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

TIM WALDRUP, Mayor

**ALDERMEN**

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

CHARMA COOK  
City Clerk

FREIDA GUNN COLLINS  
City Attorney

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

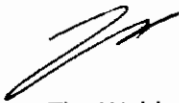
March 7, 2016

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

Dear Mr. Pickering:

Accompanying this letter is a copy of the annual audit of the City of Ellisville, Mississippi for the fiscal year ended September 30, 2015. A management letter was included in the audit.

Sincerely,



Tim Waldrup

TW/kb

Enclosures

Certified Mail No. 7011 3500 0001 6532 3250

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**CITY OF ELLISVILLE, MISSISSIPPI**

**AUDIT REPORT**

**SEPTEMBER 30, 2015**

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**CITY OF ELLISVILLE, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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**CITY OF ELLISVILLE, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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**HOLT & ASSOCIATES, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA

Julie M. Uher, CPA

Kari M. Blackledge, CPA

H. I. Holt, CPA

Founder (1915-1997)

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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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.

### ***Summary of Opinions***

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Qualified
General Fund	Unmodified
Enterprise Funds	Qualified

### ***Basis for Qualified Opinion on Governmental Activities***

Management has not adopted a methodology for the measurement of net pension liability in the Governmental and Business-type Activities and, accordingly, has not considered the need to provide changes in net pension liability. Accounting principles generally accepted in the United States of America require a measurement of net pension liability, which would increase the liabilities and pension expense, decrease net position, and increase/decrease deferred outflows and inflows of resources. The amount by which this departure would affect the liabilities, net position, and change in net position has not been determined.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities of the City of Ellisville, Mississippi, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund information of the City of Ellisville, Mississippi, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Management has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basis financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The Budgetary Comparison Information on pages 37 through 38 are not a required part of the basis financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

### ***Other Information***

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

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2016 on our consideration of the City of Ellisville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ellisville, Mississippi's internal control over financial reporting and compliance.

***Holt & Associates, PLLC***

January 21, 2016

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**CITY OF ELLISVILLE, MISSISSIPPI**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF ELLISVILLE, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

**EXHIBIT A**

	<b>Primary Government</b>		
	<b><u>Governmental</u></b>	<b><u>Business-type</u></b>	<b><u>Total</u></b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	
<b>ASSETS:</b>			
Cash and other deposits	\$ 1,587,276	\$ 236,555	\$ 1,823,831
Investments	836,172	694,583	1,530,755
Due from other governments	245,522	-	245,522
Receivables, accounts	443,876	107,744	551,620
Unbilled receivables	-	32,025	32,025
Prepaid expenses	37,210	23,377	60,587
Capital assets, net	4,689,176	8,654,790	13,343,966
Due from other funds	<u>40,025</u>	<u>-</u>	<u>40,025</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,879,257</u></b>	<b><u>\$ 9,749,074</u></b>	<b><u>\$ 17,628,331</u></b>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	100,373	30,102	130,475
Customer deposits	-	95,239	95,239
Due to other funds	-	40,025	40,025
Estimated state police fees payable	190,608	-	190,608
Long-term liabilities, due within one year			
Capital Related Debt	26,577	115,345	141,922
Long-term liabilities, due beyond one year			
Capital Related Debt	114,369	2,489,948	2,604,317
Non-capital Related Debt	<u>17,600</u>	<u>1,186</u>	<u>18,786</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 449,527</u></b>	<b><u>\$ 2,771,845</u></b>	<b><u>\$ 3,221,372</u></b>
<b>NET ASSETS:</b>			
Investment in capital assets (net of related debt)	4,548,230	6,049,497	10,597,727
Unrestricted	<u>2,881,500</u>	<u>927,732</u>	<u>3,809,232</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 7,429,730</u></b>	<b><u>\$ 6,977,229</u></b>	<b><u>\$ 14,406,959</u></b>

