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OFFICE OF THE MAYOR
Jerry Autrey

CITY OF BATESVILLE
P.O. Box 689 103 College Street
Batesville, Mississippi 38606

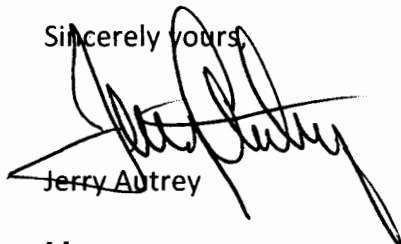
September 26, 2017

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

RE: Annual Municipal Audit

Accompanying this letter are two hard copies and one electronic copy of the annual audit of the City of Batesville, Mississippi for the fiscal year ended September 30, 2016. In connection with this audit, a separate management letter was written to the City. Enclosed you will find a copy of this management letter along with the audit reports.

Sincerely yours,



Jerry Autrey

Mayor

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JA:ssb

Kermit V. Jones Jr., C.P.A. Christopher D. Jones, C.P.A. Jeremy D. Jones, C.P.A. **OCT 08 2017** David W. Jones, C.P.A.

Mayor and Board of Alderpersons
City of Batesville, Mississippi

In planning and performing our audit of the financial statements of the City of Batesville, Mississippi as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Batesville, Mississippi's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters.

1. The Civic Center Fund is not making daily deposits. Failure to make daily deposits could cause revenues to be recorded in the wrong period. It could also place cash at risk for misappropriation. Occasionally, the Civic Center uses this cash on hand to make refunds of deposits etc. All cash should be deposited and any refund issued by check.
2. The Public Service Commission requires interest to be paid on all utility department customer deposits for customers over 1 mile outside of the City limits. The City has not been paying interest on these deposits.
3. Management, as part of their formal risk assessment and monitoring program, should periodically review the following steps to help prevent the occurrence of fraud.

Control the mail – In governments, management should either personally pick up the mail, or have the mail picked up by an employee who has no responsibilities related to the handling or recording of deposits, accounts receivable records or revenues. All remittances from customers should be directed to a post office box. Limiting access to the City's mail is essential in preventing the unauthorized negotiation of cash receipts.

Control the accounts receivable – Management should limit access to accounts receivable records, and in particular, the ability to issue credit memoranda, discounts and refunds. Accounts receivable detail ledgers should be balanced with the control account at regular intervals and any differences should be investigated promptly. Only the Board of Alderpersons should be authorized to charge off accounts deemed uncollectible. Any discrepancies reported by customers should be investigated promptly. Aged accounts should be reviewed monthly and past due accounts investigated.

Control the bank statements – Similarly, management should personally pick up the City's bank statements directly from the bank, or have them picked up by an employee who has no related responsibilities and delivered to the Mayor unopened. Management should review the contents of the statements before they are reconciled. Specific items that management should be alert to include:

1. Missing checks
2. Checks issued out of sequence
3. Unknown payees
4. Checks that appear to have been altered
5. Checks not signed by authorized signatories
6. Other unusual items

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Control the inventory – Management should carefully monitor gross profit, and investigate any unexpected variances. Access to inventories should be limited as much as possible, and the use of surveillance equipment may deter inventory theft. If a perpetual inventory is used, periodic counts should be performed at regular intervals for comparison with the perpetual records.

Control the accounts payable – Establish and monitor approved vendor lists. Management should periodically review the list of approved vendors, being alert to:

1. Unknown vendors
2. Vendors with names similar to other known vendors
3. Vendors with no physical address or telephone number
4. Vendors whose addresses match employee addresses

Limit the number of authorized check signers – If possible, only the Mayor and City Clerk should be authorized to sign checks. If not possible, consider requiring two signatures on checks, at least those over a specified amount. The use of facsimile signatures should be avoided if at all possible. Never sign checks in the blank. Review supporting documentation when checks are signed and investigate any discrepancies.

Account for sequences – Whether it is checks, invoices, credit memoranda, receiving reports, shipping documents, or other prenumbered items, all sequences should be accounted for. Voided documents should be defaced to prevent unauthorized use and retained to complete sequences.

Control general journal entries – Management should either make or personally review and approve all general journal entries. Supporting documentation should be reviewed before approving general journal entries. In particular, the following items should be investigated:

1. Entries made to unrelated accounts
2. Entries made to receivables or revenues at or near the close of a period

3. Entries made by persons whose responsibilities are not consistent with the accounts being adjusted

Monitor exception reports – Unprocessed transactions should be carefully examined for propriety. This includes revenues, expenses, purchasing and payroll transactions.

Establish a budget – Management should establish an operating budget and monitor actual results monthly. Any significant variances should be investigated.

Establish reasonable performance targets – Setting incentive compensation arrangements at unrealistic performance levels may encourage misstatement of financial results.

Perform thorough background checks on all new employees – Call former employers and educational institutions for verification of previous employment and education. Beware of “gaps” in employment or educational history. Consider obtaining a credit report (if authorized by the candidate) before employment.

Require uninterrupted vacations for all employees and establish a schedule of rotation of employee responsibilities – More than just good management, rotation of duties provides a strong disincentive to commit fraud. In addition, it provides an opportunity to discover fraud that has already occurred.

Provide employees an opportunity to report the occurrence of fraud or other abuse anonymously – In a recent survey, one in five employees said they were personally aware of the occurrence of fraud in the workplace. Eighty percent said they would be willing to report fraud if they did not have to identify themselves. Management can establish hotlines, “suggestion boxes” or other means to enable employees to bring the occurrence of fraud to its attention without requiring employees to give their names.

Clearly communicate to employees the behavior that is expected of them – Believe it or not, ignorance has been cited as a common cause of fraud. Some employees have been trained to commit fraudulent acts without knowing what they were doing, just assuming that “that’s the way it’s done”.

Be alert to changes in employee attitudes, behavior and lifestyle – Because of day-to-day contact, management is in the best position to observe the unusual – attitudes that are hostile or defensive toward management or the City in general, changes in behavior that are inconsistent with employees’ normal disposition or lifestyles that are not reasonable based on the employees’ level of compensation. Matters that may be of particular concern include:

1. Indications of dissatisfaction with compensation, lack of promotion

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2. Indications of gambling
3. Indications of drug use or excessive use of alcohol
4. Indications of financial distress
5. Indications of infidelity
6. Indications of serious illness
7. Indications of excessive nervousness
8. Indications of severe stress

Take strong action against employees who commit fraud – Call the police or other law enforcement agency and press charges. Failing to do so sends a message to other employees that management doesn't take fraud seriously.

Conduct your own activities on a high ethical level – Employees will follow the lead of management, whether that lead is ethical or not. More than what is said or included in a policy manual, the actions of management establish behavioral norms.

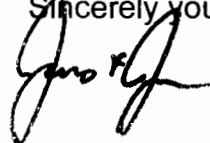
Obtain reasonable fidelity bond coverage – If the unthinkable occurs, insurance coverage is the most likely means of recovery of amounts misappropriated. The amount of coverage should be reviewed periodically for adequacy.

Separate reports dated September 11, 2017, contain our communication of significant deficiencies or material weaknesses in the City's internal control. This letter does not affect our report dated September 11, 2017, on the financial statements of the City of Batesville, Mississippi.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

This communication is intended solely for the information and use of management and the Board of Alderpersons, and others within the City and is not intended to be, and should not be used by anyone other than those specified parties.

Sincerely yours,



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JONES & JONES
Certified Public Accountants
of Booneville, P.A.
Booneville, Mississippi

September 11, 2017

CITY OF BATESVILLE, MISSISSIPPI
Basic Financial Statements
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September 30, 2016

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CITY OF BATESVILLE, MISSISSIPPI
Basic Financial Statements
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JONES & JONES
CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE, P.A.

Kermit V. Jones Jr., C.P.A. Christopher D. Jones, C.P.A. Jeremy D. Jones, C.P.A. David W. Jones, C.P.A.

Independent Auditors' Report

To the Mayor and Board of Alderpersons
City of Batesville, 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 Batesville, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Tourism Fund	Unmodified
Water and Sewer Fund	Qualified
Gas Fund	Qualified
Civic Center Fund	Qualified
Agregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities and the Business-Type Activities

Because the post employment benefits liability for allowing employees who retire from City service with 25 years and are age 55 being allowed to continue on the City's health insurance group plan upon retirement until eligible for Medicare, has not been determined or accrued, we were unable to form an opinion regarding the post employment benefits liability recorded in the accompanying Statement 1 – Statement of Net Position (Governmental Activities and Business-Type Activities) at September 30, 2016 and the amounts at which the related post employment benefit expenses is recorded in the accompanying Statement 2 – Statement of Activities (Governmental Activities and Business-Type Activities). The amount by which this departure would affect the liabilities, net position, and expenses of the Governmental Activities and Business-Type Activities has not been determined.

Basis for Qualified Opinion on Water and Sewer Fund, Gas Fund and Civic Center Fund

Because the post employment benefits liability for allowing employees who retire from City service with 25 years and are age 55 being allowed to continue on the City's health insurance group plan upon retirement until eligible for Medicare, has not been determined or accrued, we were unable to form an opinion regarding the post employment benefits liability recorded in the accompanying Statement 5 – Proprietary Fund Statement of Net Position at September 30, 2016 (Water and Sewer Fund, Gas Fund, and Civic Center Fund) and the amounts at which the related post employment benefit expenses is recorded in the accompanying Statement 6 – Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position (Water and Sewer Fund, Gas Fund, and Civic Center Fund). The amount by which this departure would affect the liabilities, net position, and expenses of the Water and Sewer Fund, Gas Fund, and Civic Center Fund has not been determined.

Qualified Opinions

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, Water and Sewer Fund, Gas Fund, and Civic Center Fund paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities, Water and Sewer Fund, Gas Fund, and Civic Center Fund of the City of Batesville, Mississippi, as of September 30, 2016, 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.

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, the tourism fund, and the aggregate remaining fund information of the City of Batesville, Mississippi, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Changes in Accounting Principles

As discussed in Note T to the financial statements, in 2016, the City made a change in its accounting principles to recognize unbilled utility receivables. This change in accounting principles requires a restatement to increase the beginning net position by \$473,852 in Business-Type Activities, \$320,850 in the Water and Sewer Fund, and \$153,002 in the Gas Fund. As discussed in Note T to the financial statements, there was also a restatement to the beginning net position in Governmental Activities of \$143,890, Business-Type Activities of \$(83,153), Water and Sewer Fund \$39,163, Gas Fund \$(135,803), and Civic Center Fund \$13,487 and the beginning fund balance in the General Fund \$85,041 and the Nonmajor Other Governmental Funds \$131,447. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18, Schedule of City's proportionate share of the net pension liability (Schedule 1) on page 86, Schedule of City's contribution to Public Employee Retirement System of Mississippi (Schedule 2) on page 87, and budgetary comparison information (Schedules 3 and 4) on pages 88 through 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Batesville, Mississippi's basic financial statements. The combining and individual nonmajor fund financial statements (Schedules 5 and 6) and the schedule of surety bonds for municipal officials and employees (Schedule 7) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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The combining and individual nonmajor fund financial statements (Schedules 2 and 3) and the schedule of surety bonds for municipal officials and employees (Schedule 4) 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 (Schedules 2 and 3) and the schedule of surety bonds for municipal officials and employees (Schedule 4) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2017, on our consideration of the City of Batesville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Batesville, Mississippi's internal control over financial reporting and compliance.

Sincerely yours,



Jones & Jones
Certified Public Accountants
of Booneville, P.A.
Booneville Mississippi

September 11, 2017

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CITY OF BATESVILLE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2016

As management of the City of Batesville, Mississippi, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$40,153,275 (net position).

The government's total net position decreased by \$772,121 during the current fiscal year after the changes in accounting principles and prior period adjustments detailed in Note T to the financial statements.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,964,739, a decrease of \$2,031,742 during the current fiscal year. The City reported a deficit in unassigned fund balance of \$215,360.

At the end of the current fiscal year, unassigned fund balance for the general fund had a deficit balance of \$215,360 or 1.8 percent of total general fund expenditures.

The City had fixed asset net additions of \$3,998,575 during the current year. Of this amount \$2,508,258 occurred in the governmental activities and \$1,490,317 occurred in the business-type activities.

The City's total debt decreased by \$845,699 during the current fiscal year. This change resulted from new debt issued of \$0 and debt repayments net of amortization of \$845,699.

During the current fiscal year, the City's operating grants and contributions increased \$60,205 (1232.19 percent) mainly due to the State of Mississippi shared revenue of \$47,864 being presented in this category; capital grants and contributions decreased \$694,644 (55.03 percent) mainly due to fewer grants being awarded in the current year; property taxes increased \$33,421 (1.01 percent) mainly due to an increase in property assessed valuation; charges for services increased \$616,103 (6.91 percent) mainly due to gas sales decreasing due to warmer weather and lower natural gas prices. This was offset by the charges paid by Mississippi Department of Transportation for the relocation of natural gas lines for them; and total expenses increased \$3,556,603 (19.78 percent) mainly due to the costs associated with relocating certain natural gas lines for Mississippi Department of Transportation and increased cost in public safety.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and community development. The business-type activities of the City include water and sewer operations, natural gas operations, and solid waste collection operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also four legally separate authorities—the Batesville Licensing Commission, the Batesville Planning Commission, the Batesville Public Improvement Corporation, and the Batesville Election Commission Board. These component units, although legally separate, do not have any financial statements. Any expenses of these boards are paid by the City and are included in the City's financial statements.

The government-wide financial statements can be found on pages 19 – 21 of this report.

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Fund financial statements

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

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of 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 a government's near-term financing requirements.

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

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the tourism fund, which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and certain special revenue funds. Budgetary comparison schedules for the general fund and the tourism fund has been provided in the financial statements on pages 88 – 92 to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 22 – 26 of this report.

Proprietary funds

The City maintains four different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, natural gas operations, civic center operations, and its waste collection operations.

Overview of the Financial Statements – continued

Proprietary funds - continued

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, the natural gas operations, the civic center operation, and the waste collection operations. The water and sewer fund, gas system fund, and the civic center fund are considered to be major funds of the City. The waste collection fund is considered to be a nonmajor fund of the City.

The basic proprietary fund financial statements can be found on pages 27 – 32 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City does not operate any fiduciary funds.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 – 85 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to the schedule of City's proportionate share of the net pension liability, schedule of City's contributions to public employee retirement system of Mississippi, and budgetary comparison schedules for certain governmental funds referred to earlier. Required supplementary information can be found on pages 86 – 93 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 96 – 97 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Batesville, Mississippi, assets and deferred outflows of resources less liabilities and deferred inflows of resources netted to \$40,153,275 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (approximately 85.3 percent or \$34,233,746) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (approximately 12.2 percent or \$4,881,918) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is approximately 2.6 percent or \$1,037,611.

At the end of the current fiscal year, the City reported an unrestricted deficit net position in governmental activities of \$6,913,681, while all other categories of net position reported positive balances both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net position decreased by \$772,121 during the current fiscal year, not counting the cumulative effect of the change in accounting principles and the prior period adjustments fully discussed in Note T to the financial statements. This increase was mainly due to the decrease in net position from the governmental activities of \$1,992,986 and the increase in business-type activities of \$1,220,865 as detailed on the City of Batesville, Mississippi's changes in net position presented on the following pages. See other detailed changes on the following pages.

Government-wide Financial Analysis - continued

City of Batesville, Mississippi's Net position

	Governmental Activities				Business-Type Activities				Total			
	2016	2015	Increase (Decrease)	% Change	2016	2015	Increase (Decrease)	% Change	2016	2015	Increase (Decrease)	% Change
Current and other assets	\$ 13,533,178	\$ 15,271,163	\$ (1,737,985)	-11.4%	\$ 12,745,408	\$ 11,547,532	\$ 1,197,876	10.4%	\$ 26,278,586	\$ 26,818,695	\$ (540,109)	-2.0%
Capital assets	15,110,789	14,052,295	1,058,494	7.5%	23,923,157	23,835,675	87,482	0.4%	39,033,946	37,887,970	1,145,976	3.0%
Total assets	28,643,967	29,323,458	(679,491)	-2.3%	36,668,565	35,383,207	1,285,358	3.6%	65,312,532	64,706,665	605,867	0.9%
Deferred outflows of resources	2,838,433	1,316,044	1,522,389	115.7%	851,142	391,426	459,716	117.4%	3,689,575	1,707,470	1,982,105	116.1%
Long-term liabilities outstanding	13,929,199	10,931,241	2,997,958	27.4%	8,476,917	7,681,693	795,224	10.4%	22,406,116	18,612,934	3,793,182	20.4%
Other liabilities	1,138,013	1,177,527	(39,514)	-3.4%	1,341,719	2,009,340	(667,621)	-33.2%	2,479,732	3,186,867	(707,135)	-22.2%
Total liabilities	15,067,212	12,108,768	2,958,444	24.4%	9,818,636	9,691,033	127,603	1.3%	24,885,848	21,799,801	3,086,047	14.2%
Deferred inflows of resources	3,633,291	3,899,741	(266,450)	-6.8%	329,693	323,787	5,906	1.8%	3,962,984	4,223,528	(260,544)	-6.2%
Net position												
Net investment in capital assets	14,813,660	14,510,297	303,363	2.1%	19,420,086	18,731,773	688,313	3.7%	34,233,746	33,242,070	991,676	3.0%
Restricted	4,881,918	5,000,565	(118,647)	-2.4%	-	-	-	0.0%	4,881,918	5,000,565	(118,647)	-2.4%
Unrestricted	(6,913,681)	(4,879,869)	(2,033,812)	41.7%	7,951,292	7,028,040	923,252	13.1%	1,037,611	2,148,171	(1,110,560)	-51.7%
Total Net Position	\$ 12,781,897	\$ 14,630,993	\$ (1,849,096)	-12.6%	\$ 27,371,378	\$ 25,759,813	\$ 1,611,565	6.3%	\$ 40,153,275	\$ 40,390,806	\$ (237,531)	-0.6%

