDUCTIONS</u></b>			
Miscellaneous charges	216		
Unemployment claims	-		-
Total deductions	<u>216</u>	<u>-</u>	<u>216</u>
<b><u>TRANSFERS</u></b>			
	-	-	-
<b><u>CHANGE IN NET POSITION</u></b>			
	14,097	2	14,099
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>			
	<u>540,909</u>	<u>2,879</u>	<u>543,788</u>
<b><u>NET POSITION - END OF YEAR</u></b>			
	<u>\$ 555,006</u>	<u>\$ 2,881</u>	<u>\$ 557,887</u>

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



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

**NOTE 1: Summary of Significant Accounting Policies**

The City of Brookhaven, Mississippi was incorporated in 1859. The City operates under a City Board form of government, with a Mayor and seven Aldermen serving as the governing body. Elected officials include the Mayor, seven Aldermen, Police chief, and City clerk. The present term of these elected officials expires June 30, 2017. Services provided by the City include: Public Safety – Police and Fire, Highways and Street, Sanitation, Health and Social Services, Culture and Recreation, Public Improvements, Planning and Zoning, and General Administrative Services. A public school system is available to residents of the City of Brookhaven but is not under the jurisdictions of the City government.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant GASB pronouncements and applicable FASB pronouncements and APB opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**A. Basis of Presentation**

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

*Government-wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component unit are presented separately within the financial statements with the focus on the primary government. These statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The effect of interfund activity has been removed from these statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.



**CITY OF BROOKHAVEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

*Fund Financial Statements*

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is represented in a separate column. Non-major funds are aggregated and presented in a single column.

*Governmental Funds*

All governmental funds are accounted for using modified accrual basis accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

*Revenue Recognition*

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, ad valorem taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects and accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues including, licenses and permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

*Expenditure Recognition*

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

*Proprietary Funds*

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end. Proprietary fund types have selected to consistently follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Accounting Standards Board Statement No 20 that conflict with GASB pronouncements.

The city reports the following major government funds:

*General Fund* – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The city reports the following major enterprise funds:



**CITY OF BROOKHAVEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

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

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

Other non-major funds:

*Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific expenditure purposes. The UDAG Fund, the Police Grant Fund, the CBH-CDBG Fund, and the CBH Industrial Development Fund are classified as Special Revenue Funds.

*Debt Service Funds* – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The primary revenue source is local property taxes levied specifically for Debt Service. Debt Service Funds are the City Bond and Interest Fund and the School Bond and Interest Fund.

*Capital Projects Funds* – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

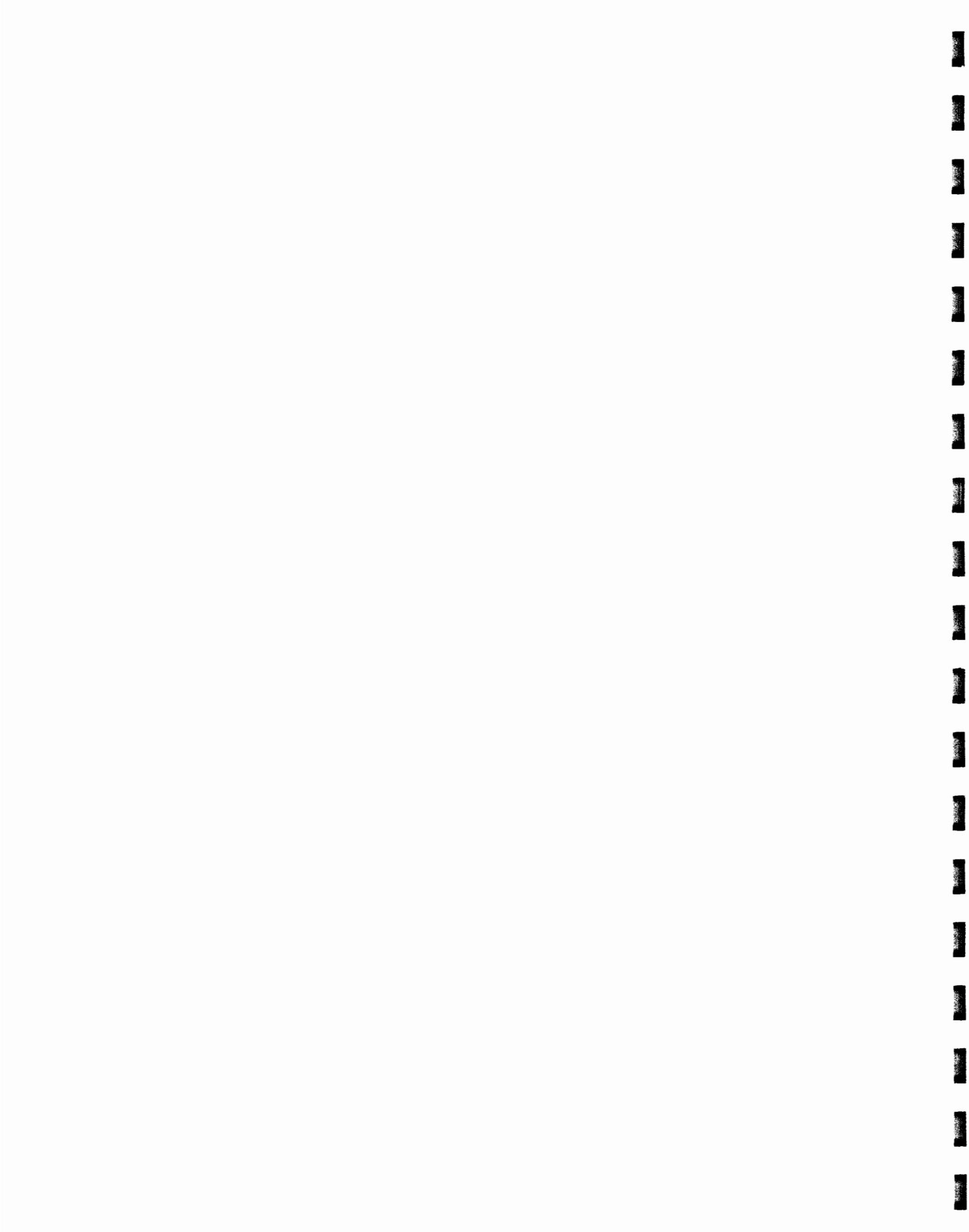
*Pension and Other Employee Benefits* – Pension and other employee benefits funds are used to account for assets held by the City in trustee capacity or as an agent. The unemployment fund and the health insurance funds are reported in the Fiduciary funds financial statements.

*Private Purpose Trusts* – Private purpose trusts are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. The private purpose trusts are the Depot restoration fund, the Rose hill cemetery fund, the IDF fund and the Police comfort bear fund and they are reported in the Fiduciary fund financial statements.

*Agency Funds* – Agency Funds are used by a governmental entity to report assets that are held in a custodial relationship. The government receives assets, may temporarily invest those assets and then remits those assets to individuals, private organizations, or other governments. The agency funds are the Separate School District Fund and the Accounts Payable Clearing Fund and they are reported in the Fiduciary fund financial statements.