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

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

EXHIBIT B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 656,901	\$ 369,140	\$ -	\$ -	\$ (287,761)	\$ -	\$ (287,761)
Public safety	1,913,734	437,963	-	-	(1,475,771)	-	(1,475,771)
Public works	505,358	-	-	-	(505,358)	-	(505,358)
Health and welfare	129,457	-	-	-	(129,457)	-	(129,457)
Culture & recreation	72,762	239,743	-	-	166,981	-	166,981
Economic Development Authority	43,798	-	-	-	(43,798)	-	(43,798)
Interest on debt	3,060	-	-	-	(3,060)	-	(3,060)
Total governmental activities	3,325,070	1,046,846	-	-	(2,278,224)	-	(2,278,224)
Business -type activities:							
Water & sewer	1,127,156	891,299	-	486,188	-	250,331	250,331
Total business-type activities	1,127,156	891,299	-	486,188	-	250,331	250,331
Total primary government	\$ 4,452,226	\$ 1,938,145	\$ -	\$ 486,188	\$ (2,278,224)	\$ 250,331	\$ (2,027,893)
Taxes:							
Sales taxes					1,033,000	-	1,033,000
General purpose levies					825,809	-	825,809
Unrestricted grants & contributions:							
Intergovernmental					104,152	-	104,152
Unrestricted investment earnings					11,612	3,506	15,118
Other					120,333	84,172	204,505
Total General Revenues and Transfers					2,094,906	87,678	2,182,584
Change in Net Position					(183,318)	338,009	154,691
Net Position - Beginning					7,341,926	6,630,373	13,972,299
Prior period adjustments					271,122	8,847	279,969
Net Position - Beginning- as restated					7,613,048	6,639,220	14,252,268
Net Position - Ending					\$ 7,429,730	\$ 6,977,229	\$ 14,406,959

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

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**CITY OF ELLISVILLE, MISSISSIPPI**  
**FUND FINANCIAL STATEMENTS**

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

**EXHIBIT C**

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash and other deposits	\$ 1,587,276
Investments	836,172
Due from other governments	245,522
Receivables, accounts	443,876
Prepaid expenses	37,210
Due from other funds	<u>40,025</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 3,190,081</b></u>
 <b>LIABILITIES &amp; FUND BALANCES:</b>	
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	\$ 100,373
Estimated state police fees payable	<u>190,608</u>
<b>Total Liabilities</b>	<u><b>290,981</b></u>
 <b>Fund Balances:</b>	
Nonspendable:	
Prepaid expenses	37,210
Assigned:	
Police Fund	77,984
Unassigned:	<u>2,783,906</u>
<b>Total Fund Balance</b>	<u><b>2,899,100</b></u>
 <b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	 <u><b>\$ 3,190,081</b></u>

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

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

**EXHIBIT C-1**

Total Fund Balance - Governmental Funds	\$	2,899,100
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Amounts reported for net assets in the statement of net assets  
are different because:

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

Land	\$	175,836	
Infrastructure		4,812,571	
Building		2,166,416	
Machinery & equipment		1,166,546	
Mobile Equipment		689,727	
Accumulated Depreciation		<u>(4,321,920)</u>	4,689,176

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

Notes payable		(140,946)	
Compensated Absences		<u>(17,600)</u>	<u>(158,546)</u>

Total Net Assets - Governmental Activities	\$	<u>7,429,730</u>
--	----	------------------

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

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

**EXHIBIT D**

	<u>General Fund</u>
<b>REVENUES</b>	
Property taxes	\$ 825,809
Franchise and other taxes	354,318
License and permits	28,341
Intergovernmental revenue	1,123,633
Charges for services	239,743
Fines and forfeitures	437,963
Miscellaneous	<u>131,945</u>
<b>TOTAL REVENUES</b>	<u>3,141,752</u>
<b>EXPENDITURES</b>	
General government	514,398
Public safety	1,860,618
Public works	478,927
Health and welfare	129,457
Culture & recreation	66,362
Economic Development Authority	43,798
Debt Service:	
Principal	26,072
Interest	<u>3,060</u>
<b>TOTAL EXPENDITURES</b>	<u>3,122,692</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>19,060</u>
<b>NET CHANGE IN FUND BALANCE</b>	19,060
<b>FUND BALANCE, OCTOBER 1, 2014</b>	2,633,796
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>246,244</u>
<b>FUND BALANCE, OCTOBER 1, 2014, AS RESTATED</b>	<u>2,880,040</u>
<b>FUND BALANCE, SEPTEMBER, 2015</b>	<u>\$ 2,899,100</u>