City of Batesville, Mississippi's Changes in Net position

	Governmental Activities				Business-Type Activities				Total			
	2016	2015	Increase (Decrease)	% Change	2016	2015	Increase (Decrease)	% Change	2016	2015	Increase (Decrease)	% Change
Revenue												
Program Revenues												
Charges for services	\$ 528,993	\$ 802,537	\$ (273,544)	-34.1%	\$ 9,002,425	\$ 8,112,778	\$ 889,647	11.0%	\$ 9,531,418	\$ 8,915,315	\$ 616,103	6.9%
Operating grants and contributions	65,091	4,886	60,205	1232.2%	-	-	-	0.0%	65,091	4,886	60,205	1232.2%
Capital grants and contributions	383,827	530,376	(146,549)	-27.6%	183,808	731,903	(548,095)	-74.9%	567,635	1,262,279	(694,644)	-55.0%
General Revenues												
Taxes												
Property taxes and late fees	3,115,123	3,083,964	31,159	1.0%	238,383	236,121	2,262	1.0%	3,353,506	3,320,085	33,421	1.0%
Road and bridge taxes	389,644	385,760	3,884	1.0%	-	-	-	0.0%	389,644	385,760	3,884	1.0%
Sales tax and tourism tax	5,768,335	5,433,776	334,559	6.2%	-	-	-	0.0%	5,768,335	5,433,776	334,559	6.2%
Franchise tax	318,825	312,221	6,604	2.1%	-	-	-	0.0%	318,825	312,221	6,604	2.1%
In lieu taxes	365,037	360,061	4,976	1.4%	-	-	-	0.0%	365,037	360,061	4,976	1.4%
Other taxes and state shared revenues	216,342	87,259	129,083	147.9%	4,898	-	4,898	0.0%	221,240	87,259	133,981	153.5%
Investment income	75,304	91,175	(15,871)	-17.4%	41,053	-	41,053	0.0%	116,357	91,175	25,182	27.6%
Unrestricted grants and contributions	3,500	-	3,500	0.0%	-	-	-	0.0%	3,500	-	3,500	0.0%
Other	31,789	49,353	(17,564)	-35.6%	-	70,857	(70,857)	-100.0%	31,789	120,210	(88,421)	-73.6%
Total revenue	\$ 11,261,810	\$ 11,141,368	\$ 120,442	1.1%	\$ 9,470,567	\$ 9,151,659	\$ 318,908	3.5%	\$ 20,732,377	\$ 20,293,027	\$ 439,350	2.2%

Government-wide Financial Analysis - continued

City of Batesville, Mississippi's Changes in Net position

	Governmental Activities				Business-Type Activities				Total			
	2016	2015	Increase (Decrease)	% Change	2016	2015	Increase (Decrease)	% Change	2016	2015	Increase (Decrease)	% Change
Expenses:												
General government	\$ 1,143,208	\$ 1,320,932	\$ (177,724)	-13.5%	\$ -	\$ -	\$ -	0.0%	\$ 1,143,208	\$ 1,320,932	\$ (177,724)	-13.5%
Public safety	6,842,908	5,746,118	1,096,790	19.1%	-	-	-	0.0%	6,842,908	5,746,118	1,096,790	19.1%
Streets	2,544,669	2,178,141	366,528	16.8%	-	-	-	0.0%	2,544,669	2,178,141	366,528	16.8%
Other	1,864,322	1,630,332	233,990	14.4%	-	-	-	0.0%	1,864,322	1,630,332	233,990	14.4%
Interest	30,865	50,466	(19,601)	-38.8%	-	-	-	0.0%	30,865	50,466	(19,601)	-38.8%
Water and Sewer	-	-	-	0.0%	3,312,772	3,195,875	116,897	3.7%	3,312,772	3,195,875	116,897	3.7%
Natural Gas	-	-	-	0.0%	4,447,384	2,549,779	1,897,605	74.4%	4,447,384	2,549,779	1,897,605	74.4%
Civic Center	-	-	-	0.0%	1,066,853	1,001,668	65,185	6.5%	1,066,853	1,001,668	65,185	6.5%
Sanitation	-	-	-	0.0%	283,693	306,760	(23,067)	-7.5%	283,693	306,760	(23,067)	-7.5%
Total expenses	12,425,972	10,925,989	1,499,983	13.7%	9,110,702	7,054,082	2,056,620	29.2%	21,536,674	17,980,071	3,556,603	19.8%
Increase (decrease) in net assets before contributions and transfers	(1,164,162)	215,379	(1,379,541)	-640.5%	359,865	2,097,577	(1,737,712)	-82.8%	(804,297)	2,312,956	(3,117,253)	-134.8%
Gain (loss) on disposition of capital assets	31,176	10,366	20,810	200.8%	1,000	(121,292)	122,292	-100.8%	32,176	(110,926)	143,102	-129.0%
Transfers	(860,000)	1,086,398	(1,946,398)	-179.2%	860,000	(1,086,398)	1,946,398	-179.2%	-	-	-	0.0%
Increase (decrease) in net position	(1,992,986)	1,312,143	(3,305,129)	-251.9%	1,220,865	889,887	330,978	37.2%	(772,121)	2,202,030	(2,974,151)	-135.1%
Net position--beginning of year	14,630,993	22,498,446	(7,867,453)	-35.0%	25,759,814	27,536,155	(1,776,341)	-6.5%	40,390,807	50,034,601	(9,643,794)	-19.3%
Cumulative effect change	-	(8,971,609)	8,971,609	-100.0%	-	(2,666,229)	2,666,229	-100.0%	-	(11,637,838)	11,637,838	-100.0%
Prior period adjustment	143,890	(207,987)	351,877	-169.2%	390,699	-	390,699	0.0%	534,589	(207,987)	742,576	-357.0%
Net position--end of year	\$12,781,897	\$14,630,993	\$ (1,849,096)	-12.6%	\$ 27,371,378	\$ 25,759,813	\$ 1,611,565	6.3%	\$40,153,275	\$ 40,390,806	\$ (237,531)	-0.6%

Effective October 1, 2016, the City made a change in accounting principles by recognizing unbilled receivables for utilities billed on a cycle method in its business-type activities. The City also made several prior period adjustments. See Note T to the financial statements for details.

Governmental activities

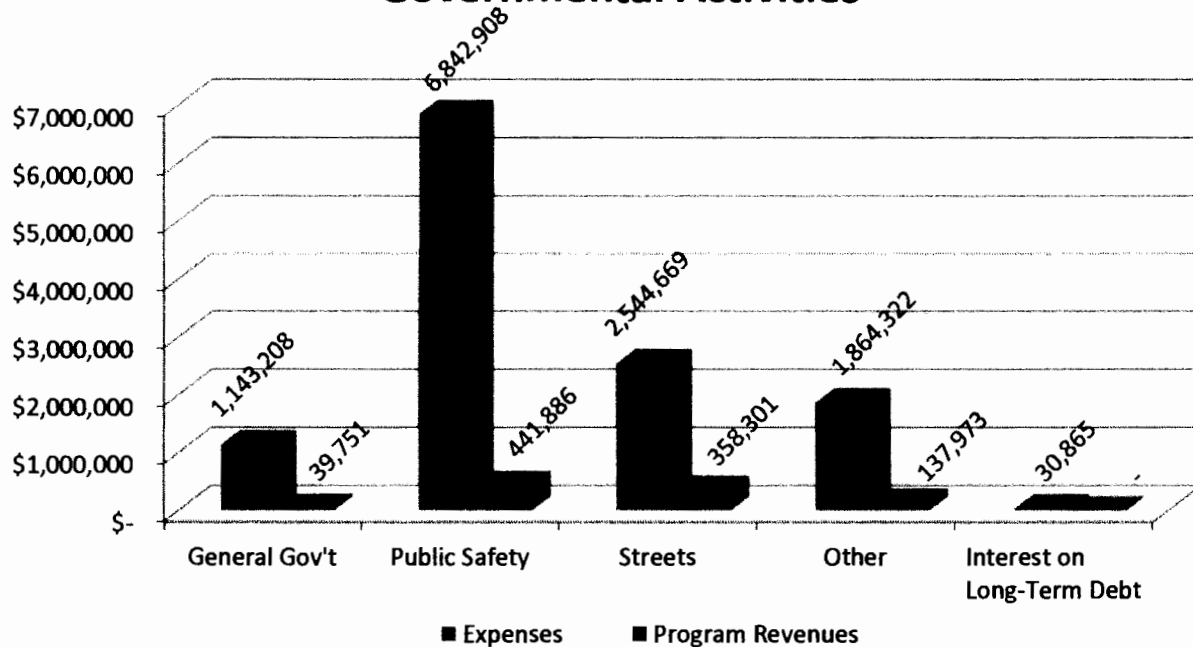
Governmental activities, including transfers, decreased the City's net position by \$1,992,986 during the current year. By comparison, governmental activities including transfers reported an increase in net position from the previous fiscal year of approximately \$1,312,143. Key elements of the changes are detailed above.

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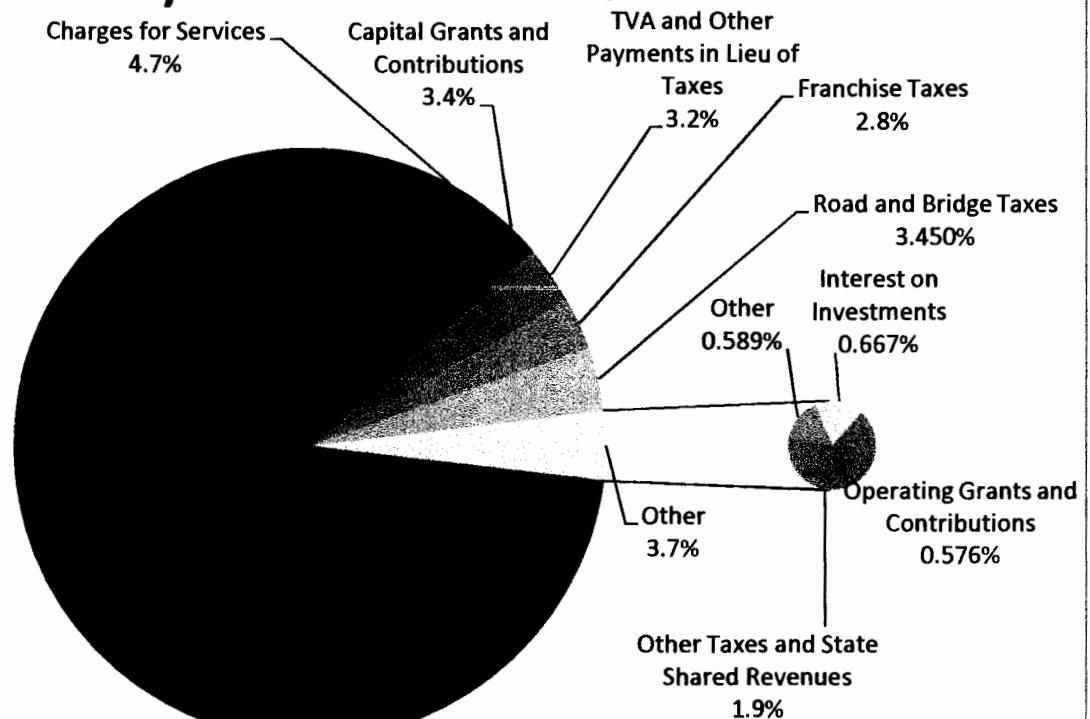
Government-wide Financial Analysis - continued

Governmental activities - continued

Expense and Program Revenues - Governmental Activities



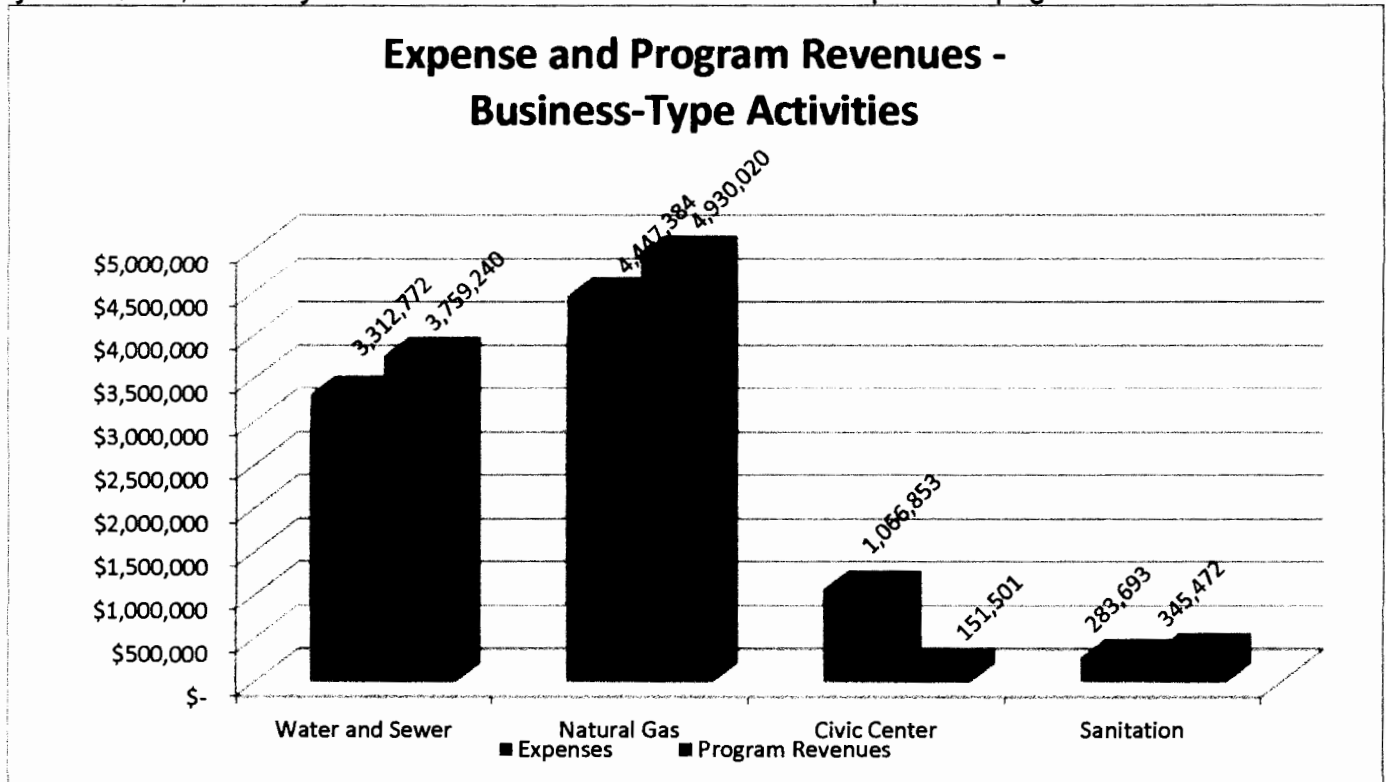
Revenues by Source - Governmental Activities



Government-wide Financial Analysis - continued

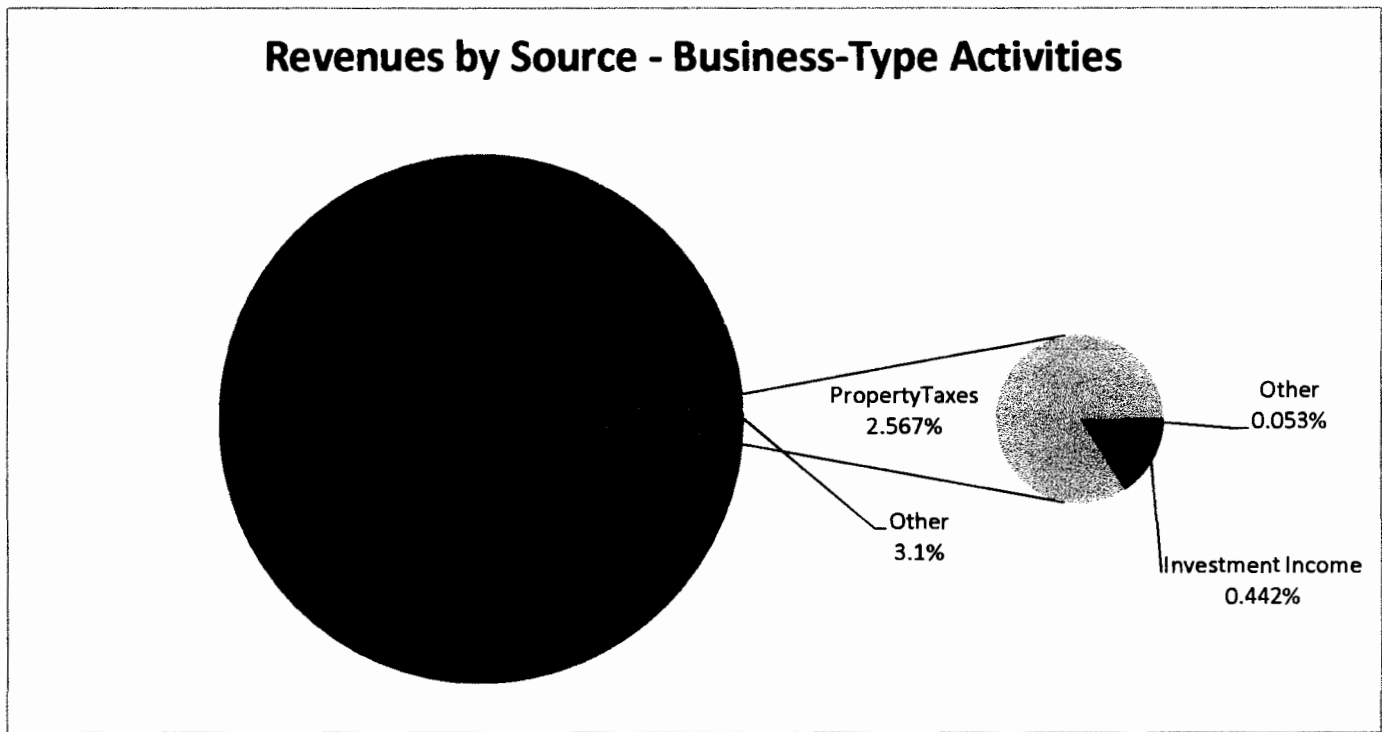
Business-type activities

Business-type activities reported an increase in the City's net position by \$1,220,865 during the current year. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$889,887. Key elements of this increase are detailed on previous pages.