**B. Reporting Entity**

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Generally Accepted Accounting Principles. The basic – but



**CITY OF BROOKHAVEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City’s reporting entity.

Included in the reporting entity:

City of Brookhaven Parks and Recreation Commission

The members of the commission are appointed by the City’s Board of Aldermen, and serve at their will and pleasure. This component unit selects management staff, sets user charges, and controls all aspects of its daily activities. It prepares its own budget, which is then submitted to its board for approval and funding. Separate financial statements are prepared for the Parks and Recreation Commission and may be viewed at their offices.

Excluded from the reporting entity:

Brookhaven Separate School District

The Brookhaven Separate School district is appointed primarily by the City’s governing body (three of the five members). The City does not hold title to the school’s assets nor does it have any right to the school’s surpluses. The City does not have the ability to exercise influence over the daily operations or approve budgets.

Brookhaven-Lincoln County Economic Development Alliance

The Alliance was formed as an economic development district to acquire and operate land, facilities and equipment for the purpose of economic development. It operates under a board of directors. Two members are appointed by the City of Brookhaven, two by Lincoln County, and one by Brookhaven-Lincoln County Chamber of Commerce.

**C. Fund Accounting**

The City uses funds and account groups to report on its financial position and the results of its operations. Fund Accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.”

Governmental funds are used to account for all or most of a government’s general activities including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government, which are not required legally, or by sound financial management, to be accounted for in another fund.



**CITY OF BROOKHAVEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

**D. Assets, Liabilities, and Net Position or Equity**

**Cash and Investments**

The City holds cash in their respective funds or component unit. The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. The city is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or any county or municipality of this state, when such county or municipal bonds have been properly approved; or interest-bearing time certificates of deposit or interest-bearing accounts with any financial institution approved for the deposit of state funds.

**Inventories**

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used.

**Receivables**

*Enterprise receivables*

Enterprise fund receivables include amounts due from customers primarily for utility services. There is no allowance for uncollectible accounts because these amounts have been immaterial based on prior experience.

*Property taxes receivable*

Taxes are levied annually on December 1 and are due for payment without penalty and interest by February 1. Major tax payments are received January through April. Taxes receivable represent delinquent taxes that are received within thirty days. Over time substantially all property taxes are collected.

*Sales tax receivable*

Sales tax receivable represents taxes that are received within thirty days from the State Tax Commission.

**Capital Assets, Depreciation, and Amortization**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the government-wide statements of net position. Capital assets used by proprietary funds are reported in both the business-type activities column of the government-wide statement of net position and in the individual proprietary funds.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded



**CITY OF BROOKHAVEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

and accounted for) in the General Capital Asset Account Group. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

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 capital assets are also reported in their respective fund. The costs of normal repairs and maintenance 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 depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

**Compensated Absences**

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

**Long-term Debt**

In the government-wide, proprietary and component unit financial statements, outstanding debt is reported as liabilities.

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.

**Net Position**

GASB statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, reports equity as "Net Position" rather than "Net Assets". Net position is classified in three categories. Net investment in capital assets is the portion of net position that consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or others. Unrestricted net position is the remaining net position less remaining noncapital liabilities which are not restricted-expendable.

The net position balance of \$51,815,491 at September 30, 2015, includes \$40,083,116 net investment in capital assets, \$1,461,702, restricted for debt services and an unrestricted amount of \$10,270,673.



**CITY OF BROOKHAVEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 within thirty days. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

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 and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**G. Cash Equivalents**

For purposes of the statement of cash flows for the proprietary funds, the City defines cash equivalents as short term, highly liquid investments with original maturity dates of three months or less.

**H. Inventory**

Inventory is valued at the lower of cost (first-in, first-out) or market.

**I. Uncollectible Receivables**

Uncollectible accounts receivable are reviewed quarterly. The accounts, which are deemed uncollectible, are charged off via the direct method of accounting for bad debts every 90-120 days.

**J. Encumbrances**

Purchase commitments, as evidenced by contracts and purchase orders are not recorded as encumbrances. Difference in beginning and ending receivables is immaterial.



**CITY OF BROOKHAVEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**K. Inter-fund Loans**

Short-term (due within one year) inter-fund loan receivables are reported as "due from other funds" and are considered available spendable resources.

**L. Changes in Accounting Standards**

City of Brookhaven adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, during the fiscal year changing the source of guidance for accounting and financial reporting. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was also adopted during the fiscal year, impacting the change in terminology of equity from "Net Assets" to the new term of "Net Position". These pronouncements did not significantly impact any amounts reported in the financial statements.

**M. Restricted Assets**

Restricted assets are portions of fund balance that are legally segregated for a specific future use or are not available for current operations. The following is a description of fund reserves used by the City:  
Restricted for debt service – An account that represents the fund balance for the debt service fund resources which are legally restricted for payment of general long-term debt principal and interest amounts maturing in future years."

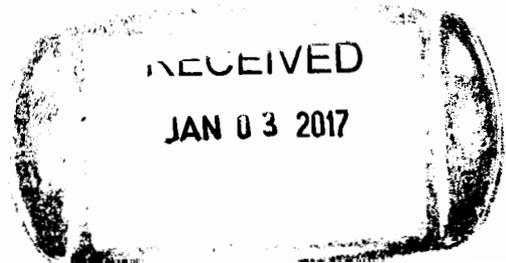
**NOTE 2: Cash and Cash Equivalents**

The City's deposits with financial institutions were \$13,191,858 on September 30, 2015. The carrying amount of the city's deposits was \$12,869,828. All cash and checking accounts are with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) which insures the account for \$250,000. 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 1 M describing restricted assets.

*Custodial Credit Risk.* The remaining \$12,869,828 of the collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

*Concentration of Credit Risk.* The City places no limit on the amount that may be invested in any one issuer. However, funds deposited in financial institutions are protected through a collateral pool maintained by the State Treasurer, as described in the above paragraph.





**CITY OF BROOKHAVEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 3: Inter-fund Receivable and Payable Balances**

There were funds payable to various funds at September 30, 2015.

Due From:	
Industrial Park	\$20,000
Accounts Payable	1,770
CDBG	12,550
Water/Sewer	169,178
General Fund	4,694
CBH W/S Rev Bonds	18,160
Land Redemption	11,301
Due To:	
General Fund	\$ 39,858
Water/Sewer	19,228
Solid Waste Fund	169,178
Industrial Park	7,550
Accounts Payable	1,839
	<u>\$237,653</u>
	<u>\$237,653</u>

**NOTE 4: Unemployment Compensation Fund**

The City has elected to establish a revolving fund for unemployment compensation which is to be maintained in the amount of 2% of the first \$6,000 of employee wages paid in the preceding calendar year. The Unemployment Compensation Fund had a balance of \$41,706 and was fully funded at September 30, 2015.

**NOTE 5: Defined Benefit Pension Plan**

**Plan Description**

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

**Funding Policy**

PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions of \$778,699 on covered wages of \$4,976,074 to PERS for the year ending September 30, 2015, equaled the required contribution. Contributions by the City were \$772,059 for the year ending September 30, 2014.