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

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

**EXHIBIT D-1**

Net Change in fund balances - governmental funds \$ 19,060

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

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

Capital outlay	42,357	
Depreciation expense	<u>(272,452)</u>	(230,095)

2. Increase in compensated absences not included in governmental funds, but payment is reported as expenditures in statement of activity. 1,645

3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities. 26,072

Change in net assets of governmental activities \$ (183,318)

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



**CITY OF ELLISVILLE, MISSISSIPPI  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
SEPTEMBER 30, 2015**

**EXHIBIT E**

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 236,555
Investments	694,583
Accounts receivable (net)	107,744
Prepaid insurance	23,377
Unbilled receivables	<u>32,025</u>
Total current assets	<u>1,094,284</u>
<b>NONCURRENT ASSETS</b>	
Capital assets (net)	<u>8,654,790</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 9,749,074</u></u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Note payable- current portion	\$ 115,345
Accounts payable	27,570
Accrued salaries and taxes	2,532
Customer deposits	95,239
Due to other funds	<u>40,025</u>
Total current liabilities	<u>280,711</u>
<b>LONG-TERM LIABILITIES</b>	
Long-term liabilities, due beyond one year	2,489,948
Accrued compensation	<u>1,186</u>
Total long-term liabilities	<u>2,491,134</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 2,771,845</u></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 6,049,497
Retained earnings: Unreserved	<u>927,732</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 6,977,229</u></u>

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

**CITY OF ELLISVILLE, MISSISSIPPI  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR YEARS ENDED SEPTEMBER 30, 2015**

**EXHIBIT F**

**OPERATING REVENUES:**

Charges for services	\$	891,299
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**OPERATING EXPENSES:**

Personal services		272,525
-------------------	--	---------

Supplies		105,317
----------	--	---------

Contractual services and other charges		371,873
--	--	---------

Depreciation		313,739
--------------	--	---------

Total operating expenses		1,063,454
--------------------------	--	-----------

Operating income		(172,155)
------------------	--	-----------

**NON-OPERATING REVENUES (EXPENSES):**

Other miscellaneous income		20,047
----------------------------	--	--------

Gain/loss on disposal of asset		64,125
--------------------------------	--	--------

Grant proceeds		486,188
----------------	--	---------

Interest income		3,506
-----------------	--	-------

Interest expense		(63,702)
------------------	--	----------

Total non-operating revenues (expenses)		510,164
---	--	---------

<b>NET INCOME</b>		338,009
-------------------	--	---------

Net position, October 1		6,630,373
-------------------------	--	-----------

Prior period adjustment		8,847
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Net position, October 1, as restated		6,639,220
--------------------------------------	--	-----------

Net position, September 30	\$	6,977,229
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The notes to the financial statements  
are an integral part of this statement.

**CITY OF ELLISVILLE, MISSISSIPPI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT G**

	<u>Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 895,694
Payments to suppliers	(490,619)
Payments to employees	(271,903)
Net cash flows from operating activities	<u>133,172</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interest income	3,506
Miscellaneous income	20,047
Cash payments to governmental funds	(1,123)
Net cash provided by noncapital financing activities	<u>22,430</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of capital assets	(1,213,582)
Proceeds from sale of capital assets	64,125
Grant proceeds	486,188
Proceeds from issuance of long-term debt	578,606
Principal paid on capital debt	(176,036)
Interest paid on capital debt	(63,702)
Net cash provided by noncapital financing activities	<u>(324,401)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of investments	(2,020)
Net cash provided by investing activities	<u>(2,020)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(170,819)
<b>Cash, October 1</b>	<u>407,374</u>
<b>Cash, September 30</b>	<u>\$ 236,555</u>

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

**CITY OF ELLISVILLE, MISSISSIPPI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR YEAR ENDED SEPTEMBER 30, 2015**

**EXHIBIT G**

Enterprise Funds

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

Operating Income	\$ (172,155)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	313,739
Change in assets and liabilities:	
Receivables, net of allowances	2,745
Accounts payable	(13,429)
Customer deposits	1,650
Accrued compensation	622
Net cash flows from operating activities	<u>\$ 133,172</u>

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

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

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***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

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

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

**A. Financial Reporting Entity.**

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

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

**B. Basis of Presentation.**

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

*Government-wide Financial Statements:*

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

The Statement of Net Position presents the financial condition of the governmental activities of the City at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities.