Government-wide Financial Analysis - continued

Business-type activities - continued



Financial Analysis of the Government's Funds

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

Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,964,739, a decrease of \$2,031,742 compared to the prior year. The City reported a deficit of \$215,360 in unassigned fund balance.

The remainder of fund balance \$8,180,099 is either nonspendable, restricted by laws, regulations or by donor, committed by the Board of Alderpersons or assigned by the Mayor, to indicate that it is not available for new spending or it can be spent only for specific items.

Financial Analysis of the Government's Funds - continued

Governmental funds - continued

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance (deficit) in the general fund was \$215,360, while total fund balance was \$4,931,076. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents a deficit of 1.8 percent of total general fund expenditures.

The fund balance of the City's general fund decreased by \$2,159,746 during the current fiscal year.

Proprietary funds

The City's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer system, gas system, civic center, and waste collection funds at the end of the year amounted to \$1,484,262, \$6,292,708, \$146,253, and \$28,069, respectively. The water and sewer fund had an increase in net position for the year of \$460,118, the gas fund had an increase in net position for the year of \$510,036, the civic center fund had an increase in net position for the year of \$388,932, and the waste collection fund had a decrease in net position for the year of \$138,221.

Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City made the following amendments to its original budget: Revenues - other \$101,000, Expenditures - general government - other services and charges \$14,900, public safety - fire - supplies \$5,000, public safety - fire - other services and charges \$45,000, public safety - fire - capital outlay \$85,000, street - supplies \$40,000, street - capital outlay \$125,000, park and recreation - supplies \$20,000, park and recreation - capital outlay \$100,000, code - other services and charges \$10,000, and code - capital outlay \$40,000.

During the year, general fund revenues were more than the budgetary estimates and expenditures were less than the budgetary estimates, resulting in an actual increase in fund balance that was more than the final amended budget fund balance amount by \$4,928,428.

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Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounted to \$39,033,946 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and park facilities. Capital assets also include roads, highways, bridges, and other infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was approximately 3.0 percent (an approximate 7.5 percent increase for governmental activities and an approximate 0.4 percent increase for business-type activities).

Major capital asset additions are as follows:

Code automotive, furniture and equipment	\$	37,150
Fire automotive, furniture and equipment		71,957
Fire buildings and improvements		20,461
Park and recreation equipment		5,000
Park and recreation building and improvements		65,322
Police automotive, furniture and equipment		203,960
Police buildings and improvements		25,000
Public health and sanitation automotive, furniture and equipment		18,575
Street automotive, furniture and equipment		66,840
Street buildings and improvements		16,705
Street paving and overlays		1,963,413
Supervision and finance automotive, furniture and equipment		7,337
Gas automotive, furniture and equipment		29,888
Gas distribution system		12,903
Water and sewer automotive, furniture and equipment		49,154
Water and sewer distribution system		1,384,485
Water and sewer buildings and improvements		7,350
Civic center automotive, furniture and equipment		6,538

City of Batesville, Mississippi's Capital Assets - Net

	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,824,606	\$ 438,500	\$ 2,263,106
Construction in progress	80,991	462,710	543,701
Infrastructure	9,671,015	-	9,671,015
Building and improvements	3,079,114	7,509,799	10,588,913
Natural gas system	-	1,395,287	1,395,287
Water and sewer system	-	13,709,830	13,709,830
Automotive, equipment and furnishings	455,063	407,031	862,094
Total	\$ 15,110,789	\$ 23,923,157	\$ 39,033,946

Additional information on the City's capital assets can be found in Note F on pages 54 - 58 of this report and in the long-term debt section on the next page.

Capital Asset and Debt Administration - continued

Long-term debt

At the end of the current fiscal year, the City had total debt outstanding of \$4,800,200. Of this amount, \$3,055,000 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) or lease agreements subject to appropriations.

City of Batesville, Mississippi's Outstanding Debt General Obligation and Revenue Bonds

	Governmental Activities	Business-Type Activities	Total
General obligation bonds	\$ -	\$ 3,055,000	\$ 3,055,000
Tax increment limited obligation bonds	75,000	-	75,000
Notes and other loans payable	222,129		222,129
Revenue bonds	-	1,448,071	1,448,071
Total	\$ 297,129	\$ 4,503,071	\$ 4,800,200

The City's total debt decreased by \$845,699 (approximately 15.0 percent) during the current fiscal year. There were new revenue bonds and other debt obligations totaling \$0 issued during the year.

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

State statute limits the amount of general obligation debt a governmental entity may issue to 15 percent of the assessed value of the taxable property within such City according to the last completed assessment for taxation. The margin for additional debt under the 15 percent debt limit is approximately \$14,974,015. Additional information on the City's long-term debt can be found in Note H on pages 63 - 69 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2017 fiscal year:

Due to a sale of a local hospital, the City expects its tax base to decrease resulting in a decrease in property taxes of \$59,485.

The City tax millage rate was 28.05 for the current year compared to 28.05 for the subsequent year.

Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, there was a deficit unassigned fund balance in the general fund of \$215,360.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk at 103 College Street, Batesville, MS 38606.

CITY OF BATESVILLE, MISSISSIPPI

Statement of Net Position

September 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,428,608	\$ 10,255,869	\$ 13,684,477
Restricted cash and cash equivalents	4,048,420	432,564	4,480,984
Receivables (Net, where applicable, of allowances for uncollectibles)			
Property taxes (net of allowances of \$22,958)	3,760,768	245,218	4,005,986
Police fines (net of allowances of \$1,190,173)	211,880	-	211,880
Accounts (net of allowances of \$436,488)	-	675,694	675,694
Franchise fees (net of allowances of \$0)	112,185	-	112,185
Accrued interest (net of allowances of \$0)	862	-	862
Leases and loans receivable (net of allowances of \$0)	698,605	-	698,605
Prepaid items	168,729	70,892	239,621
Inventory	-	329,686	329,686
Due from other governments	1,108,122	730,484	1,838,606
Due (to) from other funds	(5,001)	5,001	-
Land and construction in progress	1,905,597	901,210	2,806,807
Other capital assets (net of accumulated depreciation)	13,205,192	23,021,947	36,227,139
Total Assets	28,643,967	36,668,565	65,312,532
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows pertaining to pensions	2,838,433	851,142	3,689,575
Total Deferred Outflows of Resources	2,838,433	851,142	3,689,575

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

CITY OF BATESVILLE, MISSISSIPPI
Statement of Net Position
September 30, 2016

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable - operations	\$ 366,687	\$ 555,409	\$ 922,096
Accounts payable - capital assets	412,351	273,639	685,990
Accrued interest	1,500	23,794	25,294
Accrued liabilities	304,535	56,313	360,848
Customer deposits	-	432,564	432,564
Liabilities payable from restricted assets:			
Accounts payable - operations	21,568	-	21,568
Builders compliance bonds and seized funds held	31,372	-	31,372
Long-term debt and capital leases			
Bonds and notes payable due within one year	263,461	592,205	855,666
Compensated absence due within one year	33,113	-	33,113
Net pension liability due in more than one year	13,238,462	3,843,444	17,081,906
Bonds and notes payable due in more than one year	33,668	3,910,866	3,944,534
Compensated absense due in more than one year	360,495	130,402	490,897
Total Liabilities	<u>15,067,212</u>	<u>9,818,636</u>	<u>24,885,848</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows pertaining to pensions	35,179	78,808	113,987
Deferred inflows pertaining to unavailable revenue	3,598,112	250,885	3,848,997
Total Deferred Inflows of Resources	<u>3,633,291</u>	<u>329,693</u>	<u>3,962,984</u>
NET POSITION			
Net investment in capital assets	14,813,660	19,420,086	34,233,746
Restricted for:			
Debt service - expendable	327,198	-	327,198
Library operations - expendable	1,552,981	-	1,552,981
Economic Development	1,725,303	-	1,725,303
Other -- expendable	87,678	-	87,678
Tourism Development - expendable	1,129,535	-	1,129,535
Unemployment	59,223	-	59,223
Unrestricted (deficit)	<u>(6,913,681)</u>	<u>7,951,292</u>	<u>1,037,611</u>
TOTAL NET POSITION	<u>\$ 12,781,897</u>	<u>\$ 27,371,378</u>	<u>\$ 40,153,275</u>

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

Statement 2

CITY OF BATESVILLE, MISSISSIPPI
Statement of Activities
For the fiscal year ended September 30, 2016

					Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
General government	\$ 1,143,208	\$ 27,327	\$ 12,424	\$ -	\$ (1,103,457)	\$ -	\$ (1,103,457)
City Court	277,983	1,692	-	-	(276,291)	-	(276,291)
Police	4,616,162	354,103	3,435	5,526	(4,253,098)	-	(4,253,098)
Fire	2,226,746	9,590	49,232	20,000	(2,147,924)	-	(2,147,924)
Streets	2,544,669	-	-	358,301	(2,186,368)	-	(2,186,368)
Public Health and Sanitation	416,037	9,820	-	-	(406,217)	-	(406,217)
Library	301,867	3,197	-	-	(298,670)	-	(298,670)
Parks and recreation	449,692	18,259	-	-	(431,433)	-	(431,433)
Code	335,968	105,005	-	-	(230,963)	-	(230,963)
Economic development	82,775	-	-	-	(82,775)	-	(82,775)
Interest on long term debt	30,865	-	-	-	(30,865)	-	(30,865)
Total Governmental Activities	12,425,972	528,993	65,091	383,827	(11,448,061)	-	(11,448,061)
Business-Type Activities:							
Water	1,308,043	2,147,023	-	181,348	-	1,020,328	1,020,328
Sewer	2,004,729	1,428,409	-	2,460	-	(573,860)	(573,860)
Gas	4,447,384	4,930,020	-	-	-	482,636	482,636
Civic Center	1,066,853	151,501	-	-	-	(915,352)	(915,352)
Sanitation	283,693	345,472	-	-	-	61,779	61,779
Total Business-Type Activities	9,110,702	9,002,425	-	183,808	-	75,531	75,531
TOTAL PRIMARY GOVERNMENT	\$ 21,536,674	\$ 9,531,418	\$ 65,091	\$ 567,635	(11,448,061)	75,531	(11,372,530)

General Revenues

Taxes

Property taxes and late fees	3,115,123	238,383	3,353,506
Road and bridge taxes	389,644	-	389,644
Sales and tourism tax	5,768,335	-	5,768,335
Homestead	113,586	4,898	118,484
Franchise tax	318,825	-	318,825
TVA and other payments in lieu of taxes	365,037	-	365,037
Other taxes and other	92,088	-	92,088
Municipal aid and gasoline tax	10,668	-	10,668
Investment income	75,304	41,053	116,357
Reduction for uncollectable loans	(7,500)	-	(7,500)
Other	39,289	-	39,289
Grants and contributions not restricted to specific program	3,500	-	3,500
Gain (loss) on sale or retirement of capital assets	31,176	1,000	32,176
Transfers	(860,000)	860,000	-
Total	9,455,075	1,145,334	10,600,409
Change in Net Position	(1,992,986)	1,220,865	(772,121)
RESTATED NET POSITION--BEGINNING	14,774,883	26,150,513	40,925,396
NET POSITION--ENDING	\$ 12,781,897	\$ 27,371,378	\$ 40,153,275

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

CITY OF BATESVILLE, STATE OF MISSISSIPPI
Governmental Funds
Balance Sheet
September 30, 2016

	General Fund	Tourism Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,428,608	\$ -	\$ -	\$ 3,428,608
Restricted cash and cash equivalents	1,562,691	931,279	1,554,450	4,048,420
Taxes	3,760,768	-	-	3,760,768
Police fines	211,880	-	-	211,880
Interest	-	-	862	862
Franchise fees	112,185	-	-	112,185
Due from other funds	11,178	-	-	11,178
Due from other governments	907,914	200,208	-	1,108,122
Lease and loans receivable - net	14,615	-	683,989	698,604
Total assets	\$ 10,009,839	\$ 1,131,487	\$ 2,239,301	\$ 13,380,627
LIABILITIES				
Accounts payable - operations	\$ 364,735	\$ 1,952	\$ -	\$ 366,687
Accounts payable - fixed assets	412,351	-	-	412,351
Accrued liabilities	304,535	-	-	304,535
Compensated absences	33,113	-	-	33,113
Due to other funds	16,179	-	-	16,179
Liabilities payable from restricted assets				
Accounts payable	-	-	21,568	21,568
Builders compliance bonds and seized funds held	9,710	-	21,662	31,372
Total liabilities	1,140,623	1,952	43,230	1,185,805
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	3,938,140	-	291,943	4,230,083
Total deferred inflows of resources	3,938,140	-	291,943	4,230,083
FUND BALANCES				
Nonspendable	14,615	-	-	14,615
Restricted	1,552,981	1,129,535	1,904,128	4,586,644
Committed	25,000	-	-	25,000
Assigned	3,553,840	-	-	3,553,840
Unassigned	(215,360)	-	-	(215,360)
Total fund balance	4,931,076	1,129,535	1,904,128	7,964,739
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,009,839	\$ 1,131,487	\$ 2,239,301	\$ 13,380,627

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

CITY OF BATESVILLE, STATE OF MISSISSIPPI
Reconciliation of Fund Balances of Governmental Funds to the
Governmental Activities in the Statement of Net Position
September 30, 2016

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 7,964,739
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and; therefore, were not reported in the governmental funds. The capital assets were adjusted as follows:	
Land improvements and construction in progress	1,905,597
Other capital assets	38,471,654
Less accumulated depreciation	(25,266,462)
Some of the City's revenues will be collected after year end but will not be available soon enough to pay for the current period's expenditures and; therefore, are deferred in the governmental funds. The deferred revenues were adjusted as follows:	
Revenues - police fines	120,684
Revenues - lease-sale post office building	291,943
Revenues - payments in lieu of tax	211,817
Revenues - property taxes	1,404
Revenues - advalorem privilege taxes	6,123
The City's policy is to not recognize prepaid items as assets at the fund level; therefore they are not reported in the funds.	168,729
Interest payable on long-term debt did not require current financial resources; therefore, interest payable was not reported as a liability in the governmental funds.	(1,499)
Long-term liabilities, including bonds payable, capital leases and compensated absences not due and payable in the current period and; therefore, are not reported in the governmental funds. The long-term liabilities were adjusted as follows:	
General obligation bonds	(297,129)
Compensated absences	(360,495)
Net pension obligations are not due and payable in the current period and; therefore, are not reported in the governmental fund financial statements.	(13,238,462)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and; therefore, are not reported in the governmental fund financial statements.	
Deferred outflows of resources related to pensions	2,838,433
Deferred inflows related to pensions	(35,179)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 12,781,897</u>

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

CITY OF BATESVILLE, STATE OF MISSISSIPPI
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended September 30, 2016

	<u>General</u>	<u>Tourism Fund</u>	<u>Nonmajor Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Advalorem taxes, penalties and interest	\$ 3,113,728	\$ -	\$ -	\$ 3,113,728
Road and bridge taxes	389,644	-	-	389,644
In lieu of taxes GE	153,220	-	-	153,220
License, permits, and fees	177,898	-	-	177,898
Intergovernmental revenues:				
Federal grants	297,253	-	-	297,253
State shared revenues:				
Sales tax	4,511,355	-	-	4,511,355
Liquor privilege tax	10,800	-	-	10,800
Fire protection	47,864	-	-	47,864
Gasoline tax and municipal aid	10,668	-	-	10,668
Homestead reimbursement	113,586	-	-	113,586
In lieu of taxes - TVA	124,432	-	-	124,432
Tourism tax	-	1,256,980	-	1,256,980
Franchise taxes	318,825	-	-	318,825
Municipal court fines and bond fees	180,248	-	10,399	190,647
Cops in school charges	202,611	-	-	202,611
Parks and recreation	22,100	-	-	22,100
Fire department revenue - local	9,774	-	-	9,774
Interest income	26,182	426	15,718	42,326
Rents	38,267	-	207,987	246,254
Contributions and donations	97,000	-	1,184	98,184
Reduction for uncollectable loans	-	-	(7,500)	(7,500)
Other	48,083	-	-	48,083
Total revenues	<u>9,893,538</u>	<u>1,257,406</u>	<u>227,788</u>	<u>11,378,732</u>
<u>EXPENDITURES</u>				
Current				
General government	984,946	82,775	17,835	1,085,556
City court	235,232	-	-	235,232
Police	3,910,066	-	2,606	3,912,672
Fire	1,743,997	-	-	1,743,997
Streets	1,442,259	-	-	1,442,259
Public health and sanitation	363,215	-	-	363,215
Library	264,323	-	-	264,323
Parks and recreation	330,871	-	-	330,871
Code	277,013	-	-	277,013
Economic development	-	7,204	-	7,204
Capital outlay	2,629,563	-	15,583	2,645,146
Debt Service				
Principal retirement - general obligation	-	-	244,869	244,869
Interest and paying agent	-	-	32,033	32,033
Total expenditures	<u>12,181,485</u>	<u>89,979</u>	<u>312,926</u>	<u>12,584,390</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ (2,287,947)</u>	<u>\$ 1,167,427</u>	<u>\$ (85,138)</u>	<u>\$ (1,205,658)</u>

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

CITY OF BATESVILLE, STATE OF MISSISSIPPI
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended September 30, 2016

	<u>General</u>	<u>Tourism Fund</u>	<u>Nonmajor Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from disposition of fixed assets	\$ 33,916	\$ -	\$ -	\$ 33,916
Operating transfers in	200,000	-	105,715	305,715
Operating transfers out	<u>(105,715)</u>	<u>(1,060,000)</u>	<u>-</u>	<u>(1,165,715)</u>
Total other financing sources (uses)	<u>128,201</u>	<u>(1,060,000)</u>	<u>105,715</u>	<u>(826,084)</u>
Excess (deficit) of revenues and other sources over (under) expenditures and other uses	<u>(2,159,746)</u>	<u>107,427</u>	<u>20,577</u>	<u>(2,031,742)</u>
Restated fund balance - beginning	<u>7,090,822</u>	<u>1,022,108</u>	<u>1,883,551</u>	<u>9,996,481</u>
Fund balance - end of year	<u>\$ 4,931,076</u>	<u>\$ 1,129,535</u>	<u>\$ 1,904,128</u>	<u>\$ 7,964,739</u>

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

CITY OF BATESVILLE, STATE OF MISSISSIPPI
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in
Fund Balances to the Governmental Activities in the Statement of Activities
For the fiscal year ended September 30, 2016

NET CHANGES IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ (2,031,742)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, assets with an individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which items capitalized exceeded depreciation in the current period.