**NOTE 6: Fund Balances**

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



**CITY OF BROOKHAVEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 6: Fund Balances (Continued)**

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classification used by the City:

*Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance for a permanent fund.

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

*Committed fund balance* includes amounts that can be used only for the specific purpose pursuant to constraints imposed by a formal action of the City Board, the City's highest level of decision-making authority.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.



**CITY OF BROOKHAVEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 7: Changes in Capital Assets**

Capital asset activity for the year ended September 30, 2015 was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Additions	Deletions	Adjustment	
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land/Land Improvements	\$6,349,992				\$6,349,992
Construction in progress	817,875	282,744	(1,100,619)		
	-----	-----	-----	-----	-----
	7,167,867	282,744	(1,100,619)		6,349,992
	-----	-----	-----	-----	-----
Other capital assets:					
Building	8,871,792	111,151			8,982,943
Improvements Other-Bldg.	24,621,001	1,648,033			26,269,034
Machinery & equipment:					
Street Department	1,544,027				1,544,027
Fire Department	1,822,571	37,019			1,859,590
Police Department	1,001,558	102,674	(23,142)		1,081,091
City Clerk's Office	69,212				69,212
Mayor's Office	23,110				23,110
Building Inspector	15,216	1,238			16,454
City Court	12,650	1,120			13,770
Animal Control	18,209				18,209
Airport	1,763,162	38,000			1,801,162
Cemetery	95,595				95,595
Traffic Department	23,255				23,255
Parks and Recreation	45,199	44,786	(6,600)		83,385
	-----	-----	-----	-----	-----
Total other capital assets at historical cost	39,926,557	1,984,021	(29,742)		41,880,837
	-----	-----	-----	-----	-----
Less accumulated depreciation for:					
Buildings	(1,285,502)	( 216,125)			( 1,501,627)
Streets, gutters and drains	(7,859,761)	( 741,952)			(8,601,713)
Concrete bridges	( 174,256)	( 6,851)			( 181,107)
Airport	(1,334,435)	( 129,316)			(1,463,751)
Other improvements	(2,374,898)	( 292,949)			(2,667,847)
Equipment	(2,797,296)	( 289,559)	29,742		(3,057,114)
	-----	-----	-----	-----	-----
Total accumulated depreciation	(15,826,149)	(1,676,752)	29,742		(17,473,159)
	-----	-----	-----	-----	-----
Other capital assets, net	24,100,408	307,269			24,407,678
	-----	-----	-----	-----	-----
Governmental activities capital Assets, net	<u>\$ 31,268,275</u>	<u>\$ 590,013</u>	<u>\$(1,100,619)</u>		<u>\$ 30,757,670</u>



**CITY OF BROOKHAVEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 7: Changes in Capital Assets (Continued)**

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General Government	\$ 1,317,036
Street Department	85,761
Fire Department	83,737
Police Department	97,661
Airport	89,116
Cemetery	3,441
Animal Control	
Traffic	

Total governmental activities depreciation expense	<u>\$1,676,752</u>
--	--------------------

	Primary Government			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$84,499			\$84,499
-----				
Other Capital Assets:				
Plant and Systems	23,327,192	2,529,809		25,857,001
Machinery and Equipment	2,068,477	67,936		2,136,413
-----				
Total other capital assets At historical cost	25,395,669	2,597,745		27,993,414
-----				
Less accumulated depreciation for:				
Plant and Systems	(10,505,560)	(576,867)		( 11,082,427)
Machinery and Equipment	( 1,723,050)	( 96,139)		( 1,819,189)
-----				
Total accumulated depreciation	( 12,228,610)	(673,006)		(12,901,616)
-----				
Other capital assets net Business type activities	13,167,059	1,924,739		15,091,798
Capital assets, net	<u>\$13,251,558</u>	<u>\$1,924,739</u>		<u>\$ 15,176,297</u>

Depreciation expense was charged to functions as follows:

**Business-type activities:**

Water and Sewer	\$ 633,577
Solid Waste	<u>39,429</u>
Total business type activities depreciation expense	<u>\$673,006</u>



**CITY OF BROOKHAVEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 8: Long term liability activity for the year ended September 30, 2015**

The following is a summary of transactions of the City for the year ended September 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b>Bonds and notes payable:</b>				
General obligation bonds	\$2,460,000	\$ 0	\$150,000	\$2,310,000
General obligation notes	71,053	0	24,535	46,518
Revenue Bonds	195,000	0	95,000	100,000
Capital Lease	<u>407,513</u>	<u>0</u>	<u>108,032</u>	<u>299,481</u>
Total bonds and Notes payable	<u>\$3,133,566</u>	<u>\$</u>	<u>\$377,567</u>	<u>\$2,755,999</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
<b>Bonds and notes payable</b>				
<b>Water and Sewer:</b>				
General obligation debt	\$ 847,862	\$ 0	\$ 253,010	\$ 594,852
Revenue debt	<u>575,000</u>	<u>2,500,000</u>	<u>575,000</u>	<u>2,500,000</u>
 Total bonds and Notes payable	 <u>\$1,422,862</u>	 <u>2,500,000</u>	 <u>\$ 828,010</u>	 <u>\$3,094,852</u>

All liabilities of the City of Brookhaven are secured by the full faith and credit of the municipality. Accrued compensated absences expire at year end and are classified as current liabilities.

General Obligation and Revenue debt service requirements, including interest for the next five years and to maturity are as follows:

<u>Year ending September 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	335,420	117,547	131,162	126,295
2017	242,275	103,175	231,501	112,691
2018	233,124	93,897	236,852	104,939
2019	244,857	84,463	241,852	92,440
2020	175,000	74,663	247,212	83,279
2021-2035	<u>1,525,323</u>	<u>246,527</u>	<u>2,006,273</u>	<u>650,525</u>
	<u>\$2,755,999</u>	<u>\$720,272</u>	<u>\$3,094,852</u>	<u>\$1,170,169</u>



**CITY OF BROOKHAVEN, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 9: Other Commitments**

*Operating leases*

The City has two operating leases as follows:

1. One copier, \$162.91 monthly lease payment
2. One postage meter, \$630.00 quarterly lease payment

Lease expenditures for the year ending September 30, 2015, amounted to \$4,475. Future minimum payments for the leases are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2016	\$ 1,955
2017	1,955
2018	<u>1,629</u>
	<u>\$5,539</u>

**NOTE 10: Risk Management**

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

**NOTE 11: Credit Risk**

Trade accounts receivables potentially subject the City to concentrations of credit risk. Concentrations of credit risk with respect to trade receivables occur because the City grants credit to its water and sewer customers, all of whom are local individuals and businesses.

**NOTE 12: Commitments and Contingencies**

The water and sewer operations are subject to the usual matters, which effect water and sewer operations such as governmental regulations, the local economy, and other related matters such as licensing.