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

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**B. Basis of Presentation (continued)**

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

*Fund Financial Statements:* Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental category.

**C. Measurement Focus and Basis of Accounting.**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of ad-valorem taxes, state revenues, and fees for services.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes and state appropriations associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The City reports the following major governmental funds:

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

CITY OF ELLISVILLE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
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**C. Measurement Focus and Basis of Accounting (continued)**

Additionally the City reports the following fund type:

**Proprietary Funds Types:**

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

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

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

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

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

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**C. Measurement Focus and Basis of Accounting (continued)**

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

**D. Account Classifications.**

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

**E. Encumbrances.**

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

**F. Cash and Cash Equivalents.**

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

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

**G. Investments.**

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

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



**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

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**H. Receivables.**

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

**I. Prepaid Expenses.**

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

**J. Capital Assets.**

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

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

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

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

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

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**J. Capital Assets (continued)**

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

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

**K. Long-term Liabilities.**

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of non-current or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets. See Note 7 for details.

**L. Inter-fund Transactions and Balances.**

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

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

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

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

**M. Equity Classifications.**

Government-wide Financial Statements:

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

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

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CITY OF ELLISVILLE, MISSISSIPPI  
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**M. Equity Classifications (continued)**

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

Fund Financial Statements:

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

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at September 30, 2015, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the City of Ellisville's Council, the City's highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by the City of Ellisville.
- Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The City of Ellisville, Mississippi reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

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

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**N. Property Taxes.**

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

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

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

**O. Budgets and Budgetary Accounting.**

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

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

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

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**O. Budgets and Budgetary Accounting. (continued)**

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

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

**P. Compensated Absences.**

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

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

**Q. Use of Estimates.**

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

***NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS.***

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

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

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer.

Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

1,008,000  
3.8 unassigned funds

CITY OF ELLISVILLE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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

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

**Cash and Cash Equivalents.**

The carrying amount of the City's deposits with financial institutions was \$3,354,586 for 2015 and \$3,429,806 for 2014, and the bank balance was \$3,449,481 and \$3,481,070 for 2015 and 2014, respectively.

**Custodial Credit Risk – Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2015, the City's bank balance did not have any exposure to custodial credit risk.

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

Investments.

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

<b>Certificate #</b>	<b>Amount</b>	<b>Maturity Date</b>
<b>General Fund:</b>		
402159	\$ 23,452	9/30/2016
376298	173,186	3/30/2016
376328	434,538	9/30/2016
376425	204,996	9/30/2016
	<u>\$ 836,172</u>	
<b>Enterprise Fund</b>		
376360	455,634	3/30/2016
376395	238,949	9/30/2016
	<u>\$ 694,583</u>	

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

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

**Custodial Credit Risk – Investments.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk. As of September 30, 2015, the City did not have any investments to which this would apply.

**Concentration of Credit Risk.** Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. As of September 30, 2015, the City has six certificates of deposits with Community Bank which comprised 100 % of the investment balance on Exhibit A and Exhibit E.

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

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**NOTE 3 – ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT**

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

GENERAL FUND:

ACCOUNTS

Police fines – installment agreements	747,735
Less: Estimated amount uncollectible	(303,859)
	<u>\$ 443,876</u>

ENTERPRISE FUND

ACCOUNTS

Current	\$94,784
30-59 days	5,182
60-89 days	726
90 days & over	9,635
Less: Allowance for uncollectible accounts	(2,583)
	<u>\$107,744</u>

**NOTE 4 - DUE FROM OTHER GOVERNMENTS**

Receivables from other governments are as follows:

GENERAL FUND:

Sales tax	\$150,480
Utility tax	87,194
Auto Ad valorem and Property Taxes	7,848
Total General Fund	<u>\$245,522</u>

**NOTE 5 - INTER-FUND TRANSACTIONS AND BALANCES**

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

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 40,025	\$ -
Water & Sewer Fund	-	40,025



**CITY OF ELLISVILLE, MISSISSIPPI**  
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**SEPTEMBER 30, 2015**

**NOTE 6 - CAPITAL ASSETS**

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

	<u>Begin Balance 10/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer from Proprietary</u>	<u>Adjustments</u>	<u>End Balance 9/30/2015</u>
<u>Non-depreciable capital assets:</u>						
Land	\$ 175,836	\$ -	\$ -	\$ -	-	\$ 175,836
Construction in Progress		-	-	-	-	-
Total non-depreciable capital assets	<u>175,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,836</u>
<u>Depreciable capital assets:</u>						
Infrastructure	4,812,571	-	-	-	-	4,812,571
Building	2,166,416	-	-	-	-	2,166,416
Machinery & Equipment	1,166,119	-	-	-	427	1,166,546
Mobile Equipment	<u>630,983</u>	<u>42,357</u>	<u>-</u>	<u>16,814</u>	<u>(427)</u>	<u>689,727</u>
Total depreciable capital assets	<u>8,776,089</u>	<u>42,357</u>	<u>-</u>	<u>16,814</u>	<u>-</u>	<u>8,835,260</u>
<u>Less accumulated depreciation for:</u>						
Infrastructure	2,374,876	102,527	-	-	-	2,477,403
Building	343,038	56,268	-	-	4,628	403,934
Machinery & Equipment	1,128,826	73,427	-	-	(343,082)	859,171
Mobile Equipment	<u>185,914</u>	<u>40,230</u>	<u>-</u>	<u>16,814</u>	<u>338,454</u>	<u>581,412</u>
Total accumulated depreciation	<u>4,032,654</u>	<u>272,452</u>	<u>-</u>	<u>16,814</u>	<u>-</u>	<u>4,321,920</u>
Governmental Activities, capital assets, net	<u>\$ 4,919,271</u>	<u>\$ (230,095)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,689,176</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
General Government	\$ 143,095
Public Safety	96,526
Public Works	26,431
Streets	<u>6,400</u>
Total depreciation expense	<u>\$ 272,452</u>

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

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

	Begin Balance <u>10/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer to Governmental</u>	End Balance <u>9/30/2015</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 25,657	\$ -	\$ -	\$ -	\$ 25,657
Construction in Progress	8,000	961,541	-	-	969,541
Total non-depreciable capital assets	<u>33,657</u>	<u>961,541</u>	<u>-</u>	<u>-</u>	<u>995,198</u>
<u>Depreciable capital assets:</u>					
Plant, Building & Systems	10,724,531	-	-	-	10,724,531
Machinery & Equipment	129,373	-	15,890	(16,814)	96,669
Mobile equipment	259,095	252,041	83,392	-	427,744
Total depreciable capital assets	<u>11,112,999</u>	<u>252,041</u>	<u>99,282</u>	<u>(16,814)</u>	<u>11,248,944</u>
<u>Less accumulated depreciation for:</u>					
Plant, Building & Systems	3,091,351	256,571	-	-	3,347,922
Machinery & Equipment	84,840	10,556	15,890	(16,814)	62,692
Mobile equipment	215,518	46,612	83,392	-	178,738
Total accumulated depreciation	<u>3,391,709</u>	<u>313,739</u>	<u>99,282</u>	<u>(16,814)</u>	<u>3,589,352</u>
Proprietary Activities, capital assets, net	<u>\$ 7,754,947</u>	<u>\$ 899,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,654,790</u>

Depreciation expense charged to the enterprise fund totaled \$313,739.