Capital outlay	2,508,258
Basis of assets disposed of	(2,740)
Depreciation expense	(1,447,024)

The repayment of long-term debt is reported as an expenditure when due in governmental funds, but as a reduction of principal outstanding in the statement of activities.	244,869
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The lease-sale of the post office building is reported as rent income in the governmental funds but recorded as principal and interest collections in the statement of activities.	(175,010)
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The payment of insurance and operating leases are reported as an expenditure in the governmental funds, but reported on the consumption basis in the statement of activities.	49,899
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Revenues in the statement of activities that are not available in governmental funds are not reported as revenue in governmental funds. Deferred revenues increased (decreased) by these amounts during the current year:

Property taxes	1,404
Advalorem privilege tax	6,122
Municipal court fines	(28,539)
Payment in lieu of taxes	87,385
Other	(4,444)

Some expenses in the statement of activities do not require the use of current financial resources and; therefore, are not reported as expenditures in governmental funds.

They are as follows:

GASB 68 Pension expense	(1,167,770)
Compensated absences	(34,822)
Interest expense	1,168

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,992,986)

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

CITY OF BATESVILLE, MISSISSIPPI
Proprietary Fund
Statement of Net Position
September 30, 2016

	Business-Type Activities--Enterprise Fund				
	Water and Sewer Fund	Gas Fund	Civic Center Fund	Nonmajor Fund Waste Collection Fund	Total Business-Type Funds
ASSETS					
Current Assets					
Cash and cash equivalents - unrestricted	\$ 3,188,877	\$ 6,350,041	\$ 667,471	\$ 49,479	\$ 10,255,868
Cash and cash equivalents - restricted	191,951	240,613	-	-	432,564
Receivables (net of allowance for uncollectibles)					
Accounts	425,986	240,558	3,541	5,608	675,693
Property and franchise tax	-	-	245,219	-	245,219
Inventory	68,451	261,236	-	-	329,687
Due from other governments	-	691,389	-	-	691,389
Due from other funds	156,529	101,303	13,754	15,724	287,310
Prepaid items	33,115	14,608	23,169	-	70,892
Total current assets	4,064,909	7,899,748	953,154	70,811	12,988,622
Noncurrent Assets					
Restricted Assets					
Due from other governments - restricted	30,000	-	9,095	-	39,095
Nondepreciable land, improvements and construction in progress	657,019	59,191	185,000	-	901,210
Depreciable capital assets, net of accumulated depreciation	14,085,737	1,492,279	7,443,931	-	23,021,947
Total noncurrent assets	14,772,756	1,551,470	7,638,026	-	23,962,252
Total assets	18,837,665	9,451,218	8,591,180	70,811	36,950,874
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows pertaining to pensions	464,536	219,153	167,453	-	851,142
Total deferred outflows of resources	464,536	219,153	167,453	-	851,142

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

CITY OF BATESVILLE, MISSISSIPPI

Proprietary Fund

Statement of Net Position

September 30, 2016

	Business-Type Activities--Enterprise Fund				
	Water and Sewer Fund	Gas Fund	Civic Center Fund	Nonmajor Fund Waste Collection Fund	Total Business-Type Funds
LIABILITIES					
Current Liabilities					
Accounts payable - operations	\$ 125,341	\$ 367,566	\$ 36,746	\$ 25,756	\$ 555,409
Accounts payable - fixed assets	273,639	-	-	-	273,639
Accrued interest	1,224	-	22,570	-	23,794
Accrued liabilities	31,937	17,847	6,529	-	56,313
Customer deposits payable from restricted assets	191,951	240,613	-	-	432,564
Due to other funds	115,262	150,061	-	16,986	282,309
Current portion of long-term debt payable	122,205	-	470,000	-	592,205
Total current liabilities	861,559	776,087	535,845	42,742	2,216,233
Noncurrent Liabilities					
Net pension liability	2,191,442	1,004,406	647,596	-	3,843,444
Lease obligations payable					
Compensated absences	69,969	43,031	17,402	-	130,402
Long-term debt, net of current maturities	1,325,866	-	2,585,000	-	3,910,866
Total noncurrent liabilities	3,587,277	1,047,437	3,249,998	-	7,884,712
Total liabilities	4,448,836	1,823,524	3,785,843	42,742	10,100,945
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	250,885	-	250,885
Deferred inflows pertaining to pensions	74,418	2,669	1,721	-	78,808
Total deferred inflows of resources	74,418	2,669	252,606	-	329,693
Net investment in capital assets	13,294,685	1,551,470	4,573,931	-	19,420,086
Unrestricted	1,484,262	6,292,708	146,253	28,069	7,951,292
Total net position	\$ 14,778,947	\$ 7,844,178	\$ 4,720,184	\$ 28,069	\$ 27,371,378

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CITY OF BATESVILLE, MISSISSIPPI
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the fiscal year ended September 30, 2016

	Business-Type Activities--Enterprise Fund				
	Water and Sewer Fund	Gas Fund	Civic Center Fund	Nonmajor Fund Waste Collection Fund	Total Business-Type Funds
OPERATING REVENUES					
Charges for sales and services					
Water sales	\$ 2,087,532	\$ -	\$ -	\$ -	\$ 2,087,532
Sewer sales	1,394,414	-	-	-	1,394,414
Gas sales	-	2,523,375	-	-	2,523,375
Facility fees	-	-	150,836	-	150,836
Sanitation fees	-	-	-	337,092	337,092
Relocation charges - MDOT	-	2,375,378	-	-	2,375,378
Service charges and other	83,862	31,267	664	8,380	124,173
Total operating revenues	3,565,808	4,930,020	151,500	345,472	8,992,800
OPERATING EXPENSES					
Personnel services	1,249,422	613,129	362,990	-	2,225,541
Professional services	202,773	105,220	42,030	283,693	633,716
Supplies	270,088	62,903	17,601	-	350,592
Repairs	75,144	25,322	38,209	-	138,675
Operational	594,113	116,732	229,423	-	940,268
Relocation of gas line for MDOT	-	2,380,734	-	-	2,380,734
Purchase of gas for resale	-	1,052,982	-	-	1,052,982
Depreciation and amortization	891,082	90,362	277,511	-	1,258,955
Total operating expenses	3,282,622	4,447,384	967,764	283,693	8,981,463
Operating income (loss)	283,186	482,636	(816,264)	61,779	11,337
NONOPERATING REVENUES (EXPENSES)					
Property taxes	-	-	238,383	-	238,383
Homestead	-	-	4,898	-	4,898
Interest revenue	12,650	27,400	1,004	-	41,054
Interest expense and fiscal charges	(20,526)	-	(99,089)	-	(119,615)
Grant revenue	177,806	-	-	-	177,806
Gain (loss) on sale of fixed assets	1,000	-	-	-	1,000
Total nonoperating revenues and expenses	170,930	27,400	145,196	-	343,526
Income (loss) before operating transfers and contributions	454,116	510,036	(671,068)	61,779	354,863
Capital contributions	6,002	-	-	-	6,002
Operating transfers in	-	-	1,060,000	-	1,060,000
Operating transfers out	-	-	-	(200,000)	(200,000)
Changes in net position	460,118	510,036	388,932	(138,221)	1,220,865
Restated net position - beginning	14,318,829	7,334,142	4,331,252	166,290	26,150,513
Net position - ending	\$ 14,778,947	\$ 7,844,178	\$ 4,720,184	\$ 28,069	\$ 27,371,378

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

Statement 7

CITY OF BATESVILLE, MISSISSIPPI
Proprietary Fund
Statement of Cash Flows
For the fiscal year ended September 30, 2016

	Business-Type Activities--Enterprise Fund				Total Business-Type Funds
	Water and Sewer Fund	Gas Fund	Civic Center Fund	Nonmajor Fund Waste Collection Fund	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 3,550,449	\$ 2,535,570	\$ 146,210	\$ 347,007	\$ 6,579,236
Receipts from MDOT for relocation of gas line	-	1,700,404	-	-	1,700,404
Other miscellaneous receipts	2,002	2,119	664	-	4,785
Payments to employees including fringe benefits	(1,094,583)	(484,178)	(312,137)	-	(1,890,898)
Payments to suppliers for goods and services	(1,701,682)	(3,430,177)	(297,286)	(309,993)	(5,739,138)
Net cash provided by operating activities	756,186	323,738	(462,549)	37,014	654,389
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating transfers in	-	-	1,060,000	-	1,060,000
Operating transfers out	-	-	-	(200,000)	(200,000)
Net changes in due from other funds	(54,374)	14,374	(13,754)	1,828	(51,926)
Net changes in due to other funds	-	35,747	-	-	35,747
Net cash provided (used) by non-capital financing activities	(54,374)	50,121	1,046,246	(198,172)	843,821
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital grant	370,720	-	-	-	370,720
Proceeds from contributions for construction	6,002	-	-	-	6,002
Proceeds from disposition of fixed assets	1,000	-	-	-	1,000
Taxes levied for debt services	-	-	252,530	-	252,530
Principal payments - revenue bonds	(140,830)	-	(460,000)	-	(600,830)
Acquisition and construction of capital assets	(1,167,350)	(42,789)	(6,538)	-	(1,216,677)
Interest and fiscal charges paid	(20,526)	-	(101,445)	-	(121,971)
Net cash provided (used) by capital and related financing activities	(950,984)	(42,789)	(315,453)	-	(1,309,226)

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

CITY OF BATESVILLE, MISSISSIPPI
 Proprietary Fund
 Statement of Cash Flows
 For the fiscal year ended September 30, 2016

	Business-Type Activities--Enterprise Fund				Total Business-Type Funds
	Water and Sewer Fund	Gas Fund	Civic Center Fund	Nonmajor Fund Waste Collection Fund	
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	\$ 12,203	\$ 27,600	\$ 1,004	\$ -	\$ 40,807
Net cash provided (used) by investment activities	12,203	27,600	1,004	-	40,807
NON CASH TRANSACTIONS AFFECTING FINANCIAL POSITION					
Acquisition of fixed assets on account and capital lease	(273,639)	-	-	-	(273,639)
Borrowing from suppliers on account	273,639	-	-	-	273,639
Net effect of non cash transactions	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	(236,969)	358,670	269,248	(161,158)	229,791
Cash and cash equivalents, beginning of year	3,617,797	6,231,984	398,223	210,637	10,458,641
Cash and cash equivalents, end of year	\$ 3,380,828	\$ 6,590,654	\$ 667,471	\$ 49,479	\$ 10,688,432

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CITY OF BATESVILLE, MISSISSIPPI
 Proprietary Fund
 Statement of Cash Flows
 For the fiscal year ended September 30, 2016

	Business-Type Activities--Enterprise Fund				Total Business-Type Funds
	Water and Sewer Fund	Gas Fund	Civic Center Fund	Nonmajor Fund Waste Collection Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 283,187	\$ 482,636	\$ (816,264)	\$ 61,779	\$ 11,338
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation	891,081	90,362	277,511	-	1,258,954
(Increase) decrease in accounts receivable	(20,772)	(21,775)	(3,541)	1,535	(44,553)
(Increase) decrease in intergovernmental receivables	-	(674,972)	-	-	(674,972)
(Increase) decrease in inventory	33,104	69,786	-	-	102,890
(Increase) decrease in deferred outflows pertaining to pensions	(230,618)	(121,819)	(107,279)	-	(459,716)
(Increase) decrease in prepaid items	10,177	(4,887)	(791)	-	4,499
Increase (decrease) in accounts payable - operations	(602,111)	254,556	30,768	(26,300)	(343,087)
Increase (decrease) in accrued liabilities - payroll and benefits	6,086	4,292	987	-	11,365
Increase (decrease) in accrued liabilities - other than payroll	(1,090)	(5,739)	-	-	(6,829)
Increase (decrease) in compensated absences	2,585	8,212	(4,802)	-	5,995
Increase (decrease) in pension liability	351,778	255,706	172,974	-	780,458
Increase (decrease) in deferred inflows pertaining to pensions	25,008	(17,440)	(11,027)	-	(3,459)
Increase (decrease) in unavailable revenue	-	-	(1,085)	-	(1,085)
Increase (decrease) in customer deposits	7,771	4,820	-	-	12,591
Total adjustments	472,999	(158,898)	353,715	(24,765)	643,051
Net cash provided (used) by operating activities	\$ 756,186	\$ 323,738	\$ (462,549)	\$ 37,014	\$ 654,389

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Batesville, Mississippi, ("the City") was incorporated in 1866 under the provisions of the State of Mississippi. The City operates under a Mayor - Board of Alderman form of government and provides the following services to the citizens of the City as authorized by its charter--general administration, water, sewer, gas, garbage disposal, police and fire protection, economic development, public works, health and social services, culture, recreation, public improvements, public health, and planning and zoning.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting board for establishing governmental accounting and financial reporting principles. For the government-wide financial statements and proprietary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant accounting and reporting policies and practices used by the City are described below.

1. Reporting Entity

The City is governed by an elected mayor and five-member board of alderpersons. As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable.

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Blended Component Unit

The Batesville Library Commission, Batesville Licensing Commission, Batesville Planning Commission, and the Batesville Election Commission meet the criteria listed for inclusion as a component unit. However, these boards do not have any financial activity; therefore, there are no separate financial statements for these component units. Any expenses of these boards are paid by the City and are blended in the City's financial statements. The Batesville Library Commission is 100 percent appointed by the City Board and provides library oversight services to the City. The Batesville Licensing Commission is 100 percent appointed by the City Board and provides licensing oversight to the City. The Batesville Planning Commission is 100 percent appointed by the City Board and provides planning commission services to the City. The Batesville Election Commission is 100 percent appointed by the City Board and handles all municipal elections.

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

2. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separated component units for which the primary government is financially accountable. On the reporting model, as defined by GASB Statement No. 34, the focus is either the City as a whole or major individual funds (within the fund financial statements).

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Government-Wide and Fund Financial Statements - continued

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.). 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 they are needed.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund and the tourism fund. The major business type funds are the water and sewer system fund, the gas system fund and the civic center fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statement. The costs of these services are reflected in the appropriate functional activity (Public Safety, Public Works, etc. of the governmental activities and Water and Sewer, Gas and Sanitation of the business-type activities). The City does not have any internal service funds.

The City's fiduciary funds (which have been refined and narrowed in scope) are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The City does not have any fiduciary funds.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Government-Wide and Fund Financial Statements - continued

The government-wide focus is more of the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and business-type categories as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

3. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Ad valorem taxes, franchise taxes, licenses, fines, interest revenues, and charges for services are recognized under the susceptible to accrual concept. Advalorem taxes prior to October 1, 2015 are not susceptible to accrual because the City cannot measure them until received in cash. Net advalorem tax receivable for the periods prior to October 1, 2015 are not expected to be material. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. All other revenue items are considered to be measurable and available only when cash is received by the City. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria is met.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus and Basis of Accounting - continued

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. 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 connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's gas fund, combined water and sewer fund, and waste collection fund are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major funds are used by the City:

Governmental Funds:

The following is a description of the Governmental Funds of the City:

General Fund accounts for several of the City's primary services (General Government, Public Safety, Public Works, and Culture and Recreation, etc.) and is the primary operating unit of the City. This fund is used to account for all financial resources not reported in other funds.

Tourism Fund accounts for the collection and use of the City's tourism tax on motels and restaurants. The assets of the fund are use for the promotion of the City of Batesville, Mississippi.

The City additionally reports other governmental funds which is a summary of all the nonmajor governmental funds.

The following is a description of the major Proprietary Funds of the City:

- a. Gas System Fund accounts for the operation of the City's natural gas utility. Activities of the fund include administration, operation and maintenance of the natural gas system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and payment of, long term debt principal and interest on revenue bonds and obligations under capital leases when due during the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the fund.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus and Basis of Accounting - continued

Proprietary Funds:

- b. Water and Sewer System Fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and payment of, long term debt principal and interest on revenue bonds and obligations under capital leases when due during the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the fund.
- c. Civic Center Fund accounts for the operating activities of the City's multipurpose building. This facility is used to promote the City and local business enterprises, and provide a place for civic and cultural events.
- d. The City additionally reports nonmajor funds consisting of the Waste Collection Fund, which accounts for the operation of the City's waste collection. Customers are billed monthly at a rate to cover the cost of providing such service.

Non-Current Governmental Assets/Liabilities:

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Position.

4. Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of 90 days or less when purchased to be cash equivalents. Certificates of deposit with a maturity of more than 90 days when purchased are not considered to be cash equivalents. All investments, if any, are in certificates of deposit that are valued at cost, which approximates fair value.

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CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Statement of Cash Flows - continued

Cash and cash equivalents, as shown on Statement 7, include the following Proprietary Fund cash balances as shown on Statement 5:

	Water and Sewer	Gas	Civic Center
Cash and cash equivalents	\$ 3,188,877	\$ 6,350,041	\$ 667,471
Restricted cash and cash equivalents	<u>191,951</u>	<u>240,613</u>	<u>-</u>
	<u><u>\$ 3,380,828</u></u>	<u><u>\$ 6,590,654</u></u>	<u><u>\$ 667,471</u></u>

	Waste Collection	Total
Cash and cash equivalents	\$ 49,479	\$ 10,255,868
Restricted cash and cash equivalents	<u>-</u>	<u>432,564</u>
	<u><u>\$ 49,479</u></u>	<u><u>\$ 10,688,432</u></u>

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, if any, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Inventories and Prepaid Items

Inventories of the enterprise funds are maintained on the consumption method and are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of enterprise fund expendable supplies held for consumption and natural gas held for resale. The governmental funds record inventories under the purchase method; therefore, items are recorded as expenses when purchased. The City governmental funds do not maintain material inventories; therefore, the accompanying fund and government-wide financial statements do not reflect governmental fund or governmental activities inventory.