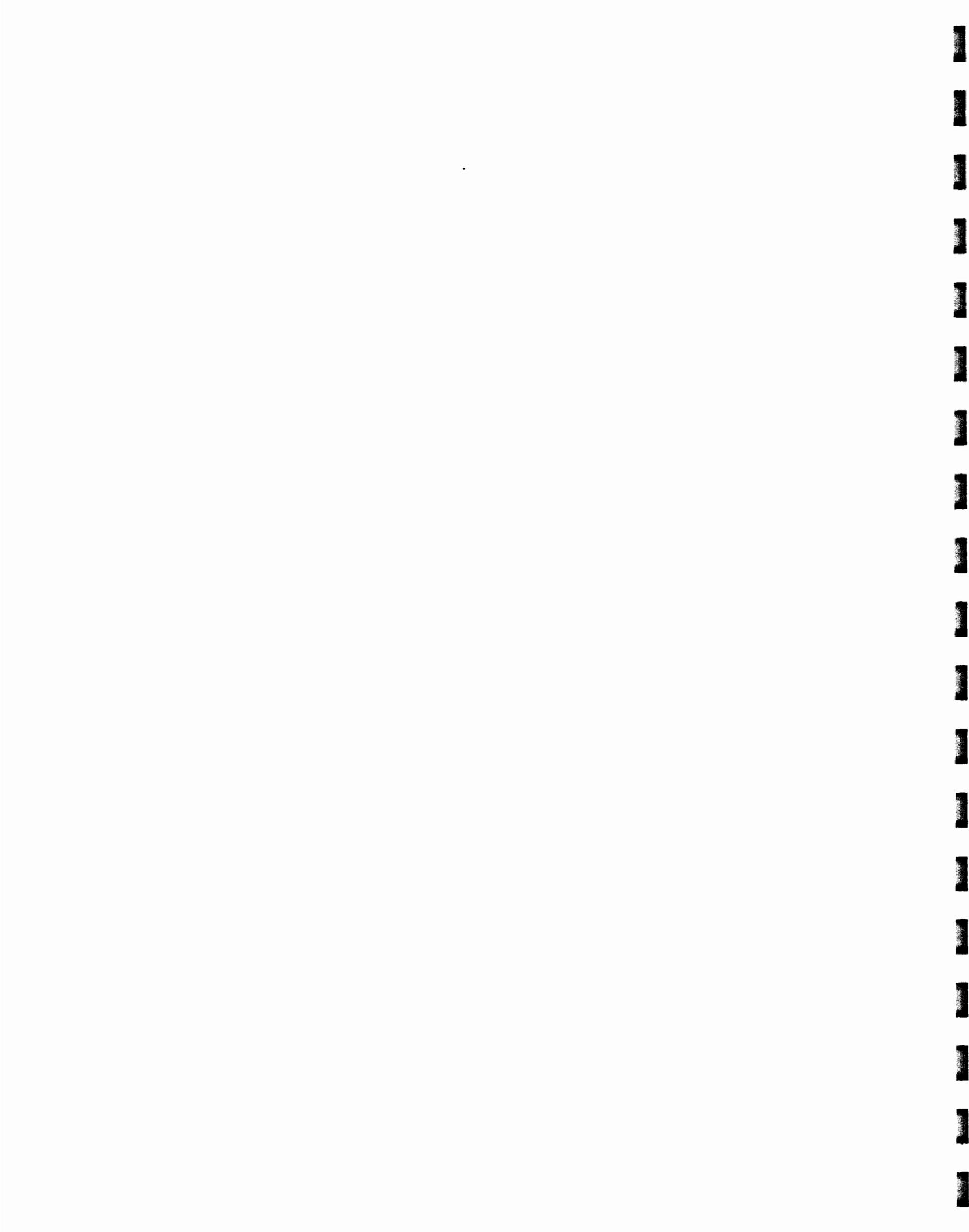
**NOTE 13: Property Tax**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied at the city board meeting prior to September 15 and are payable in three installments on February 1, May 1 and July 1. The County bills, collects, and remits City and City Separate School District property taxes to the City. In turn, the City forwards the City Separate School District taxes to the School district. The City property tax revenues are recognized when levied to the extent that they result in current receivables.

**NOTE 14: Subsequent Events**

The City has evaluated events and transactions for potential recognition or disclosure through October 26, 2016, which is the date the financial statements are issued.





**REQUIRED SUPPLEMENTARY INFORMATION**



**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**CITY OF BROOKHAVEN, MISSISSIPPI**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Final Budget</u>	<u>Total Actual</u>	<u>Variance</u>
<b><u>REVENUES</u></b>					
General property taxes					
Current year	\$ 4,026,500	\$ 33,500	\$ 4,060,000	\$ 3,529,041	\$ (530,959)
Prior year	18,500	-	18,500	116	(18,384)
Penalties and interest on					
Delinquent taxes	75,000	-	75,000	128,712	53,712
Licenses and permits	77,000	20,200	97,200	115,861	18,661
Fines and penalties	300,000	-	300,000	289,701	(10,299)
In lieu taxes	50,000	4,167	54,167	59,247	5,080
Franchise taxes	500,000	37,300	537,300	537,352	52
Intergovernmental revenue:					
Federal sources	450,000	370,000	820,000	609,906	(210,094)
State sources:					
Grand Gulf Nuclear Plant	156,000	15,000	171,000	172,411	1,411
Sales tax	5,550,000	-	5,550,000	5,646,672	96,672
State gasoline tax	18,500	-	18,500	22,855	4,355
Homestead reimbursement	175,000	-	175,000	182,898	7,898
Fire protection allocation	66,000	-	66,000	7,340	(58,660)
Airport grant	75,000	30,000	105,000	-	(105,000)
State grants	-	-	-	-	-
County Sources	25,000	-	25,000	20,000	(5,000)
Charges for services:					
City clerk's office	500	-	500	568	68
Airport	250,000	-	250,000	228,321	(21,679)
Cemetery	37,000	5,500	42,500	44,907	2,407
Rent	106,000	-	106,000	76,628	(29,372)
Drug task force reimbursements	18,000	-	18,000	37,850	19,850
Loan for Firetruck	-	-	-	-	-
Interest	6,000	-	6,000	6,815	815
Miscellaneous	114,800	82,622	197,422	109,859	(87,563)
<b>Total Revenues</b>	<b>\$ 12,094,800</b>	<b>598,289</b>	<b>\$ 12,693,089</b>	<b>\$ 11,827,060</b>	<b>\$ (866,029)</b>

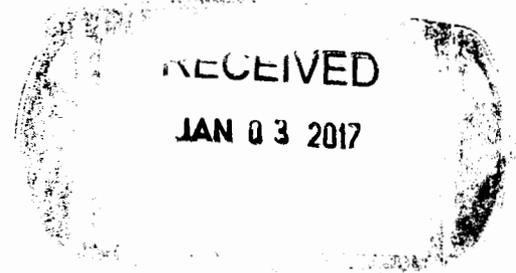
See accompanying notes to financial statements