Construction in progress is composed of:

	Spent to <u>September 30, 2015</u>	Remaining <u>Commitment</u>
<b>Business-type Activities</b>		
Sewer System Improvements	\$ 969,541	\$ 94,428
Total construction in progress	<u>\$ 969,541</u>	<u>\$ 94,428</u>

**CITY OF ELLISVILLE, MISSISSIPPI**  
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**NOTE 7 - LONG - TERM LIABILITIES**

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

<u>Debt Type</u>	<u>Balance</u> <u>10/1/2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>9/30/2015</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Notes Payable	\$ 167,018	\$ -	\$ 26,072	\$ 140,946	\$ 26,577
Compensated Absences Payable	19,245	-	1,645	17,600	-
Total	<u>\$ 186,263</u>	<u>\$ -</u>	<u>\$ 27,717</u>	<u>\$ 158,546</u>	<u>\$ 26,577</u>

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

<u>Debt Type</u>	<u>Balance</u> <u>10/1/2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>9/30/2015</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Notes Payable	\$ 2,137,074	\$ 481,779	\$ 103,650	\$ 2,515,203	\$ 122,086
Capital Leases Payable	63,977	96,826	70,713	90,090	8,224
Compensated Absences Payable	530	656	-	1,186	-
Total	<u>\$ 2,201,581</u>	<u>\$ 579,261</u>	<u>\$ 174,363</u>	<u>\$ 2,606,479</u>	<u>\$ 130,310</u>

The annual requirements to amortize note principal and capital leases outstanding for all funds as of September 30, 2015 are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Notes</u> <u>Payable</u>	<u>Interest</u>	<u>Capital</u> <u>Leases</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 122,086	\$ 77,278	\$ 8,224	\$ 1,827	\$ 209,415
2017	132,457	78,539	8,398	1,653	221,047
2018	135,825	75,173	8,576	1,653	221,227
2019	139,291	71,713	8,758	1,475	221,237
2020	141,774	69,000	56,134	1,491	268,399
Thereafter	1,843,770	653,001	-	-	2,496,771
Total	<u>\$ 2,515,203</u>	<u>\$ 1,024,704</u>	<u>\$ 90,090</u>	<u>\$ 8,099</u>	<u>\$ 3,638,096</u>

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 7 - LONG - TERM LIABILITIES (CONTINUED)**

**Notes payable in Governmental Fund**

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

	<u>CAP Loan</u>	<u>Community Bank</u>
Date of Note	1/1/2011	3/26/2012
Original Amount	\$ 142,764	\$ 95,060
Unpaid Principal	\$ 111,456	\$ 29,490
Interest Rate	2%	2%

The annual requirement of the notes payable on note principal outstanding for governmental funds as of September 30, 2015 are as follows:

Year Ended			
<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 26,577	\$ 2,846	\$ 29,422
2017	17,044	2,333	19,377
2018	7,279	1,858	9,137
2019	7,426	1,711	9,137
2020	7,838	1,599	9,437
Thereafter	74,781	16,962	91,743
Total	<u>\$140,946</u>	<u>\$ 27,308</u>	<u>\$168,253</u>

**Notes payable in Proprietary Fund**

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

	<u>MS DEQ</u>	<u>CAP Loan</u>	<u>CAP Loan</u>	<u>CAP Loan</u>	<u>USDA</u>
Date of Note	10/1/2004	1/1/2009	1/1/2010	12/30/2013	4/4/2008
Original Amount	\$ 882,796	\$ 344,947	\$ 450,000	\$ 481,779	\$1,216,200
Unpaid Principal	\$ 377,021	\$ 243,248	\$ 334,647	\$ 481,779	\$1,078,508
Interest Rate	1.75%	2%	2%	3%	4.375%

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

***NOTE 7 - LONG - TERM LIABILITIES (CONTINUED)***

***Notes payable in Proprietary Fund (Continued)***

The annual requirements of the notes payable on note principal outstanding for the proprietary funds as of September 30, 2015, are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 122,086	\$ 77,278	\$ 199,364
2017	132,457	78,539	\$ 210,996
2018	135,825	75,173	\$ 210,998
2019	139,291	71,713	\$ 211,004
2020	141,774	69,000	\$ 210,774
Thereafter	<u>1,843,770</u>	<u>653,001</u>	<u>\$2,496,771</u>
Total	<u>\$2,515,203</u>	<u>\$1,024,704</u>	<u>\$3,539,907</u>