Prepaid items record payments to vendors that benefit future reporting periods and are reported on the consumption basis for the government-wide and enterprise fund financial statements. Payments made to vendors for services that will benefit periods beyond the date of these financial statements are recognized in the period of acquisition for governmental fund statements.

7. Capital Assets

Property, plant and equipment purchased or acquired is recorded at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Capital assets are defined by the government as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. The City capitalizes paving costs on existing roads.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized phase of capital assets constructed.

Property, plant and equipment of the primary government, is depreciated using the straight line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 to 50
Vehicles, equipment and fixtures	5 to 10
Water and sewerage plant	20 to 50
Gas distribution	10 to 40

It is at least reasonably possible that management's estimate of useful lives could change in the near term.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Capitalization of Interest

In conformity with Financial Accounting Standards No. 34, Capitalization of Interest Cost, the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. Total interest, fiscal charges, and amortization of loan discount and deferred amount of refunding incurred in the enterprise funds was \$129,239. Interest costs, fiscal charges, and amortization of loan discount and deferred amount of refunding of \$119,615 were charged to expense. Interest costs, net of interest earned of \$9,624 were capitalized as fixed assets in the enterprise funds.

9. Compensated Absences

The City's employees earn vacation leave for each month of work performed. The accrual rate increases with years of service up to a maximum of 25 hours per month for full-time firefighters and 20 hours per month for other full-time employees with over 30 years of service. Accrued vacation is paid to the employees upon termination of employment up to a maximum of 30 days.

The City accrues compensated absences when vested. Only the current portion of the compensated absences payable is accrued in the governmental funds financial statements. Both the current and non current portions of the compensated absences payable are recorded in the government-wide and enterprise fund financial statements.

In accordance with the provisions of GASB Statement No. 16, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

10. Long-Term Obligations

The City has issued debt under Section 17-21-51 and 17-21-53 of the Mississippi Code. These code sections provide for the prompt payment of notes or certificates of indebtedness at maturity, both principal and interest, of which the full faith credit and resources of the City are pledged. If the City does not have available funds in an amount sufficient to provide for the payment of principal and interest according to the terms of such notes or certificates of indebtedness, then the City is required to annually levy a special tax upon all of its taxable property at a rate, the avails of which will be, sufficient to provide such payments. Funds derived from any such tax shall be paid into a sinking fund and used exclusively for the payment of principal and interest on the notes or certificates of indebtedness.

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**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Long-Term Obligations - continued

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are chargeable to the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Payable from Restricted Assets

Certain assets of the business-type activities have been restricted for debt service, construction, and customer deposits. These assets consist of cash and short-term investments and accrued interest restricted as follows:

	Water and Sewer	Gas
Customer deposits	\$ 191,951	\$ 240,613

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that meets this criterion, (1) pensions which includes contributions made to the pension plan after the pension liability measurement date, its proportionate share of Mississippi Public Employee Retirement System (PERS) changes in actuarial assumptions, and the City's change in pension proportion from the prior year.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of net position will sometimes report separate inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items for reporting in this category. They are pensions which consist of (1) the difference between projected and actual earnings on pension plan investments, the City's change in pension proportion from the prior year and (2) the unavailable revenue reported in the government-wide statement of net position and the governmental and enterprise funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

13. Fund Equity/Net Position

In the government-wide financial statements, restricted net position are legally restricted by outside parties for a specific purpose. In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable fund balance. This classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Alderpersons, the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board of Alderpersons removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Fund Equity/Net Position - continued

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for a specific purpose, but are neither restricted nor committed. The Board of Alderpersons and Mayor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

The constraints on fund balances as listed in aggregate in the Statement of Revenues, Expenditures, and Changes in Fund Balance are detailed according to balance classification and fund.

	<u>General Fund</u>	<u>Tourism Fund</u>	<u>Nonmajor Governmental Funds</u>
Fund Balances:			
Nonspendable:			
Notes and loans receivable - net	\$ 14,615	\$ -	\$ -
Total - Nonspendable	<u>\$ 14,615</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:			
Restricted:			
Library operations	\$ 1,552,981	\$ -	\$ -
Tourism	-	1,129,535	-
MBI tax levy	-	-	6
COFB confiscated	-	-	43,197
Fire protection	-	-	208
Economic development	-	-	1,725,303
Post office debt service	-	-	31,921
Risk reduction	-	-	13,522
Federal asset forfeiture	-	-	30,745
TIF reserve	-	-	3
Unemployment	-	-	59,223
Total Restricted	<u>\$ 1,552,981</u>	<u>\$ 1,129,535</u>	<u>\$ 1,904,128</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Fund Equity/Net Position - continued

	<u>General Fund</u>	<u>Tourism Fund</u>	<u>Nonmajor Governmental Funds</u>
Committed:			
City portion of grant obligation	\$ 25,000	\$ -	\$ -
Total Committed	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned:			
Subsequent year budget shortfall	\$ 3,553,840	\$ -	\$ -
Total Assigned	<u>\$ 3,553,840</u>	<u>\$ -</u>	<u>\$ -</u>

When restricted, committed, assigned and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then committed, assigned, and unassigned in that order as needed.

In the government-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets—Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.

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

Unrestricted net position—All other assets that do not meet the definition of "restricted" or "net investment in capital assets."

14. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Sales Tax

The City follows the procedure of netting sales taxes collected on utilities against revenue.

16. Pensions

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

17. Changes in Presentation

Certain items in the financial statements may be presented differently from the prior year to conform to the current year financial statement presentation.

18. Subsequent events have been evaluated through September 11, 2017, which is the date the financial statements are available to be issued.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Batesville, Mississippi. The original General Fund budget expenditures were amended by increasing certain revenues by \$403,000 and increasing certain expense categories by \$1,350,900 during the year ended September 30, 2016.

A comparison of the General Fund budget and the Tourism Fund budget with statements of budgetary basis revenues and expenditures are included in required supplementary information as Schedule 3 and Schedule 4. This budgetary comparison schedule reflects General Fund and Tourism Fund expenditures exceeding budgets. See Schedule 3 and Schedule 4 for General Fund expenditures exceeding budgeted amounts.

The notes to required supplementary information budgetary reporting on pages 88 - 89 also provides additional budgetary information.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE C - DEPOSITS AND INVESTMENTS

At September 30, 2016, the cash and investments included the following:

<u>Account Balances</u>		<u>Ownership of Funds</u>	
Petty cash/cash on hand	\$ 3,250	Governmental Funds	\$ 7,477,028
Demand deposits	<u>18,162,211</u>	Enterprise Funds	<u>10,688,433</u>
	<u>\$ 18,165,461</u>		<u>\$ 18,165,461</u>

Deposits

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature 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 these 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. The pooled collateral is held in the pooled participant's name by The First American National Bank (Category 2 - Collateralized with securities held by the pledging financial institution's agent in the State Treasurer's name). The State Treasurer does not confirm this information with the City or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the pooling method, the potential exists for undercollateralization, and the risk may increase in periods of high cash flows. However, the State Treasurer for Mississippi enforces strict standards of financial stability for each depository that collateralizes under the Statewide Collateral Pool Program.

At September 30, 2016, the demand deposits held with various local financial institutions had carrying amounts totaling \$18,162,211 and bank balances totaling \$18,301,152 of which \$751,196 was covered by federal depository insurance and \$17,549,956 was covered by the Statewide Collateral Pool Program.

The City has designated First Security Bank, Renasant Bank, Bancorpsouth Bank, and Guaranty Bank as its official depositories.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

Investments

Mississippi laws address the investment of surplus money by municipalities and the investment of proceeds separately. The investment of surplus money is limited to bonds or other direct obligations of the United States of America or the State of Mississippi or any county or municipality of the state or any school district or obligation issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or time certificate of deposits in qualified depositories. The City of Batesville's policy is to advertise for the qualified depository that will offer the highest interest rate on all of its deposits.

The City had no investments as of or during the year ended September 30, 2016.

Interest Rate Risk

The City has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising for increasing interest rates. The City had no investments during the year and limited its demand deposits during the year to federal depository insured accounts with First Security Bank, Renasant Bank, Bancorpsouth Bank, and Guaranty Bank.

Credit Risk

State law limits investments to 1) financial institutions insured by FDIC that are members of the Statewide Collateral Pool Program, 2) bonds or other direct obligations of the United States of America or the State of Mississippi or any county or municipality of this State or any school district or obligation issued or guaranteed in full as to principal and interest by the United States of America. The City has no investment policy that would limit its investment choices.

Custodial Credit Risks

Custodial credit risk is the risk that the City will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. To minimize this risk, the City's investment policy requires that all negotiable instruments shall be held in safekeeping in the trust department of a bank. The City had no investments in negotiable instruments during the year ended September 30, 2016.

Concentration of Credit Risks

The City of Batesville had no investments at September 30, 2016, but had demand deposits with more than 5% of the total in First South Bank, Renasant Bank and BancorpSouth Bank. These demand deposits represented approximately 84%, 11%, and 5%, respectively, of total demand deposits.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE D - PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 of the following year and are due and payable at that time. All unpaid taxes levied January 1 become delinquent February 1. Property taxes for automotive and mobile homes are collected and remitted to the City by Panola County, Mississippi.

Appraised values are established by Panola County, Mississippi at 100 percent of estimated market values. The City is required to adopt county tax rolls. The 2015 taxes are collected in December, 2015 and January, 2016. The 2015 taxes are levied to fund the 2015-2016 budget year. The assessed value upon which the 2015 taxes were based was \$127,963,593.

City property tax revenue is recorded in governmental funds as receivables and unavailable revenues at the time the tax attaches as an enforceable lien which includes the 2016 taxes intended to fund the 2016-2017 budget year of \$3,847,388. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year end. An allowance is provided for delinquent personal property taxes not expected to be collected in the future.

The 2016 taxes of \$3,847,388 are also included in unavailable revenue and not in current revenues in governmental activities because they are levied to fund the 2016-2017 budget year.

The City assessed a tax rate of 28.05 mills for both the 2015 and 2016 taxes.

NOTE E - RECEIVABLES

Receivables at September 30, 2016 for the government's individual major funds and nonmajor funds, internal service, business-type funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectable accounts, consist of the following:

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE E - RECEIVABLES - CONTINUED

	General	Tourism	Water and Sewer System	Gas System	Civic Center	Nonmajor Funds	Total
Receivables:							
Taxes	\$ 3,782,197	\$ -	\$ -	\$ -	\$ 246,748	\$ -	\$ 4,028,945
Police fines	1,402,053	-	-	-	-	-	1,402,053
Accounts	-	-	623,921	464,379	4,031	19,850	1,112,181
Franchise fees	112,185	-	-	-	-	-	112,185
Accrued interest	-	-	-	-	-	862	862
Gross receivables	5,296,435	-	623,921	464,379	250,779	20,712	6,656,226
Less: Allowance for uncollectables	(1,211,602)	-	(197,935)	(223,821)	(2,019)	(14,242)	(1,649,619)
Net receivables	<u>\$ 4,084,833</u>	<u>\$ -</u>	<u>\$ 425,986</u>	<u>\$ 240,558</u>	<u>\$ 248,760</u>	<u>\$ 6,470</u>	<u>\$ 5,006,607</u>

It is at least reasonably possible that management's estimate of allowance for uncollectables could change in the near term.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE E - RECEIVABLES - CONTINUED

Lease and Loan Receivable

Home loans: The City received grant money to be used to upgrade certain citizens homes. By the terms of the agreements, the annual payment on the loan is forgiven as long as the recipient lives in the home. Summaries of the loans at September 30, 2016 are:

	Loan Balance
Loan #1	\$ 16,678
Loan #2	23,266
Loan #3	<u>12,406</u>
	52,350
Less allowance for uncollectable	<u>(37,735)</u>
	<u>\$ 14,615</u>

The estimated home loan receivables are due or expected to be forgiven as follows:

<u>Years ending Sept 30</u>		\$
2017		2,505
2018		2,505
2019		2,505
2020		2,505
2021		2,505
Thereafter		<u>64,875</u>
		<u>\$ 77,400</u>

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During 1998, the City completed construction of the new post office building and entered into a lease-sale contract with the U.S. Postal Service. Minimum lease payments receivable at September 30, 2016 were:

<u>Years ending Sept 30</u>	Principal Portion	Interest Portion	Total Lease
2017	\$ 190,479	\$ 17,508	\$ 207,987
2018	<u>101,464</u>	<u>2,530</u>	<u>103,994</u>
	<u>\$ 291,943</u>	<u>\$ 20,038</u>	<u>\$ 311,981</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE E - RECEIVABLES - CONTINUED

Lease and Loan Receivable - continued

Economic development loans: The grant proceeds of previous CDBG programs are being used to promote industrial growth by making loans to local concerns. All loan repayments will continue to be restricted to the Economic Development Program. Summaries of the loans at September 30, 2016 are:

	<u>Original Term</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Loan Balance</u>
Loan #1	10 years	2011	3.00%	\$ 116,585
Loan #2	5 years	2012	3.00%	41,129
Loan #3	10 years	2019	3.00%	414,590
Loan #4	10 years	2022	3.00%	540
Loan #5	10 years	2022	3.00%	228,822
Loan #6	1 year	2017	1.00%	9,000
Loan #7	1 year	2017	1.00%	20,000
Loan #8	1 year	2017	1.00%	15,000
Loan #9	1 year	2017	1.00%	<u>9,599</u>
				\$ 855,265
Less allowance for uncollectable loans				<u>(463,219)</u>
				<u>\$ 392,046</u>

The estimated loans receivable are due as follows:

<u>Years ending Sept 30</u>	
Delinquent	\$ 264,420
2017	138,732
2018	87,080
2019	89,642
2020	61,980
2021	35,328
Thereafter	<u>178,083</u>
	<u>\$ 855,265</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE E - RECEIVABLES - CONTINUED

Lease and Loan Receivable - continued

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

The following is a summary of information pertaining to impaired loans at September 30, 2016:

Impaired loans without a valuation allowance	\$ 116,585
Impaired loans with a valuation allowance	<u>414,590</u>
Total impaired loans	<u>\$ 531,175</u>
Average investment in impaired loans	<u>\$ 573,357</u>
Interest income recognized on impaired loans	<u>\$ 870</u>

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

Changes in the allowance for loan losses were as follows:

	Home Loans	Economic Development Loans
Balance at beginning of year	\$ 40,240	\$ 455,719
Reserve for loan loss	-	7,500
Adjustments for home loans	<u>(2,505)</u>	<u>-</u>
Balance at end of year	<u>\$ 37,735</u>	<u>\$ 463,219</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

	Balance September 30, 2015	Additions	Retirements	Transfers and Other Adjustments	Balance September 30, 2016
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated					
Land	\$ 1,824,606	\$ -	\$ -	\$ -	\$ 1,824,606
Construction in progress	524,960	53,277	-	(497,246)	80,991
Total capital assets not being depreciated	2,349,566	53,277	-	(497,246)	1,905,597
Capital assets being depreciated					
Building and improvements	6,326,304	84,166	-	51,435	6,461,905
Automotive, equipment and fixtures	6,581,923	407,402	(433,724)	-	6,555,601
Infrastructure	23,044,923	1,963,414	-	445,811	25,454,148
Total capital assets being depreciated	35,953,150	2,454,982	(433,724)	497,246	38,471,654
Less accumulated depreciation for					
Buildings	3,173,042	209,749	-	-	3,382,791
Automotive, equipment and fixtures	5,343,457	1,188,065	(430,984)	-	6,100,538
Infrastructure	15,733,923	49,210	-	-	15,783,133
Total accumulated depreciation	24,250,422	1,447,024	(430,984)	-	25,266,462
Total capital assets being depreciated, net	11,702,728	1,007,958	(2,740)	497,246	13,205,192
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 14,052,294	\$ 1,061,235	\$ (2,740)	\$ -	\$ 15,110,789

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE F - CAPITAL ASSETS - CONTINUED

	Balance September 30, 2015	Additions	Retirements	Transfers and Other Adjustments	Balance September 30, 2016
BUSINESS-TYPE ACTIVITIES					
WATER AND SEWER SYSTEM					
Capital assets not being depreciated					
Land	\$ 238,500	\$ -	\$ -	\$ -	\$ 238,500
Construction in progress	365,019	390,805	-	(337,305)	418,519
Total capital assets not being depreciated	603,519	390,805	-	(337,305)	657,019
Capital assets being depreciated					
Building	251,979	10,060	-	(2,906)	259,133
Automotive, equipment and fixtures	1,750,137	46,445	(27,136)	(174,396)	1,595,050
Water and sewer system	28,371,408	993,679	-	514,607	29,879,694
Total capital assets being depreciated	30,373,524	1,050,184	(27,136)	337,305	31,733,877
Less accumulated depreciation for					
Buildings	160,154	9,123	-	(3,406)	165,871
Automotive, equipment and fixtures	1,232,946	106,595	(27,136)	-	1,312,405
Water and sewer system	15,391,094	775,364	-	3,406	16,169,864
Total accumulated depreciation	16,784,194	891,082	(27,136)	-	17,648,140
Total capital assets being depreciated, net	13,589,330	159,102	-	337,305	14,085,737
WATER AND SEWER SYSTEM CAPITAL ASSETS, NET	\$ 14,192,849	\$ 549,907	\$ -	\$ -	\$ 14,742,756

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**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE F - CAPITAL ASSETS - CONTINUED