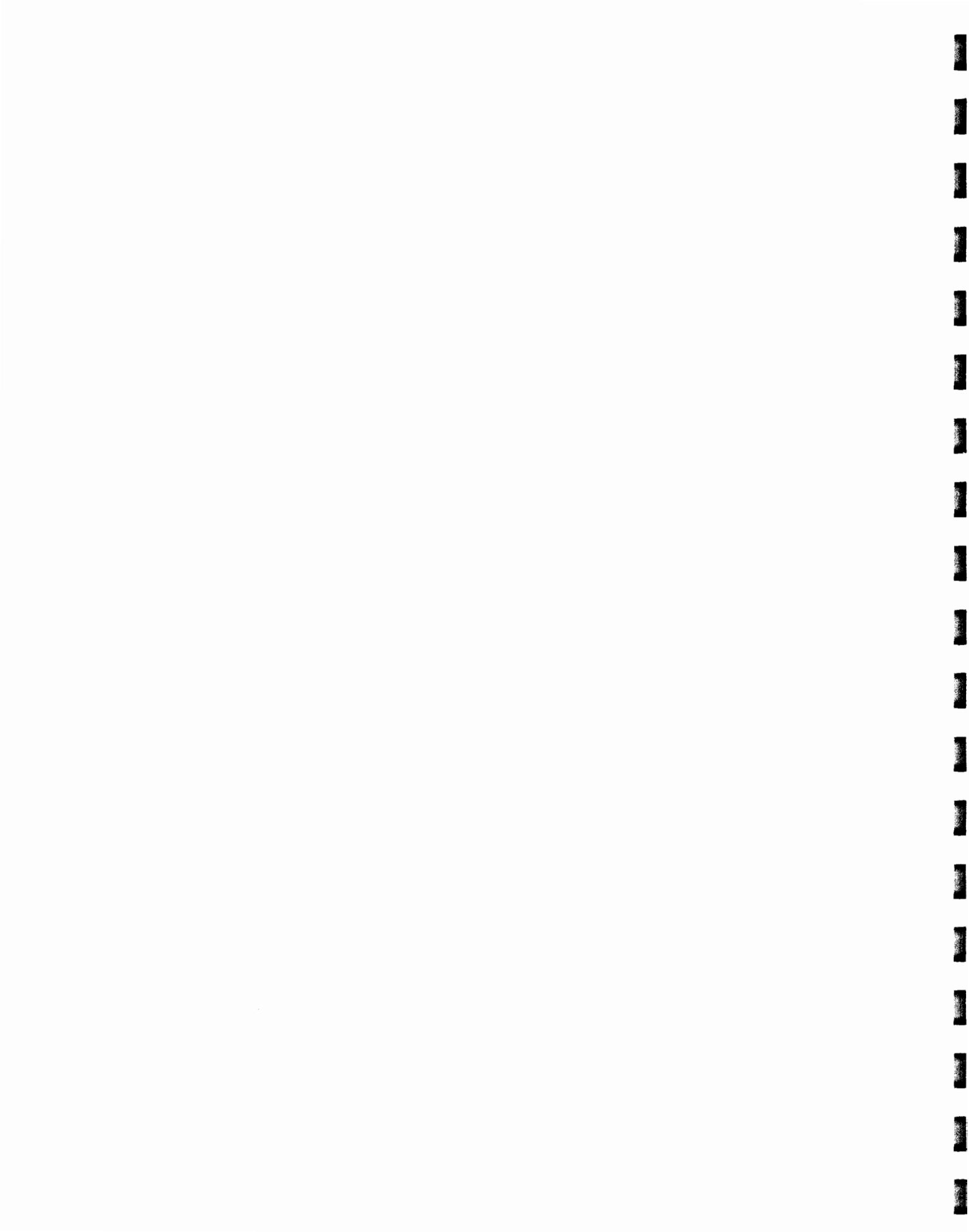


**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL**  
**CITY OF BROOKHAVEN, MISSISSIPPI**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Final Budget</u>	<u>Total Actual</u>	<u>Variance</u>
<b>EXPENDITURES</b>					
General government	\$ 1,459,098	\$ (157,495)	\$ 1,301,603	\$ 727,316	\$ 574,287
Police administration	2,731,350	(122,840)	2,608,510	2,804,075	(195,565)
Police court	162,650	3,550	166,200	158,224	7,976
Police specialized services	82,300	(26,300)	56,000	-	56,000
Fire administration	2,516,800	(140,185)	2,376,615	2,408,639	(32,024)
Building inspection	107,100	(7,350)	99,750	98,439	1,311
City streets	2,899,750	(272,214)	2,627,536	1,419,913	1,207,623
Traffic department	117,450	(9,500)	107,950	104,106	3,844
Airport	256,300	36,780	293,080	216,212	76,868
Cemetery	263,200	(16,196)	247,004	212,191	34,813
Support appropriations	1,138,500	-	1,138,500	1,324,614	(186,114)
Specialized Services	69,850	64,050	133,900	0	133,900
Safe Routes	0	125,000	125,000	0	125,000
Debt Service:					
Principal	65,400		65,400	24,535	40,865
Interst	30,505		30,505	2,430	28,075
<b>Total expenditures</b>	<u>11,900,253</u>	<u>(522,700)</u>	<u>11,377,553</u>	<u>9,500,694</u>	<u>1,876,859</u>
<b>Excess &lt;deficiency&gt; of revenues over expenditures</b>	<u>194,547</u>	<u>1,120,989</u>	<u>1,315,536</u>	<u>2,326,366</u>	<u>1,010,830</u>
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>					
Operating transfers	-	-	-	(44,902)	(44,902)
Capital Lease	-	-	-	-	-
Construction	-	-	-	(1,640,702)	(1,640,702)
Machinery and Equipment	-	-	-	(186,837)	(186,837)
<b>Net other financing sources &lt;uses&gt;</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,872,441)</u>	<u>(1,872,441)</u>
<b>Excess &lt;deficiency&gt; of revenues and other financing sources over expenditures and other uses</b>	<u>\$ 194,547</u>	<u>\$ 1,120,989</u>	<u>\$ 1,315,536</u>	<u>\$ 453,925</u>	<u>\$ (861,611)</u>
<b>Fund balance beginning of year</b>				<u>6,756,896</u>	
<b>Fund balance ending of year</b>				<u>\$ 7,210,821</u>	