***Obligations under Capital Lease***

The City has entered into a lease agreement as lessee for financing the acquisition of a 2014 420F Caterpillar Backhoe at a cost of \$96,826. The lease is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2014 Caterpillar	2.1%	12/1/2014	11/1/2019	96,826	90,090
Total				<u>\$ 96,826</u>	<u>\$ 90,090</u>

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

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 8,224	\$ 1,827	\$ 10,051
2017	8,398	1,653	10,051
2018	8,576	1,653	10,229
2019	8,758	1,475	10,233
2020	<u>56,134</u>	<u>1,491</u>	<u>57,625</u>
Total	<u>\$ 90,090</u>	<u>\$ 8,099</u>	<u>\$ 98,189</u>

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

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***NOTE 8 – 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, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 14.26% 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 to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were \$226,100, \$207,817 and \$187,370, respectively, which equaled the required contributions for each year.

***NOTE 9 – RENTAL INCOME FROM OPERATING LEASES***

The City leases certain office buildings on a fixed fee. Rental income for the years ended September 30, 2015 was \$42,000.

Minimum future rentals on non-cancelable operating leases in each of the next five years and thereafter as of September 30, 2015 are as follows:

2016	\$	44,402
2017		42,002
2018		42,002
2019		42,002
2020		42,002

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 10 – PRIOR PERIOD ADJUSTMENT**

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

**Exhibit B - Statement of Activities**

Explanation	Amount
<b>Governmental Activities</b>	
1. Correction of cash balances	\$ (25,534)
2. Correction of prior year claims payable	15,777
3. Correct police fines receivables	242,977
4. Correct compensated absences	24,878
5. Correction of prior year interfund transfers	13,024
Total Prior Period Adjustment- Governmental Activities	\$ 271,122
<b>Business-type Activities</b>	
1. Correction of prior year claims payable	\$ 7,598
2. Correction of accrued compensation	1,249
Total Prior Period Adjustment- Business-type Activities	\$ 8,847

**Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances**

Explanation	Amount
<b>General Fund</b>	
1. Correction of cash balances	\$ (25,534)
2. Correction of prior year claims payable	15,777
3. Correction of police fines receivables	242,977
4. Correction of prior year interfund transfers	13,024
Total	\$ 246,244

**Exhibit F - Statement of Revenues, Expenditures and Changes in Fund Net Position**

Explanation	Amount
<b>General Fund</b>	
1. Correction of prior year claims payable	\$ 7,598
2. Correction of prior year claims payable	1,249
Total	\$ 8,847

**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

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***NOTE 11 – RISK MANAGEMENT***

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

***NOTE 12 - RECONCILIATION OF BUDGETARY BASIS TO ACCRUAL***

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

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

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

<u>General Fund:</u>	
Fund balance (budgetary basis)	\$2,899,100
Adjustment to GAAP basis:	
Accrued revenues	<u>54,177</u>
Fund balance (GAAP basis), Sept. 30	<u>\$2,953,277</u>

***NOTE 13 – SUBSEQUENT EVENTS***

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes.

Management of the City of Ellisville, Mississippi evaluated the activity of the City through January 21, 2016, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.



**CITY OF ELLISVILLE, MISSISSIPPI**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ELLISVILLE, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