	Balance September 30, 2015	Additions	Retirements	Transfers and Other Adjustments	Balance September 30, 2016
BUSINESS-TYPE ACTIVITIES - CONTINUED					
GAS SYSTEM					
Capital assets not being depreciated					
Land	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Construction in progress	178,115	9,956	(143,880)	-	44,191
Total capital assets not being depreciated	<u>193,115</u>	<u>9,956</u>	<u>(143,880)</u>	<u>-</u>	<u>59,191</u>
Capital assets being depreciated					
Building	91,723	-	-	-	91,723
Automotive, equipment and fixtures	504,440	29,888	-	10,878	545,206
Gas system	3,137,814	2,946	-	(10,878)	3,129,882
Total capital assets being depreciated	<u>3,733,977</u>	<u>32,834</u>	<u>-</u>	<u>-</u>	<u>3,766,811</u>
Less accumulated depreciation for					
Buildings	41,184	3,415	-	-	44,599
Automotive, equipment and fixtures	474,761	20,577	-	-	495,338
Gas system	1,668,224	66,371	-	-	1,734,595
Total accumulated depreciation	<u>2,184,169</u>	<u>90,363</u>	<u>-</u>	<u>-</u>	<u>2,274,532</u>
Total capital assets being depreciated, net	<u>1,549,808</u>	<u>(57,529)</u>	<u>-</u>	<u>-</u>	<u>1,492,279</u>
 GAS SYSTEM CAPITAL ASSETS, NET	 <u>\$ 1,742,923</u>	 <u>\$ (47,573)</u>	 <u>\$ (143,880)</u>	 <u>\$ -</u>	 <u>\$ 1,551,470</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE F - CAPITAL ASSETS - CONTINUED

	Balance September 30, 2015	Additions	Retirements	Transfers and Other Adjustments	Balance September 30, 2016
BUSINESS-TYPE ACTIVITIES					
CIVIC CENTER					
Capital assets not being depreciated					
Land	\$ 185,000	\$ -	\$ -	\$ -	\$ 185,000
Total capital assets not being depreciated	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,000</u>
Capital assets being depreciated					
Building	10,395,079	-	-	-	10,395,079
Automotive, equipment and fixtures	573,549	6,539	(32,087)	30,248	578,249
Total capital assets being depreciated	<u>10,968,628</u>	<u>6,539</u>	<u>(32,087)</u>	<u>30,248</u>	<u>10,973,328</u>
Less accumulated depreciation for					
Buildings	2,764,966	260,700	-	-	3,025,666
Automotive, equipment and fixtures	488,758	16,812	(32,087)	30,248	503,731
Total accumulated depreciation	<u>3,253,724</u>	<u>277,512</u>	<u>(32,087)</u>	<u>30,248</u>	<u>3,529,397</u>
Total capital assets being depreciated, net	<u>7,714,904</u>	<u>(270,973)</u>	<u>-</u>	<u>-</u>	<u>7,443,931</u>
CIVIC CENTER CAPITAL ASSETS, NET	<u>\$ 7,899,904</u>	<u>\$ (270,973)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,628,931</u>
BUSINESS-TYPE CAPITAL ASSETS – NET	<u>\$ 23,835,676</u>	<u>\$ 231,361</u>	<u>\$ (143,880)</u>	<u>\$ -</u>	<u>\$ 23,923,157</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE F - CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$ 48,895
City court	4,064
Police	134,767
Fire	187,594
Streets	934,841
Public health and sanitation	5,292
Library	32,872
Parks and recreation	81,012
Code	<u>17,687</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 1,447,024</u>
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Business-Type Activities

Water and sewer	\$ 891,082
Gas	90,362
Civic Center	<u>277,511</u>

Total Depreciation Expense - Business-Type Activities	<u>\$ 1,258,955</u>
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NOTE G - OTHER POSTEMPLOYMENT BENEFITS, DEFINED BENEFIT PENSION PLAN, AND 125 CAFETERIA PLAN

Other Postemployment Benefits

The City allows retired employees who have completed 25 years of service with the City of Batesville and are age 55 or older to remain on the City's health care insurance coverage until the former employee becomes eligible for Medicare. All other terminated or retired employees are allowed under COBRA to continue on the City's health care insurance coverage for a period of 18 months (36 months if on Medicare). This continuation of coverage is paid entirely by the retired employee. At September 30, 2016, the City had 3 retired employees participating in their health care insurance coverage.

The future effect of this other postemployment benefit on the cost of health care insurance has not been estimated; therefore, the City has not accrued postemployment benefits in the accompanying financial statements.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**NOTE G - OTHER POSTEMPLOYMENT BENEFITS, DEFINED BENEFIT PENSION PLAN, AND
125 CAFETERIA PLAN - CONTINUED**

Defined Benefit Pension Plan

General Information about the Pension Plan

Plan description. Employees of the City of Batesville, Mississippi are provided a pension through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues annually a publicly available financial report that includes financial statements and required supplementary information.

That information may be obtained by writing the Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges and teachers and employees of the public cities. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership services (four years of membership service for those who became members of PERS before July 1, 2007).

PERS also provides certain death and disability benefits. A COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**NOTE G - OTHER POSTEMPLOYMENT BENEFITS, DEFINED BENEFIT PENSION PLAN, AND
125 CAFETERIA PLAN - CONTINUED**

Defined Benefit Pension Plan - continued

General Information about the Pension Plan - continued

Contributions. 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 15.75% of annual covered payroll. The rate prior to June 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. City of Batesville, Mississippi contributions (employer share only) to PERS for the years ended September 30, 2016, 2015, and 2014 were \$976,670, \$888,463, and \$856,768, respectively, equal 100% of the required contributions for each year.

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

At September 30, 2016, the City reported a liability of \$17,081,906 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participation entities actuarially determined. At June 30, 2016, the City's proportion was 0.095630%, which was an increase of 0.009140%, from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$2,461,722. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 476,460	\$ -
Net difference between projected and actual earnings on pension plan investments	1,157,215	-
Changes of assumptions	805,278	45,391
Changes in proportion and differences between City contributions and proportionate share of contributions	992,375	68,596
City contributions subsequent to the measurement date	<u>258,247</u>	<u>-</u>
	<u>\$ 3,689,575</u>	<u>\$ 113,987</u>

\$258,247 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**NOTE G - OTHER POSTEMPLOYMENT BENEFITS, DEFINED BENEFIT PENSION PLAN, AND
125 CAFETERIA PLAN - CONTINUED**

Defined Benefit Pension Plan - continued

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Sept 30	
2017	\$ 1,203,479
2018	998,163
2019	778,243
2020	<u>337,457</u>
	<u>\$ 3,317,342</u>

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

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

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

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

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**NOTE G - OTHER POSTEMPLOYMENT BENEFITS, DEFINED BENEFIT PENSION PLAN, AND
125 CAFETERIA PLAN - CONTINUED**

Defined Benefit Pension Plan - continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Broad	34.00%	5.20%
International Equity	19.00%	5.00%
Emerging Markets	8.00%	5.45%
Fixed Income	20.00%	0.25%
Real Assets	10.00%	4.00%
Private Equity	8.00%	6.15%
Cash	<u>1.00%</u>	-0.50%
Total	<u>100.00%</u>	

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

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

	1% Decrease <u>(6.75%)</u>	Current Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
City's proportionate share of the net pension liability	\$ 21,902,833	\$ 17,081,906	\$ 13,082,099

It is at least reasonably possible that the City's estimate of its pension plan liability, deferred outflows of resources, or deferred inflows of resources could change in the near term.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued 2016 PERS Comprehensive Annual Report on the PERS website, www.pers.ms.gov for collective calculations and note disclosures. The City's portion of the plan's net position has been determined on the same basis used by the plan.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**NOTE G - OTHER POSTEMPLOYMENT BENEFITS, DEFINED BENEFIT PENSION PLAN, AND
125 CAFETERIA PLAN - CONTINUED**

Defined Benefit Pension Plan - continued

Changes of Assumptions

Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over the average of the expected remaining service life of active and inactive members. In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%. Additionally, effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceeding year with a minimum rate of one percent and a maximum rate of five percent. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years.

Payables to the Pension Plan

At September 30, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan for the required amount due for the month ended September 30, 2016.

Section 125 Cafeteria Reduction Plan

Section 125 Cafeteria reduction plan expense for employees included in the accompanying financial statements totaled \$156,578.

NOTE H - LONG-TERM AND SHORT-TERM DEBT

General Long-Term Debt

The City's long-term debt is made up of general obligation bonds, revenue bonds, and notes payable. General obligation bonds are direct obligations, and pledge the full faith and credit of the City. Revenue debt is payable solely from the revenues of the underlying facilities. The City also incurs debt in the form of various notes which are to be repaid through daily operations.

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

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**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE H - LONG-TERM AND SHORT-TERM DEBT - CONTINUED

General Long-Term Debt - continued

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

In arriving at the limitation set forth above, bonds issued for school purposes, bonds payable exclusively from the revenues of any municipality owned utility, general obligation industrial bonds issued under the provisions of Sections 57-1-1 to 57-1-51, Mississippi Code of 1975, Annotated, Revised 1989, and special assessment improvement bonds issued under the provisions of Sections 21-41-1 to 21-41-53, Mississippi Code of 1972, Annotated, Revised 1990, are not included. Also excluded from both limitations are contract obligations subject to annual appropriations.

The margin for additional debt under the above debt limits as of September 30, 2016 is approximately:

<u>15% Limit</u>	<u>20% Limit</u>
\$ 14,974,015	\$ 21,008,686

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE H - LONG-TERM AND SHORT-TERM DEBT- CONTINUED

General long-term debt balances and transactions for the year ended September 30, 2016 are as follows:

GOVERNMENTAL ACTIVITIES

	Final Maturity Date	Interest Rate	Beginning Balance 10/1/2015	Additions	Repayments	Ending Balance 9/30/2016	Amounts Due Within One Year
Limited Obligation Bonds							
Tax Increment Limited Obligation Bonds	10/1/2017	4.25%	\$ 145,000	\$ -	\$ 70,000	\$ 75,000	\$ 75,000
Total limited obligation bonds			145,000	-	70,000	75,000	75,000
Other Debt							
Blended Component Unit							
First Security Bank	11/1/2017	8.50%	396,998	-	174,869	222,129	188,461
Total other debt			396,998	-	174,869	222,129	188,461
Net Pension Liability	---	---	10,306,662	2,931,800	-	13,238,462	-
Compensated Absences	---	---	363,434	30,174	-	393,608	33,113
TOTAL GOVERNMENTAL ACTIVITIES			\$ 11,212,094	\$ 2,961,974	\$ 244,869	\$ 13,929,199	\$ 296,574

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CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE H - LONG-TERM AND SHORT-TERM DEBT - CONTINUED

GOVERNMENTAL ACTIVITIES - continued

The principal and interest requirements of the above general obligation debt and other debt payable at September 30, 2016 are as follows:

Years Ending Sept. 30,	Limited Obligation Bonds			Other Debt		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 75,000	\$ 3,188	\$ 78,188	\$ 188,461	\$ 11,630	\$ 200,091
2018	-	-	-	33,668	360	34,028
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022 - 2026	-	-	-	-	-	-
Total	<u>\$ 75,000</u>	<u>\$ 3,188</u>	<u>\$ 78,188</u>	<u>\$ 222,129</u>	<u>\$ 11,990</u>	<u>\$ 234,119</u>

Years Ending Sept. 30,	Total		
	Principal	Interest	Total
2017	\$ 263,461	\$ 14,818	\$ 278,279
2018	33,668	360	34,028
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022 - 2026	-	-	-
Total	<u>\$ 297,129</u>	<u>\$ 15,178</u>	<u>\$ 312,307</u>

Specific years for payment of compensated absences and net pension liabilities are not determinable and are not included in the table above.

The ordinances authorizing the issuance of general obligation bonds creates an interest and sinking fund (General Debt Service Fund). If funds are not available from other sources, the ordinances require the City to ascertain a rate and amount of ad valorem tax which will be sufficient to pay interest as it comes due and provide a reserve fund which is adequate to meet principal as it matures. The City does not levy taxes for governmental debt service. All governmental activity debt is paid by the General Fund except the other debt, First Security Bank is paid by the lease-sale proceeds accounted for in the Post Office Debt Service Fund.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE H - LONG-TERM AND SHORT-TERM DEBT - CONTINUED

BUSINESS-TYPE ACTIVITIES - Continued

	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance 10/1/2015</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance 9/30/2016</u>	<u>Amounts Due Within One Year</u>
<u>Civic Center Fund</u>							
General Obligation Bonds							
General Obligation Bonds - Series 2010	7/1/2022	2% to 2.50%	<u>\$ 3,515,000</u>	<u>\$ -</u>	<u>\$ 460,000</u>	<u>\$ 3,055,000</u>	<u>\$ 470,000</u>
Total general obligation debt			<u>3,515,000</u>	<u>-</u>	<u>460,000</u>	<u>3,055,000</u>	<u>470,000</u>
Net Pension Liability	---	---	<u>474,622</u>	<u>172,974</u>	<u>-</u>	<u>647,596</u>	<u>-</u>
Compensated absences	---	---	<u>22,204</u>	<u>-</u>	<u>4,802</u>	<u>17,402</u>	<u>-</u>
Total civic center fund			<u>4,011,826</u>	<u>172,974</u>	<u>464,802</u>	<u>3,719,998</u>	<u>470,000</u>
TOTAL BUSINESS TYPE ACTIVITIES			<u>\$ 8,291,294</u>	<u>\$ 791,255</u>	<u>\$ 605,632</u>	<u>\$ 8,476,917</u>	<u>\$ 592,205</u>

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE H - LONG-TERM AND SHORT-TERM DEBT - CONTINUED

BUSINESS-TYPE ACTIVITIES - continued

The principal and interest requirements of the above revenue bonds and lease obligations payable at September 30, 2016 are as follows:

Years Ending Sept. 30	General Obligation Bonds			Other Debt		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 470,000	\$ 89,300	\$ 559,300	\$ 122,205	\$ 27,955	\$ 150,160
2018	485,000	77,550	562,550	126,902	25,547	152,449
2019	500,000	63,000	563,000	126,977	22,550	149,527
2020	515,000	48,000	563,000	104,379	19,798	124,177
2021	535,000	32,550	567,550	128,394	18,153	146,547
2022 - 2026	550,000	16,500	566,500	340,152	63,881	404,033
2027 - 2031	-	-	-	369,051	30,401	399,452
2032 - 2036	-	-	-	130,011	3,300	133,311
Total	<u>\$ 3,055,000</u>	<u>\$ 326,900</u>	<u>\$ 3,381,900</u>	<u>\$ 1,448,071</u>	<u>\$ 211,585</u>	<u>\$ 1,659,656</u>

Years Ending Sept. 30	Total		
	Principal	Interest	Total
2017	\$ 592,205	\$ 117,255	\$ 709,460
2018	611,902	103,097	714,999
2019	626,977	85,550	712,527
2020	619,379	67,798	687,177
2021	663,394	50,703	714,097
2022 - 2026	890,152	80,381	970,533
2027 - 2031	369,051	30,401	399,452
2032 - 2036	130,011	3,300	133,311
Total	<u>\$ 4,503,071</u>	<u>\$ 538,485</u>	<u>\$ 5,041,556</u>

Specific years for payment of compensated absences and net pension liability are not determinable and are not included in the table above. All Enterprise Fund debt is paid by the fund incurring the debt. The State of Mississippi debt is secured by the sales tax revenue and/or homestead exemption.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE I - COMPONENTS OF RESTRICTED ASSETS

	<u>General Fund Cash</u>	<u>Sewer System Fund Cash</u>	<u>Gas System Fund Cash</u>	<u>Other Funds Cash</u>	<u>Total</u>
Customer deposits	\$ -	\$ 191,951	\$ 240,613	\$ -	\$ 432,564
Capital additions	-	-	-	97,397	97,397
Library operations	1,552,981	-	-	-	1,552,981
Building compliance bond	9,710	-	-	-	9,710
Unemployment	-	-	-	59,223	59,223
Debt service	-	-	-	35,183	35,183
Excess tax collection and other	-	-	-	30,155	30,155
Tourism	-	-	-	931,279	931,279
Economic development	-	-	-	1,332,492	1,332,492
Total	\$ 1,562,691	\$ 191,951	\$ 240,613	\$ 2,485,729	\$ 4,480,984

NOTE J - INTERFUND TRANSACTIONS

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 11,178	\$ 16,179
Water and Sewer System Fund	156,529	115,262
Gas System Fund	101,303	150,061
Civic Center Fund	13,754	-
Nonmajor Business-Type Funds	15,724	16,986
	<u>\$ 298,488</u>	<u>\$ 298,488</u>

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CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE J - INTERFUND TRANSACTIONS - CONTINUED

Transfers between funds during the year were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
Major Governmental Funds:		
General Fund	\$ 200,000	\$ 105,715
Tourism Fund	-	1,060,000
	<u> </u>	<u> </u>
Total Major Governmental Funds	\$ 200,000	\$ 1,165,715
Major Enterprise Funds		
Civic Center Fund	\$ 1,060,000	\$ -
	<u> </u>	<u> </u>
Total Major Enterprise Funds	\$ 1,060,000	\$ -
Nonmajor Governmental Funds	\$ 105,715	\$ -
Nonmajor Enterprise Funds	-	200,000
	<u> </u>	<u> </u>
Total Nonmajor Funds	\$ 105,715	\$ 200,000
	<u> </u>	<u> </u>
Total all funds	\$ 1,365,715	\$ 1,365,715

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

NOTE K - LEASES

Capital Leases

The City had no outstanding capital lease agreements for capital assets under which they will become the property of the City when all terms of the lease agreement are met; therefore, there are no future payments required.

Operating Lease

The City periodically leases various equipment on monthly, annual, or as needed basis. Rental expenses for the year ended September 30, 2016, was as follows:

General Fund	\$ 59,868
Water and Sewer Fund	8,159
Gas Fund	<u>8,159</u>
	<u>\$ 76,186</u>

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE L - NON COMPLIANCE WITH STATE LAW REVENUE BOND REQUIREMENTS AND GRANT REQUIREMENTS

The City did not comply with all the requirements of the State Department of Audit or grant and loan requirements as set forth in the Municipal Compliance Questionnaire and grant and loan contracts. The results of our tests disclosed the instances of noncompliance listed in the schedule of findings and responses on pages 104 - 113. The ultimate resolution of these findings cannot presently be determined. Accordingly, no provision for any liability, if any, that may result has been recognized in the accompanying financial statements.

NOTE M - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Certain segmented information for the individual Enterprise Funds is included on Statement 5, Statement 6, and Statement 7. The capital asset activity for each individual Enterprise Fund is included in Note F. The Schedule of Changes in Long - Term Debt for each individual Enterprise Fund is included in Note H.