See accompanying notes to financial statements





**SUPPLEMENTARY INFORMATION**

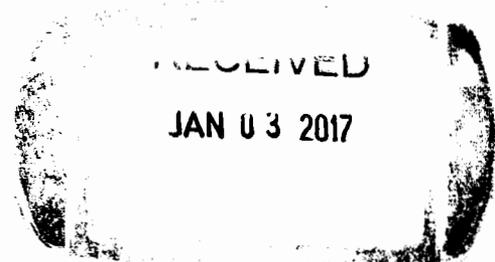


**CITY OF BROOKHAVEN, MISSISSIPPI**  
**SURETY BOND SCHEDULE**  
**SEPTEMBER 30, 2015**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael Jinks	City Clerk	100,000
Samantha D. Melancon	Bookkeeper	50,000
Brenda Lee Smith	Payroll Clerk	50,000
Marsha G. Fairman	Deputy City Clerk	100,000
Cindy Smith	Mayor's Secretary	50,000
Holly Slay	Clerk – Part Time	50,000
Brad Boerner	Municipal Court Judge	50,000
Kathy Allen	City Court's Clerk	50,000
Phyllis Watkins	City Court's Clerk	50,000
Melinda Dixon	Clerk-City Barn	25,000
Gloria Bozeman	Clerk	25,000
Cynthia Smith	Clerk	50,000
Jennifer Peets	Computer Operator – Water Dept.	50,000
Salinda Hardy	Clerk – Water Dept.	50,000
Willie Burt Smith	Street and Solid Waste Supervisor	50,000
Steve Moreton	Public Works Director	50,000
Emile J. Gennaro	Building Inspector	50,000
Bobby Bell	Chief of Police	50,000
Barbara Allred	Dispatcher	25,000
Patricia Emfinger	Secretary - Police	25,000
Andy Leggett	Animal Control Officer	25,000
Sharon Norton	Animal Control Officer	25,000
LaChandrea A. Ewing	Dispatcher	25,000
William D. Newton	Dispatcher	25,000
George E. Lambright	Dispatcher	25,000
Virginia Darlene Portrey	Dispatcher	25,000
Michelle Smith	Dispatcher – Part Time	25,000
Mrs. Jerry Wilson	Alderman	50,000
Karen Sullivan	Alderman	50,000
Terry Bates	Alderman	50,000
Randy Belcher	Alderman	50,000
Shirley Estes	Alderman	50,000
Charles Fletcher Grice	Alderman	50,000
David Phillips	Alderman	50,000
Steve Moreton	Purchasing Agent	50,000

Additionally, all policemen are bonded individually for a minimum of \$25,000.

The bonding company for the above scheduled bond is Brierfield Insurance Company.





**CITY OF BROOKHAVEN, MISSISSIPPI**  
**COMBINED SCHEDULE OF LONG-TERM DEBT**  
**SEPTEMBER 30, 2015**

<u>Date of Issue</u>	<u>Name of Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Balance Outstanding 10-1-14</u>
<b><u>General Obligation Bonds:</u></b>				
<b><u>General Long-Term Debt Fund</u></b>				
06-01-05	Industrial Park	1,200,000	5.3 – 6.0	\$ 825,000
12-01-06	Public Improvement Bonds Series 2006	2,200,000	3.75-4.5	1,635,000
<b><u>Water and Sewer Fund</u></b>				
03-30-10	Sewer Improvements Series 2010	1,220,000	2.00-3.750	760,000
<b><u>Total General Obligation Bonds</u></b>				<u>\$3,220,000</u>
<b><u>Revenue Bonds:</u></b>				
04-01-06	TIF Bonds 2006 Ergon	825,000	4.65	\$ 195,000
<b><u>Water and Sewer Fund</u></b>				
06-22-10	Sewer Improvements Series 2010	2,735,000	1.15-2.50	575,000
07-01-15	Water Improvements Series 2015	2,500,000	3.12-4.25	0
<b><u>Total Revenue Bonds</u></b>				<u>\$ 770,000</u>
<b><u>Notes Payable (General Obligation):</u></b>				
06-18-02	Mississippi Department of Economic Development	303,789	4.0	\$ 71,053
11-12-02	Mississippi Department of Economic Development	200,000	3.0	87,862
<b><u>Total Notes Payable</u></b>				<u>\$ 158,915</u>
<b><u>Capital Lease:</u></b>				
10-17-12	OshKosh Capital	459,256	3.7	407,513
<b><u>Total Capital Lease</u></b>				<u>\$ 407,513</u>
<b><u>Total Long – Term Debt</u></b>				<u>\$ 4,556,428</u>



<u>New Issued</u>	<u>Redeemed</u>	<u>Balance Outstanding 9-30-15</u>	<u>Maturities Next Period</u>	
			<u>Principal</u>	<u>Interest</u>
\$ 0	\$ 55,000	\$ 770,000	\$ 55,000	\$ 43,370
0	95,000	1,540,000	100,000	57,613
0	240,000	520,000	0	0
<u>\$ 0</u>	<u>\$ 390,000</u>	<u>\$ 2,830,000</u>	<u>\$ 155,000</u>	<u>\$ 100,983</u>
\$ 0	\$ 95,000	\$ 100,000	\$ 100,000	\$ 4,650
0	575,000	0	0	0
2,500,000	0	2,500,000	90,000	87,192
<u>\$ 2,500,000</u>	<u>\$ 670,000</u>	<u>\$ 2,600,000</u>	<u>\$ 190,000</u>	<u>\$ 91,842</u>
\$ 0	\$ 24,535	\$ 46,518	\$ 25,611	\$ 1,354
0	13,010	74,852	11,162	2,148
<u>\$ 0</u>	<u>\$ 37,545</u>	<u>\$ 121,370</u>	<u>\$ 36,773</u>	<u>\$ 3,502</u>
\$ 0	\$ 108,032	\$ 299,481	\$ 54,809	\$ 10,560
<u>\$ 0</u>	<u>\$ 108,032</u>	<u>\$ 299,481</u>	<u>\$ 54,809</u>	<u>\$ 10,560</u>
<u>\$ 2,500,000</u>	<u>\$ 1,205,577</u>	<u>\$ 5,850,851</u>	<u>\$ 466,582</u>	<u>\$ 243,842</u>



**CITY OF BROOKHAVEN, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identifying Number	Federal Expenditures
<b>U. S. Department of Housing and Urban Development:</b>			
Pass-through program from:			
Mississippi Development Authority			
Community Development Block Grants/State's Program	14.228	1128-11-130-ED-01	148,632
ARI Project	14.228		7,200
<b>U.S Department of Transportation</b>			
Pass-through program from:			
Mississippi Department of Transportation			
Airport Improvement Program	20.106		105,680
Brookway Blvd Overlay			84,143
Safe Routes-School			1,211
<b>Department of Homeland Security</b>			
Pass-through program from:			
Mississippi Emergency Management Agency			
Hazard Mitigation Grant Program	97.039		371,807
Police Training	97.039		768
			<hr/>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 719,441</b>

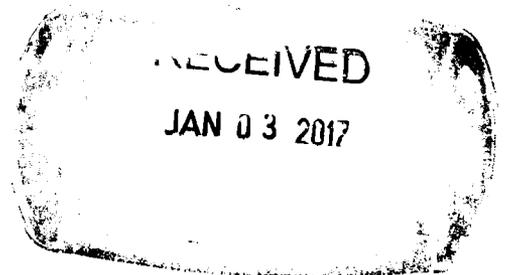
The accompanying notes to the financial statements are an integral part of this statement.



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

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Brookhaven and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.