SCHEDULE 1a

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES</b>					
Property taxes	\$ 903,057	\$ 903,057	\$ 825,225	\$ -	\$ (77,832)
Franchise and other taxes	-	-	354,318	-	354,318
License and permits	415,601	415,601	28,341	-	(387,260)
Intergovernmental revenues	1,195,465	1,281,144	1,178,394	85,679	(102,750)
Charges for services	240,000	240,000	239,743	-	(257)
Fines and forfeitures	470,000	470,000	437,963	-	(32,037)
Miscellaneous	151,900	154,775	131,945	2,875	(22,830)
<b>TOTAL REVENUES</b>	<u>3,376,023</u>	<u>3,464,577</u>	<u>3,195,929</u>	<u>88,554</u>	<u>(268,648)</u>
<b>EXPENDITURES</b>					
General government	552,391	556,752	514,398	(4,361)	42,354
Public safety	2,142,384	2,251,180	1,860,618	(108,796)	390,562
Public works	608,065	609,391	478,927	(1,326)	130,464
Health and welfare	240,000	240,000	129,457	-	110,543
Culture & recreation	179,062	162,457	66,362	16,605	96,095
Economic Development Authority	48,304	48,304	43,798	-	4,506
Debt service	66,000	66,000	29,132	-	36,868
<b>TOTAL EXPENDITURES</b>	<u>3,836,206</u>	<u>3,934,084</u>	<u>3,122,692</u>	<u>(97,878)</u>	<u>811,392</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(460,183)</u>	<u>(469,507)</u>	<u>73,237</u>	<u>(9,324)</u>	<u>542,744</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers	(48,304)	156,000	-	204,304	(156,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(48,304)</u>	<u>156,000</u>	<u>-</u>	<u>204,304</u>	<u>(156,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(508,487)</u>	<u>(313,507)</u>	<u>73,237</u>	<u>194,980</u>	<u>386,744</u>
<b>FUND BALANCE -BEGINNING</b>	2,633,796	2,633,796	2,633,796	-	-
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	246,244	-	246,244
<b>FUND BALANCE, OCTOBER 1, 2014, AS RESTATED</b>	<u>2,633,796</u>	<u>2,633,796</u>	<u>2,880,040</u>	<u>-</u>	<u>246,244</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,125,309</u>	<u>\$ 2,320,289</u>	<u>\$ 2,953,277</u>	<u>\$ 194,980</u>	<u>\$ 632,988</u>

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

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**CITY OF ELLISVILLE, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

**CITY OF ELLISVILLE, MISSISSIPPI**  
**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF ELLISVILLE, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS**  
**SEPTEMBER 30, 2015**

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**Coverage with Old Republic Surety Company:**

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

**Coverage with Mississippi Municipal Bond Program:**

Alderman	50,000 ea
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**CITY OF ELLISVILLE, MISSISSIPPI**  
**SCHEDULE OF INVESTMENTS – ALL FUNDS**  
**SEPTEMBER 30, 2015**

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other Information</u>	<u>Investment Cost/Value</u>
General Fund	Certificate of Deposit	0.45%	9/30/2016	Community Bank	\$ 23,452
General Fund	Certificate of Deposit	0.35%	3/30/2016	Community Bank	173,186
General Fund	Certificate of Deposit	0.45%	9/30/2016	Community Bank	434,539
General Fund	Certificate of Deposit	0.45%	9/30/2016	Community Bank	204,996
<b>Total General</b>					<u>836,172</u>
Proprietary Fund	Certificate of Deposit	0.35%	3/30/2016	Community Bank	455,634
Proprietary Fund	Certificate of Deposit	0.45%	9/30/2016	Community Bank	238,949
<b>Total Proprietary</b>					<u>694,583</u>
<b>Total Investment</b>					<u><b>\$1,530,756</b></u>

**CITY OF ELLISVILLE, MISSISSIPPI**  
**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**



**HOLT & ASSOCIATES, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA

Julie M. Uher, CPA

Kari M. Blackledge, CPA

H. I. Holt, CPA

Founder (1915-1997)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Ellisville, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Ellisville, Mississippi's basic financial statements, and have issued our report thereon dated January 21, 2016.

**Internal Control Over Financial Reporting**

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2015-1 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

### **City of Ellisville Mississippi's Response to Findings**

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

### **Purpose of this Report**

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

*Holt & Associates, PLLC*

January 21, 2016



**HOLT & ASSOCIATES, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA

Julie M. Uher, CPA

Kari M. Blackledge, CPA

H. I. Holt, CPA

Founder (1915-1997)

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

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

We have audited the financial statements of the governmental activities, business-type activities and each major fund and the aggregate remaining fund information of the City of Ellisville, Mississippi as of and for the year ended September 30, 2015, and have issued our report thereon dated January 21, 2016. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

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

*Holt & Associates, PLLC*

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**CITY OF ELLISVILLE, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR YEAR ENDED SEPTEMBER 30, 2015**

**FINDING 2015-1**

**Finding:**

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

**Recommendation:**

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

**Response:**

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

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