The individual Enterprise Funds have the following types of goods or services:

Gas System - Provide natural gas to its citizens and surrounding areas.

Water and Sewer System - Provide water and sewer services to its citizens.

Waste Collection System - Provide waste collection services to its citizens.

Civic Center Fund - Promotes the City of Batesville including local businesses.

The individual Enterprise Funds have the following net working capital (deficit) (current assets less current liabilities) at September 30, 2016:

Water and Sewer System	\$ 3,203,350
Gas System	7,123,661
Civic Center	417,309
Waste Collection System	<u>28,069</u>
Total	<u>\$ 10,772,389</u>

Enterprise Funds operate in the City of Batesville, Mississippi geographic area. Their revenues are subject to the economic conditions of Batesville, Mississippi. At September 30, 2016, the Gas System Fund had extended credit to customers totaling \$240,558 and to others totaling \$0. Gas System Fund receivables are secured by customer deposits totaling \$240,613. No other collateral has been obtained.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE M - SEGMENT INFORMATION FOR ENTERPRISE FUNDS - CONTINUED

At September 30, 2016, the Combined Water and Sewer System Fund had extended credit to customers totaling \$425,986 and to others totaling \$0. Combined Water and Sewer System Fund receivables are secured by customer deposits totaling \$191,951. No other collateral has been obtained.

At September 30, 2016, the Civic Center Fund Fund had extended credit to customers totaling \$3,541. The Civic Center Fund receivables are not secured.

At September 30, 2016, the Nonmajor Enterprise Fund had extended credit to customers totaling \$5,608. The Nonmajor Enterprise Fund receivables are not secured.

Gas System Fund accounts payable - operations consist mainly of \$67,032 for natural gas purchases and \$262,431 for MDOT relocation costs. The Combined Water and Sewer System Fund accounts payable - operations consist mainly of \$35,369 for repairs and supplies, \$36,062 for electricity and \$24,892 for insurance. The Civic Center Fund accounts payable operations consist mainly of \$15,441 for electricity and \$17,798 for insurance. The Nonmajor Enterprise Fund accounts payable - operations consist of \$25,756 for contract waste collection.

NOTE N - RELATED PARTY TRANSACTIONS

The City had no material related party transactions during the current year.

NOTE O - COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Litigation

The City has three outstanding lawsuits against its liability insurance. The amount of liability, if any, associated with these claims is covered by insurance of \$500,000 each but the liability to the City, if any, is presently unknown; therefore, the accompanying financial statements do not include any liabilities associated with these claims. Management does not expect any claims to exceed its insurance coverage. It is at least reasonably possible that the City's estimate of claims liability could change in the near term.

Subsequent Events

Subsequent to September 30, 2016, there was a sale of a local hospital to a non profit organization. As a result of the purchaser being non profit, the City expects to lose \$59,500 in property taxes annually.

The City intends to continue street paving with estimated costs of \$400,000 financed from operations and make improvements to the Indian Mounds of approximately \$379,000 with \$25,000 from a grant and the balance from operations. The City also plans to construct a burn room for the fire department of approximately \$133,000 from operations.

The City intends to continue the improvement of the water and sewer system at an approximate cost of \$971,000 from operations.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE O - COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES - CONTINUED

Grant Audit

The City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal or state agencies for expenditures disallowed under the terms and conditions of the appropriate agency.

The amount of any disallowance of grant expenditures, if any, is unknown; therefore, the accompanying financial statements do not include any liability for such disallowances. In the opinion of City management, such disallowances, if any, will not be significant.

NOTE P - ECONOMIC DEPENDENCE

The City purchases natural gas and stores this natural gas for use when prices are higher. If the City were unable to store this natural gas, gas purchased during the winter months could cost considerably more, which would substantially decrease profits. The City is subject to variance in the cost of natural gas. If the City does not increase natural gas rates comparable to increases in the cost of natural gas, there would be a substantial reduction in Proprietary Fund revenues.

NOTE Q - RISK MANAGEMENT - CLAIMS AND JUDGMENTS

Significant losses are covered by commercial insurance for all major programs except unemployment. The City has segregated cash and reserved \$59,223 for the potential future unemployment. There were no material claims or unemployment charges to these funds during the current year or the three previous years. It is at least reasonably possible that management's estimate of no liability in excess of insurance coverage or unemployment could change in the near term.

NOTE R - NET POSITION

The government-wide statement of net position reports \$4,881,918 of restricted net position, of which \$0 is restricted by enabling legislation.

NOTE S - NET INVESTMENT IN CAPITAL ASSETS

Net investments in capital assets in the net position section of the accompanying statement of net position for the government-wide financial statements consist of the following:

	Governmental Activities	Business-Type Activities
Land and construction in progress	\$ 1,905,597	\$ 901,210
Other capital assets (net of accumulated depreciation)	13,205,192	23,021,947
Less bonds and notes payable	<u>(297,129)</u>	<u>(4,503,071)</u>
Net investment in capital asset	<u>\$ 14,813,660</u>	<u>\$ 19,420,086</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE T - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS

Change in accounting principles for the Business-Type Activities

The City made a change in its accounting principles to recognize unbilled proprietary fund receivables as revenue effective October 1, 2015. Unbilled proprietary receivables represent the revenues earned but unbilled for the period from the last meter reading to the end of the month. The City made this change in accounting principles to better match revenues earned to expenditures incurred. This change in accounting principles increased the September 30, 2015 accounts receivable and unrestricted net position for the Business-Type Activities by \$473,852.

Prior period adjustments for the Government-wide financial statements

During the year ended September 30, 2016 it was determined that there were errors in certain accounts affecting the October 1, 2015 beginning balances for the government wide statement of net position, the balance sheets - governmental funds and the enterprise funds statement of net positions. These corrections are as follows:

Governmental Activities

1. The State of Mississippi collects in-lieu taxes from Tennessee Valley Authority that are to be prorated among the applicable governments. The State of Mississippi did not remit these funds totaling \$124,432 that were on hand at September 30, 2015 until December, 2015. The funds should have been accrued as of September 30, 2015. The City corrected this error by increasing its beginning due from other governments by \$124,432 and increasing its beginning net position by \$124,432.
2. The City has been following the procedure of not adjusting prepaid items annually because changes in prepaid items were deemed immaterial. The City's insurance policy usually required a down payment in June with the balance being paid subsequent to September 30. During the year ended September 30, 2015, the City paid the second payment prior to September 30, 2015 resulting in an error in prepaid items of \$96,262. The City corrected this error by increasing its beginning prepaid items by \$96,262 and increasing its beginning net position by \$96,262.
3. During the year ended September 30, 2015, the City acquired a new accounting software system. This system automatically included certain items in accounts payable based on docket date instead of when the payable was incurred. This resulted in the September 30, 2015 accounts payable being overstated by \$70,426. The City corrected this error by decreasing its beginning accounts payable by \$70,426 and increasing its beginning net position by \$70,426.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE T - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS - CONTINUED

Prior period adjustments for the Government-wide financial statements - continued

Governmental Activities - continued

4. The City recognizes police fines receivable net of allowance for uncollectables as an asset on the statement of net position. On average, 38% of the police fines collected are required to be remitted to the State of Mississippi. The City had not recognized this liability of approximately \$100,314 as of September 30, 2015. The City corrected this error by increasing its beginning liabilities by \$100,314 and decreasing its beginning net position by \$100,314.
5. Prior to April 25, 2014 the City had turned delinquent police fines receivable over to a collection agency for 25% of any fines collected by the agency. The City decided to increase the police fines receivable turned over to the collection agency by 25% so they would collect the full fine owed. At September 30, 2015, the police fines receivable included \$46,916 collection fees added without establishing a corresponding payable for the 25% collection fee potentially owed. The September 30, 2015 police fines receivable were overstated by \$46,916. The City corrected this error by decreasing its beginning police fines receivable by \$46,916 and decreasing its beginning net position by \$46,916.
6. The net investment in capital assets net position account represents the investment in capital assets net of the related debt. At September 30, 2015 the City should have reported a net investment in capital assets of \$13,510,297 (capital assets of \$14,052,295 minus related debt of \$541,998) instead of the reported amount of \$14,510,297. The City corrected this error by decreasing its beginning net investment in capital assets by \$1,000,000 and increasing its unrestricted net position by \$1,000,000.
7. The City assesses a millage rate for library operations. State law requires these taxes assessed to be spent only on library operations. Any unexpended funds are required to be restricted for future library operations. At September 30, 2015 the City's financial statements did not reflect any fund balance restricted for library operations. The City had collected property taxes assessed for library operations that exceeded library expenditures during the years ended September 30, 2012, 2013, 2014, and 2015 that totaled \$1,216,176. The City corrected this error by restricting this cash and increasing restricted fund balance by \$1,216,176 and decreasing unrestricted fund balances by \$1,216,176.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE T - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS - CONTINUED

Prior period adjustments for the Government-wide financial statements - continued

Business Type Activities

1. The City has been following the procedure of not adjusting prepaid items annually because changes in prepaid items were deemed immaterial. The City's insurance policy usually required a down payment in June with the balance being paid subsequent to September 30. During the year ended September 30, 2015, the City paid the second payment prior to September 30, 2015 resulting in an error in prepaid items of \$47,425. The City corrected this error by increasing its beginning prepaid items by \$47,425 and increasing its beginning net position by \$47,425.
2. During the year ended September 30, 2015, the City acquired a new accounting software system. This System automatically included certain items in accounts payable based on docket date instead of when the payable was incurred. This resulted in the September 30, 2015 accounts payable being overstated by \$13,304. The City corrected this error by decreasing its beginning accounts payable by \$13,304 and increasing its beginning net position by \$13,304.
3. During the year ended September 30, 2015 the City entered into a contract with MDOT to relocate certain gas lines due to the State of Mississippi expanding certain roadways. Generally accepted accounting principles state that once an asset is placed in service any additional expenditures on the asset including relocation would be expensed. At September 30, 2015 the City had capitalized MDOT relocation expenditures of \$143,880 instead of expensing them. At September 30, 2015 capital assets were overstated by \$143,880. The City corrected this error by decreasing its beginning construction in progress by \$143,880 and decreasing its beginning net position by \$143,880.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE T - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS - CONTINUED

The following table summarizes the effects of the change in accounting principles and the prior period adjustments in the government-wide statement of net position as of September 30, 2015.

	Governmental Activities			Business Type Activities			Total		
	As Previously Reported 9/30/2015	Summary of Changes and Corrections	As Adjusted 9/30/2015	As Previously Reported 9/30/2015	Summary of Changes and Corrections	As Adjusted 9/30/2015	As Previously Reported 9/30/2015	Summary of Changes and Corrections	As Adjusted 9/30/2015
Total Assets	\$ 29,323,458	\$ 173,778	\$ 29,497,236	\$ 35,383,207	\$ 377,396	\$ 35,760,603	\$ 64,706,665	\$ 551,174	\$ 65,257,839
Deferred outflows of resources	1,316,044	-	1,316,044	391,426	-	391,426	1,707,470	-	1,707,470
Total Liabilities	12,108,768	29,888	12,138,656	9,691,033	(13,304)	9,677,729	21,799,801	16,584	21,816,385
Deferred inflows of resources	3,899,741	-	3,899,741	323,787	-	323,787	4,223,528	-	4,223,528
Net Position									
Net investment in capital assets	14,510,297	(1,000,000)	13,510,297	18,731,773	-	18,731,773	33,242,070	(1,000,000)	32,242,070
Restricted	5,000,565	1,216,176	6,216,741	-	-	-	5,000,565	1,216,176	6,216,741
Unrestricted	(4,879,869)	(72,286)	(4,952,155)	7,028,040	390,700	7,418,740	2,148,171	318,414	2,466,585
Total net position	\$ 14,630,993	\$ 143,890	\$ 14,774,883	\$ 25,759,813	\$ 390,700	\$ 26,150,513	\$ 40,390,806	\$ 534,590	\$ 40,925,396

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE T - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS - CONTINUED

Prior period adjustments for the Governmental funds

1. During the year ended September 30, 2015, the City acquired a new accounting software system. This system automatically included certain items in accounts payable based on docket date instead of when the payable was incurred. This resulted in the September 30, 2015 accounts payable being overstated by \$70,426. The City corrected this error by decreasing its beginning general fund accounts payable by \$70,426 and increasing its beginning general fund net position by \$70,426.
2. The City's General fund did not reflect Home loan notes receivable of \$54,855 and the related allowance for uncollectables of \$40,240 at September 30, 2016. These loans had been recorded only at the government-wide level. A long-term note in a governmental fund is an exception to the rule that governmental funds only reflect current inflows and outflows of resources. The City corrected this error by increasing the General Fund loan and notes receivable by \$14,615 and increasing the General Fund nonspendable fund balance by \$14,615.
3. The City has an Economic Development Revolving Fund that the City uses to make loans to businesses. The September 30, 2015 Nonmajor Governmental Fund's balance sheet reflects the long term portion of the note receivable of \$345,947 as nonspendable fund balance and the short term portion of the notes receivable collected after 60 days of \$131,445 as a deferred inflow of resources. A long-term note in a governmental fund is an exception to the rule that governmental funds only reflect current inflows and outflows of resources. It should have been shown in restricted fund balance since it is a special revenue fund. The City corrected this error by decreasing the Nonmajor Governmental Fund's deferred inflows of resources by \$131,445, decreasing the Nonmajor Governmental Fund's nonspendable fund balance by \$345,947 and increasing the Nonmajor Governmental Fund's restricted fund balance by \$477,392.
4. At September 30, 2015, the Nonmajor Post Office Fund lease receivable did not reflect the long term portion of the lease receivable of \$291,944 nor did it reflect the deferred inflow of resources of \$291,444 for the portion that is not available to spend. The City corrected this error by increasing the Nonmajor Governmental Fund net lease receivable by \$291,944, and increasing the Nonmajor Governmental Fund deferred inflow of resources by \$291,944 with no net entry to Nonmajor Governmental Fund Balances.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE T - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS - CONTINUED

Prior period adjustments for the Governmental funds - continued

5. The City recognizes police fines receivable net of allowance for uncollectables as an asset on the Governmental Funds Balance sheet. On average at September 30, 2015, 38% of the police fines collected are required to be remitted to the State of Mississippi. The City had not recognized this liability of approximately \$100,314 as of September 30, 2015 but had deferred this revenue; therefore, there was no net effect on the governmental fund balance. The City corrected this error by increasing its beginning liabilities by \$100,314 and decreasing its beginning unavailable revenue by \$100,314.
6. Prior to April 25, 2014 the City had turned delinquent police fines receivable over to a collection agency for 25% of any fines collected by the agency. The City decided to increase the police fines receivable turned over to the collection agency by 25% so they would collect the full fine owed. At September 30, 2015, the police fines receivable included \$46,916 collection fees added without establishing a corresponding payable for the 25% collection fee potentially owed. The September 30, 2015 police fines receivable were overstated by \$46,916; however, they were offset in unavailable revenue with no net effect on governmental fund balance. The City corrected this error by decreasing its beginning police fines receivable by \$46,916 and decreasing its beginning unavailable revenue by \$46,916.
7. The City assesses a millage rate for library operations. State law requires these taxes assessed to be spent only on library operations. Any unexpended funds are required to be restricted for future library operations. At September 30, 2015, the City financial statements did not reflect any fund balance restricted for library operations. The City had collected property taxes assessed for library operations that exceeded library expenditures during the years ended September 30, 2012, 2013, 2014, and 2015 that totaled \$1,216,176. The City corrected this error by restricting this cash and increasing restricted fund balance by \$1,216,176 and decreasing unrestricted fund balances by \$1,216,176.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE T - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES - CONTINUED

Prior period adjustments for the Governmental funds - continued

The following table summarizes the effects of the change in accounting principles and the prior period adjustment in the Proprietary Fund statement of net position as of September 30, 2015.

	General Fund			Tourism Fund			NonMajor Governmental Fund		
	As Previously Reported 9/30/2015	Summary of Changes and Corrections	As Adjusted 9/30/2015	As Previously Reported 9/30/2015	Summary of Changes and Corrections	As Adjusted 9/30/2015	As Previously Reported 9/30/2015	Summary of Changes and Corrections	As Adjusted 9/30/2015
Total Assets	\$ 11,824,464	\$ (32,301)	\$ 11,792,163	\$ 1,022,449	\$ -	\$ 1,022,449	\$ 2,090,679	\$ 291,946	\$ 2,382,625
Deferred outflows of resources	-	-	-	-	-	-	-	-	-
Total Liabilities	899,308	29,888	929,196	341	-	341	32,120	-	32,120
Deferred inflows of resources	3,919,375	(147,230)	3,772,145	-	-	-	306,455	160,499	466,954
Fund Balances									
Nonspendable	-	-	-	-	-	-	345,947	(345,947)	-
Restricted	-	1,216,176	1,216,176	1,022,108	-	1,022,108	1,331,561	477,394	1,808,955
Committed	17,000	-	17,000	-	-	-	61,867	-	61,867
Assigned	935,000	-	935,000	-	-	-	12,729	-	12,729
Unrestricted	6,053,781	(1,131,135)	4,922,646	-	-	-	-	-	-
Total net position	\$ 7,005,781	\$ 85,041	\$ 7,090,822	\$ 1,022,108	\$ -	\$ 1,022,108	\$ 1,752,104	\$ 131,447	\$ 1,883,551

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE T - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES - CONTINUED

Prior period adjustments for the Governmental funds - continued

	Total Governmental Funds		
	Summary of		
	As Previously Reported 9/30/2015	Changes and Corrections	As Adjusted 9/30/2015
Total Assets	\$ 14,937,592	\$ 259,645	\$ 15,197,237
Deferred outflows of resources	-	-	-
Total Liabilities	931,769	29,888	961,657
Deferred inflows of resources	4,225,830	13,269	4,239,099
Fund Balance			
Nonspendable	345,947	(345,947)	-
Restricted	2,353,669	1,693,570	4,047,239
Committed	78,867	-	78,867
Assigned	947,729	-	947,729
Unrestricted	6,053,781	(1,131,135)	4,922,646
Total net position	\$ 9,779,993	\$ 216,488	\$ 9,996,481

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE T - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS - CONTINUED

Change in accounting principles for the Proprietary Funds

The City made a change in its accounting principles to recognize unbilled proprietary fund receivables as revenue effective October 1, 2015. Unbilled proprietary receivables represent the revenues earned but unbilled for the period from the last meter reading to the end of the month. The City made this change in accounting principles to better match revenues earned to expenditures incurred. This change in accounting principles increased the September 30, 2015 accounts receivable and unrestricted net position for the Water and Sewer Fund by \$320,850, the Gas Fund by \$153,002, and the Business Type Activities by \$473,852.