**CITY OF BROOKHAVEN, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2015**

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Brookhaven.
2. No findings were reported relating to internal control over financial reporting during the audit of the general purpose financial statements.
3. No instance of noncompliance material to the general purpose financial statements of the City of Brookhaven was disclosed during the audit.
4. There were no audit findings relative to major federal award programs for the City of Brookhaven.
5. The auditor's report on compliance for the major federal award programs for the City of Brookhaven expresses an unqualified opinion on all major federal programs.
6. There were no audit findings disclosed that are required to be reported in accordance with Section \_\_.510 (a) of OMB Circular A-133.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The City of Brookhaven was determined not to be a low-risk auditee.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

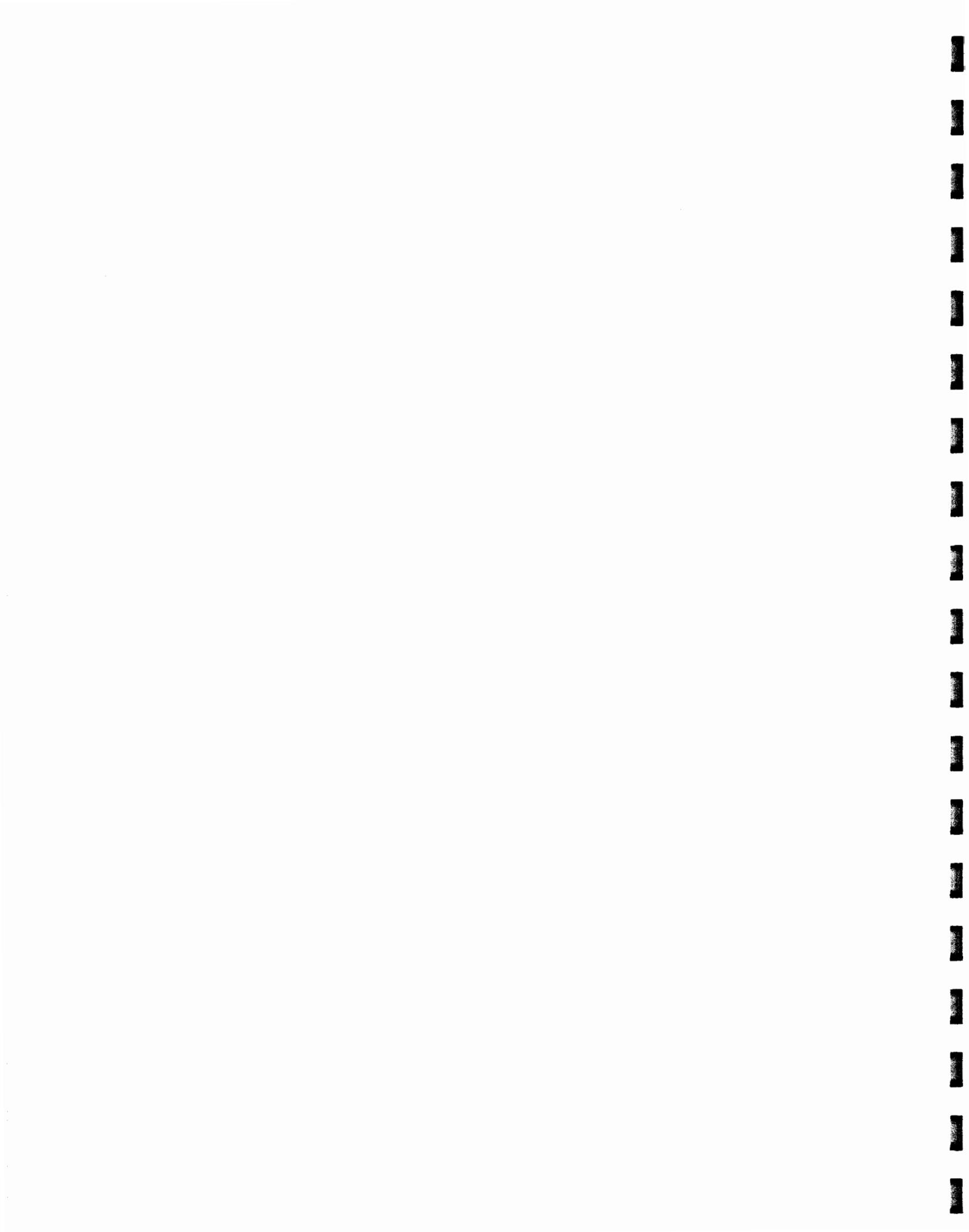
There were no findings related to financial statement audit for the fiscal year ended September 30, 2015.

**FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS**

There were no findings related to the federal award programs for the fiscal year ended September 30, 2015.



**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**





## Max Halley PLLC

Certified Public Accountant

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

To the Mayor and Board of Aldermen  
City of Brookhaven, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brookhaven, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Brookhaven, Mississippi's basic financial statements, and have issued our report thereon dated October 26, 2016.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Brookhaven, 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 the City of Brookhaven, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Brookhaven, Mississippi's internal control.

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

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

#### **Compliance and Other Matters**

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



**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.

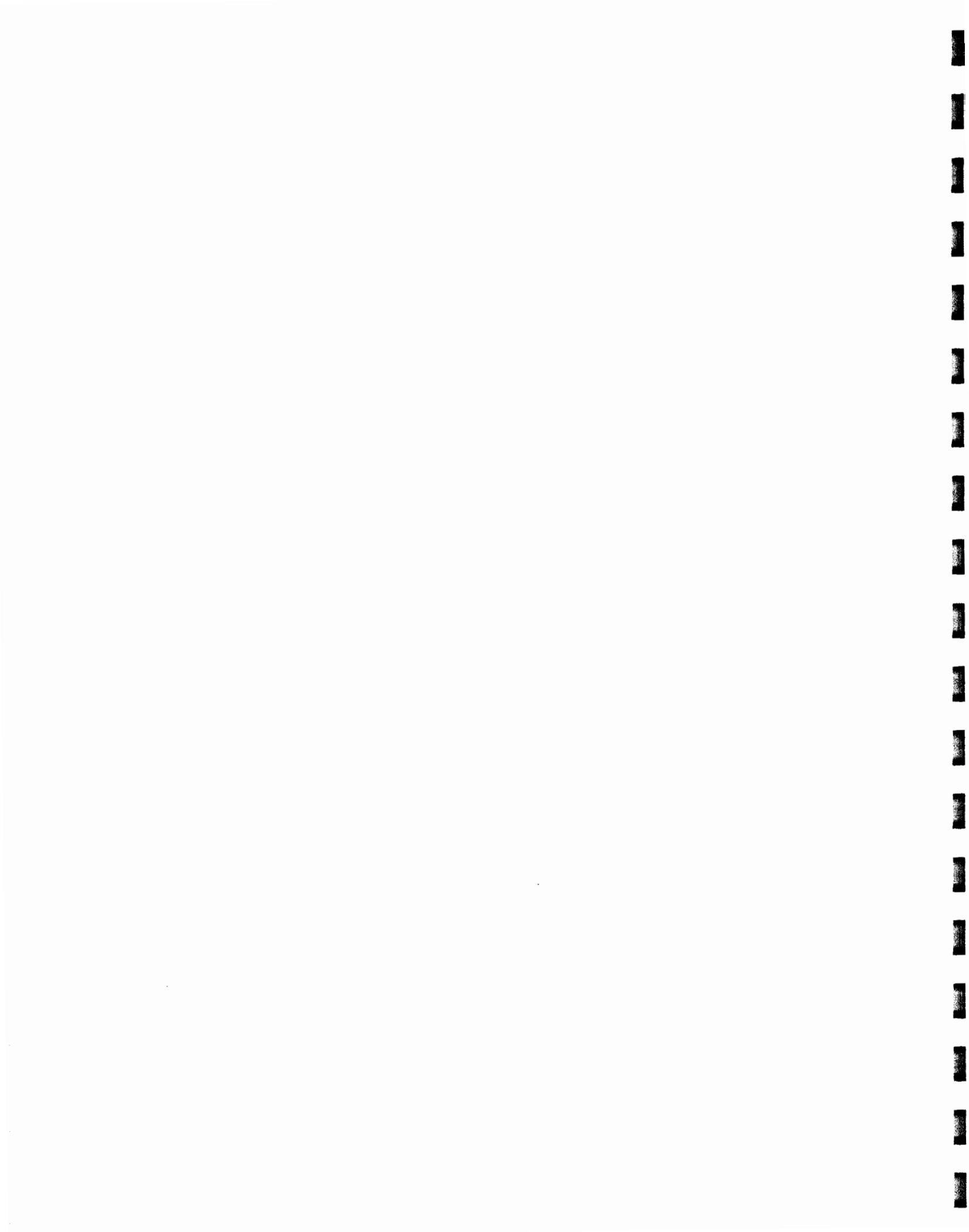
*Max Halley PLLC*

Max Halley PLLC

Brookhaven, Mississippi  
October 26, 2016



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





Max Halley PLLC

Certified Public Accountant

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

To the Mayor and Board of Aldermen  
City of Brookhaven, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited the City of Brookhaven, 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 the City of Brookhaven, Mississippi's major federal programs for the year ended September 30, 2015. City of Brookhaven, Mississippi's major federal programs are identified in the summary of 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 the City of Brookhaven, 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 the City of Brookhaven, 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 the City of Brookhaven, Mississippi's compliance.

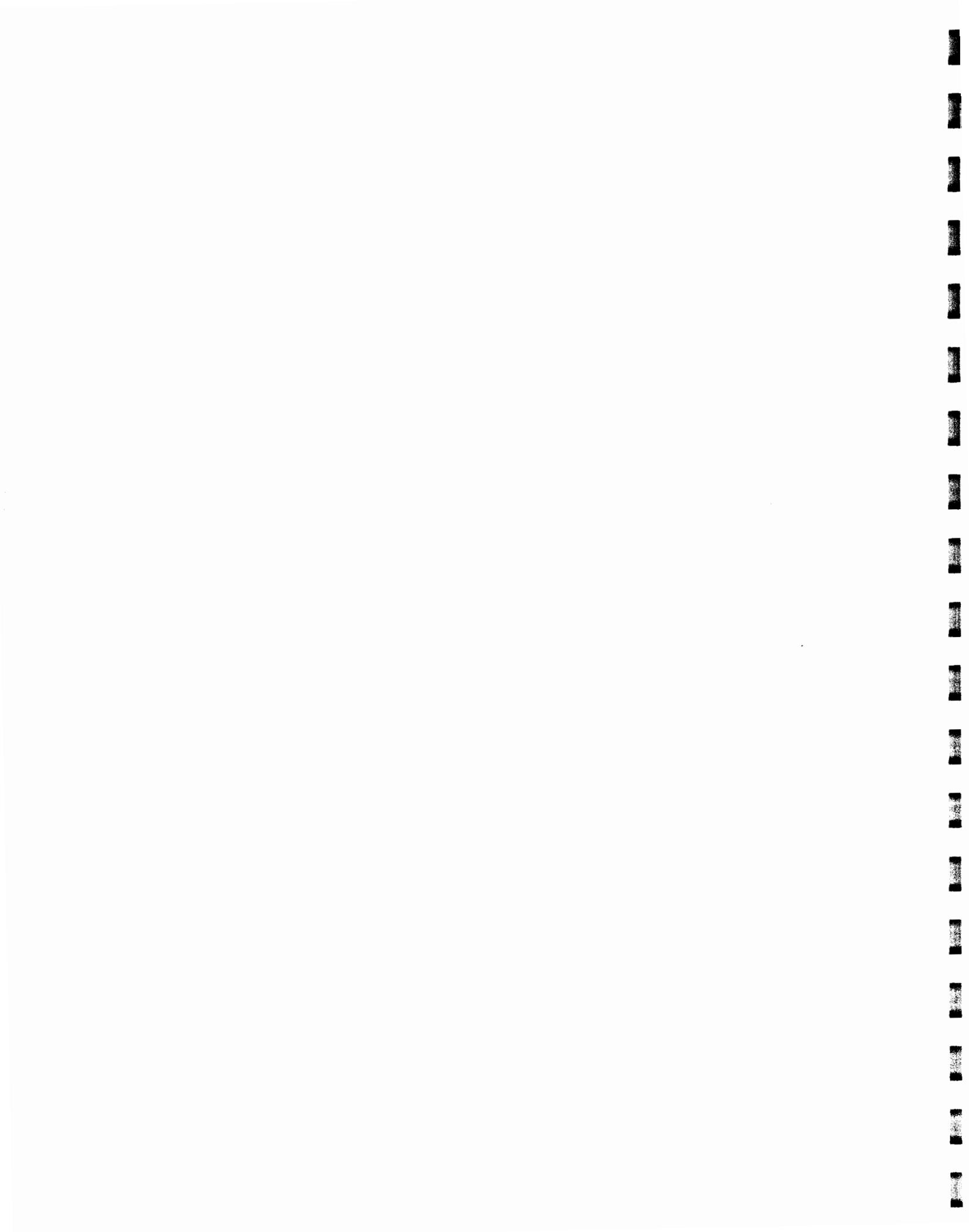
***Opinion on Each Major Federal Program***

In our opinion, the City of Brookhaven, 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 the City of Brookhaven, 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 the City of Brookhaven, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal

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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 the City of Brookhaven, 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. 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.

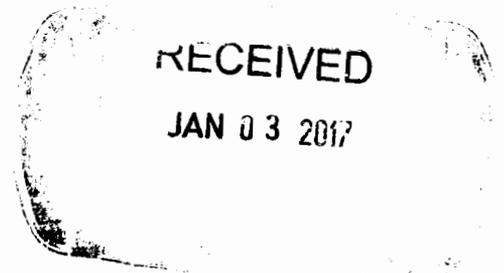
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Max Halley PLLC  
Brookhaven, Mississippi  
October 26, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH MISSISSIPPI STATE LAWS AND  
REGULATIONS**







Max Halley PLLC  
Certified Public Accountant

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
MISSISSIPPI STATE LAWS AND REGULATIONS**

To the Mayor and Board of Alderman  
City of Brookhaven, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brookhaven, Mississippi as of and for the year ended September 30, 2015, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 26, 2016.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of those procedures and our audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations.

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.

*Max Halley PLLC*

Max Halley PLLC  
Brookhaven, Mississippi

October 26, 2016

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