Prior period adjustment for the Proprietary Funds

1. The City has been following the procedure of not adjusting prepaid items annually because changes in prepaid items were deemed immaterial. The City's insurance policy usually required a down payment in June with the balance being paid subsequent to September 30. During the year ended September 30, 2015, the City paid the second payment prior to September 30, 2015 resulting in an error in prepaid items of \$30,748 for the Water and Sewer Fund, \$6,085 for the Gas Fund, and \$10,592 for the Civic Center Fund. The City corrected this error by increasing its beginning prepaid items by these amounts and increasing its beginning net position by these amounts.
2. During the year ended September 30, 2015, the City acquired a new accounting software system. This system automatically included certain items in accounts payable based on docket date instead of when the payable was incurred. This resulted in the September 30, 2015 accounts payable being overstated by \$8,415 in the Water and Sewer Fund, \$1,992 in the Gas Fund, and \$2,895 in the Civic Center Fund. The City corrected this error by decreasing its beginning accounts payable by these amounts and increasing its beginning net position by these amounts.
3. During the year ended September 30, 2015 the City entered into a contract with MDOT to relocate certain gas lines due to the State of Mississippi expanding certain roadways. Generally accepted accounting principles state that once an asset is placed in service any additional expenditures on the asset including relocation would be expensed. At September 30, 2015, the City had capitalized MDOT relocation expenditures of \$143,880 instead of expensing them. At September 30, 2015, the Gas Fund's capital assets were overstated by \$143,880. The City corrected this error by decreasing the Gas Fund's beginning construction in progress by \$143,880 and decreasing the Gas Fund's beginning net position by \$143,880.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE T RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES - CONTINUED

Prior period adjustments for the Proprietary Funds - continued

The following table summarizes the effects of the change in accounting principles and the prior period adjustment in the Proprietary Fund statement of net position as of September 30, 2015.

	Water and Sewer Fund			Gas Fund			Civic Center		
	As Previously Reported 9/30/2015	Summary of Changes and Corrections	As Adjusted 9/30/2015	As Previously Reported 9/30/2015	Summary of Changes and Corrections	As Adjusted 9/30/2015	As Previously Reported 9/30/2015	Summary of Changes and Corrections	As Adjusted 9/30/2015
Total Assets	\$ 18,210,501	\$ 351,597	\$ 18,562,098	\$ 8,391,333	\$ 15,208	\$ 8,406,541	\$ 8,563,027	\$ 10,592	\$ 8,573,619
Deferred outflows of resources	233,918	-	233,918	97,334	-	97,334	60,174	-	60,174
Total Liabilities	4,436,193	(8,416)	4,427,777	1,151,616	(1,992)	1,149,624	4,051,168	(2,895)	4,048,273
Deferred inflows of resources	49,410	-	49,410	20,109	-	20,109	254,268	-	254,268
Net Position									
Net investment in capital assets	12,603,947	-	12,603,947	1,742,922	-	1,742,922	4,384,904	-	4,384,904
Unrestricted	1,354,869	360,013	1,714,882	5,574,020	17,200	5,591,220	(67,139)	13,487	(53,652)
Total net position	\$ 13,958,816	\$ 360,013	\$ 14,318,829	\$ 7,316,942	\$ 17,200	\$ 7,334,142	\$ 4,317,765	\$ 13,487	\$ 4,331,252

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE T - RETROSPECTIVE APPLICATION OF A CHANGE IN ACCOUNTING PRINCIPLES - CONTINUED

Prior period adjustments for the Proprietary Funds- continued

	Nonmajor Waste Collection Fund			Total Business-Type Funds		
	Summary of			Summary of		
	As Previously Reported 9/30/2015	Changes and Corrections	As Adjusted 9/30/2015	As Previously Reported 9/30/2015	Changes and Corrections	As Adjusted 9/30/2015
Total Assets	\$ 218,346	\$ -	\$ 218,346	\$ 35,383,207	\$ 377,397	\$ 35,760,604
Deferred outflows of resources	-	-	-	391,426	-	391,426
Total Liabilities	52,056	-	52,056	9,691,033	(13,303)	9,677,730
Deferred inflows of resources	-	-	-	323,787	-	323,787
Net Position						
Net investment in capital assets	-	-	-	18,731,773	-	18,731,773
Unrestricted	166,290	-	166,290	7,028,040	390,700	7,418,740
Total net position	\$ 166,290	\$ -	\$ 166,290	\$ 25,759,813	\$ 390,700	\$ 26,150,513

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CITY OF BATESVILLE, MISSISSIPPI
Schedules of Required Supplementary Information

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

Public Employee Retirement System of Mississippi
Last 10 Fiscal Years*
For the fiscal year ended September 30, 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability (asset)	0.089505%	0.086490%	0.009563%
City's proportionate share of the net pension liability (asset)	\$ 10,864,268	\$ 13,369,648	\$ 17,081,906
City's covered-employee payroll	\$ 5,439,789	\$ 5,641,028	\$ 6,201,078
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	199.72%	237.01%	275.47%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	61.70%	57.47%

- * The amounts presented for each fiscal year were determined as of the measurement date of June 30, prior to the fiscal year presented. This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF BATESVILLE, MISSISSIPPI
Schedules of Required Supplementary Information

**Schedule of City's Contributions to
Public Employee Retirement System of Mississippi**

Last 10 Fiscal Years*
For the fiscal year ended September 30, 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Statutorily required contribution	\$ 856,768	\$ 888,463	\$ 976,670
Contributions in relation to the statutorily required contribution	<u>(856,768)</u>	<u>(888,463)</u>	<u>(976,670)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,439,789	\$ 5,641,028	\$ 6,201,078
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

* This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Schedule 3

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Total</u>	<u>Final Budget Positive (Negative)</u>
<u>REVENUES</u>						
Ad valorem taxes, penalties and interest	\$ 3,160,000	\$ 3,160,000	\$ 3,113,728	\$ 4,540	\$ 3,118,268	\$ 41,732
Road and bridge taxes	450,000	450,000	389,644	724	390,368	59,632
In lieu of taxes GE	135,000	135,000	153,220	-	153,220	(18,220)
License, permits, and fees	143,200	143,200	177,898	-	177,898	(34,698)
Intergovernmental revenues:						
Federal grants	375,500	677,500	297,253	80,353	377,606	299,894
State shared revenues:						
Sales tax	3,200,000	3,200,000	4,511,355	11,235	4,522,590	(1,322,590)
Liquor privilege tax	10,000	10,000	10,800	(2,250)	8,550	1,450
Fire protection	40,000	40,000	47,864	-	47,864	(7,864)
Gasoline tax and municipal aid	10,000	10,000	10,668	-	10,668	(668)
Homestead reimbursement	104,000	104,000	113,586	-	113,586	(9,586)
In lieu of taxes - TVA	300,000	300,000	124,432	-	124,432	175,568
Franchise taxes	300,500	300,500	318,825	(8,103)	310,722	(10,222)
Municipal court fines and bond fees	266,500	266,500	180,248	9,226	189,474	77,026
Cops in school charges	180,000	180,000	202,611	(4,561)	198,050	(18,050)
Parks and recreation	27,000	27,000	22,100	-	22,100	4,900
Fire Department revenue - local	3,100	3,100	9,774	-	9,774	(6,674)
Interest income	20,000	20,000	26,182	-	26,182	(6,182)
Rents	50,000	50,000	38,267	-	38,267	11,733
Contributions and donations	7,000	7,000	97,000	-	97,000	(90,000)
Other	93,300	194,300	48,083	(1,655)	46,428	147,872
Total revenues	\$ 8,875,100	\$ 9,278,100	\$ 9,893,538	\$ 89,509	\$ 9,983,047	\$ (704,947)

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Schedule 3

**CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Total</u>	<u>Final Budget Positive (Negative)</u>
<u>EXPENDITURES</u>						
General Government						
Personnel services	\$ 500,000	\$ 500,000	\$ 502,645	\$ (4,667)	\$ 497,978	\$ 2,022
Supplies	30,000	30,000	11,906	(559)	11,347	18,653
Other services and charges	644,600	659,500	470,395	(20,310)	450,085	209,415
Capital outlay	160,000	160,000	10,634	-	10,634	149,366
Total	1,334,600	1,349,500	995,580	(25,536)	970,044	379,456
City Court						
Personnel services	180,600	180,600	174,565	7,022	181,587	(987)
Supplies	8,100	8,100	3,531	(332)	3,199	4,901
Other services and charges	97,900	97,900	57,136	(224)	56,912	40,988
Capital outlay	27,000	27,000	1,036	-	1,036	25,964
Total	313,600	313,600	236,268	6,466	242,734	70,866
Public Safety - Police						
Personnel services	2,683,000	3,140,000	2,927,438	9,890	2,937,328	202,672
Supplies	215,200	215,200	116,373	(3,099)	113,274	101,926
Other services and charges	1,261,100	1,266,100	866,255	(59,595)	806,660	459,440
Capital outlay	709,000	709,000	265,423	(382)	265,041	443,959
Total	\$ 4,868,300	\$ 5,330,300	\$ 4,175,489	\$ (53,186)	\$ 4,122,303	\$ 1,207,997

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2016

	Budgeted Amounts		Actual Amounts			Variance with
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Total	Final Budget Positive (Negative)
EXPENDITURES - continued						
Public Safety - Fire						
Personnel services	\$ 1,267,000	\$ 1,590,000	\$ 1,448,482	\$ (7,155)	\$ 1,441,327	\$ 148,673
Supplies	412,100	417,100	44,126	(158)	43,968	373,132
Other services and charges	66,000	111,000	251,389	(17,329)	234,060	(123,060)
Capital outlay	224,000	309,000	138,813	(3)	138,810	170,190
Total	1,969,100	2,427,100	1,882,810	(24,645)	1,858,165	568,935
Street						
Personnel services	831,000	912,000	858,917	(440)	858,477	53,523
Supplies	174,000	214,000	181,354	(15,479)	165,875	48,125
Other services and charges	527,600	527,600	401,988	(15,436)	386,552	141,048
Capital outlay	2,845,000	2,970,000	2,073,305	43,398	2,116,703	853,297
Total	4,377,600	4,623,600	3,515,564	12,043	3,527,607	1,095,993
Public Health and Sanitation						
Personnel services	257,000	257,000	252,608	-	252,608	4,392
Supplies	94,500	94,500	37,064	(20)	37,044	57,456
Other services and charges	121,600	121,600	73,543	(2,761)	70,782	50,818
Capital outlay	85,000	85,000	26,385	5,029	31,414	53,586
Total	\$ 558,100	\$ 558,100	\$ 389,600	\$ 2,248	\$ 391,848	\$ 166,252

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2016

		<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with</u>	
		<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Total</u>	<u>Final Budget Positive (Negative)</u>
<u>EXPENDITURES - continued</u>							
Library							
Personnel services	\$	153,000	\$ 153,000	\$ 122,600	\$ -	\$ 122,600	\$ 30,400
Supplies		8,500	8,500	4,158	(115)	4,043	4,457
Other services and charges		174,500	174,500	137,565	(3,700)	133,865	40,635
Capital outlay		54,000	54,000	5,226	-	5,226	48,774
Total		390,000	390,000	269,549	(3,815)	265,734	124,266
Park and Recreation							
Personnel services		240,000	240,000	208,234	-	208,234	31,766
Supplies		47,500	67,500	23,421	(1,017)	22,404	45,096
Other services and charges		195,100	195,100	99,216	(2,529)	96,687	98,413
Capital outlay		357,000	457,000	71,554	13,525	85,079	371,921
Total		839,600	959,600	402,425	9,979	412,404	547,196
Code							
Personnel services		202,000	202,000	210,005	-	210,005	(8,005)
Supplies		11,000	11,000	5,406	(176)	5,230	5,770
Other services and charges		80,500	90,500	61,602	(3,044)	58,558	31,942
Capital outlay		30,000	70,000	37,187	-	37,187	32,813
Total	\$	323,500	\$ 373,500	\$ 314,200	\$ (3,220)	\$ 310,980	\$ 62,520

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CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Final Budget Positive (Negative)</u>	
<u>EXPENDITURES - continued</u>						
Total expenditures	\$ 14,974,400	\$ 16,325,300	\$ 12,181,485	\$ (79,666)	\$ 12,101,819	\$ 4,223,481
Excess (deficit) of revenues over (under) expenditures	(6,099,300)	(7,047,200)	(2,287,947)	169,175	(2,118,772)	(4,928,428)
<u>OTHER FINANCING SOURCES (USES)</u>						
Proceeds from capital lease	142,000	142,000	-	-	-	142,000
Non-revenue receipts	20,000	20,000	33,916	-	33,916	(13,916)
Operating transfers in	5,500,000	5,500,000	200,000	-	200,000	5,300,000
Operating transfers out	(575,000)	(3,078,000)	(105,715)	-	(105,715)	(2,972,285)
Total other financing sources (uses)	5,087,000	2,584,000	128,201	-	128,201	2,455,799
Excess (deficit) of revenues and other financing sources over (under) expenditures and sources over (under) expenditures and other uses	(1,012,300)	(4,463,200)	(2,159,746)	169,175	(1,990,571)	(2,472,629)
Restated Fund Balance - beginning	7,090,822	7,090,822	7,090,822	-	7,090,822	-
Fund balances - end of year	\$ 6,078,522	\$ 2,627,622	\$ 4,931,076	\$ 169,175	\$ 5,100,251	\$ (2,472,629)

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
Tourism Fund
For the fiscal year ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Total</u>
<u>REVENUES</u>					
Tourism tax	\$ 1,200,000	\$ 1,200,000	\$ 1,256,980	\$ (1,241)	\$ 1,255,739
Interest income	500	500	426	-	426
Total revenues	<u>1,200,500</u>	<u>1,200,500</u>	<u>1,257,406</u>	<u>(1,241)</u>	<u>1,256,165</u>
<u>EXPENDITURES</u>					
Tourism expenses	76,000	501,000	82,775	-	82,775
Other services and charges	<u>3,000</u>	<u>3,000</u>	<u>7,204</u>	<u>(39)</u>	<u>7,165</u>
Total expenditures	<u>79,000</u>	<u>504,000</u>	<u>89,979</u>	<u>(39)</u>	<u>89,940</u>
Excess (deficit) of revenues over (under) expenditures	<u>1,121,500</u>	<u>696,500</u>	<u>1,167,427</u>	<u>(1,202)</u>	<u>1,166,225</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers out	<u>(900,000)</u>	<u>(900,000)</u>	<u>(1,060,000)</u>	<u>-</u>	<u>(1,060,000)</u>
Total other financing sources (uses)	<u>(900,000)</u>	<u>(900,000)</u>	<u>(1,060,000)</u>	<u>-</u>	<u>(1,060,000)</u>
Excess (deficit) of revenues and other financing sources over (under) expenditures and other uses	221,500	(203,500)	107,427	(1,202)	106,225
Fund balances - beginning of year	<u>1,022,108</u>	<u>1,022,108</u>	<u>1,022,108</u>	<u>-</u>	<u>1,022,108</u>
Fund balances - end of year	<u>\$ 1,243,608</u>	<u>\$ 818,608</u>	<u>\$ 1,129,535</u>	<u>\$ (1,202)</u>	<u>\$ 1,128,333</u>

CITY OF BATESVILLE, MISSISSIPPI
Notes to Required Supplementary Information
For the fiscal year ended September 30, 2016

NOTE 1 - PENSION SCHEDULES

- A. *Changes of benefit terms.* None identified during periods presented in the required supplementary information.
- B. *Changes in assumptions.* Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over the average of the expected remaining service life of active and inactive members. In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%. Additionally, effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceeding year with a minimum rate of one percent and a maximum rate of five percent. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years.
- C. *Changes in size or composition of the population covered by the benefit terms.* None identified during periods presented in the required supplementary information.

NOTE 2 - BUDGETARY INFORMATION

- A. Budgetary Information. The City is legally subject to the budgetary control requirements of the State of Mississippi. The City follows the following procedures in establishing the budgetary comparison schedule:
- 1 Prior to September 1, the City Clerk submits to the Board of Alderman a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The State of Mississippi requires at a minimum expenditures be adopted in four categories (personnel services, supplies, other services and charges, and capital outlays).
 - 2 Public hearings are conducted to obtain taxpayer comments.
 - 3 Prior to September 15, the budget is legally enacted through passage of an ordinance.
 - 4 The budget must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
 - 5 The budget must be amended when necessary.
 - 6 Debt cannot be entered into unless permitted by law.
 - 7 Expenditures, except for capital outlays, cannot exceed budget appropriations.
 - 8 Expenditures cannot be made unless authorized in the budget.
 - 9 Appropriations lapse at the end of each fiscal year.
- B. *Basis of Presentation.* Budgets are adopted on a modified cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principle. Governmental accounting requires the budgetary comparison schedule be prepared according to budgetary laws, which is the modified cash basis (GAAP).

CITY OF BATESVILLE, MISSISSIPPI
Notes to Required Supplementary Information
For the fiscal year ended September 30, 2016

NOTE 2 - BUDGETARY INFORMATION - CONTINUED

- C. The following provides details for General Fund and Tourism Fund adjustments to budgetary basis from actual:

Revenues	<u>General Fund</u>	<u>Tourism Fund</u>
Deferred revenues	\$ 101,175	\$ -
Receivables	(15,363)	(1,241)
Payables	<u>3,697</u>	<u>-</u>
Total	<u>89,509</u>	<u>(1,241)</u>
 Expenditures		
Accounts payable paid after 30 days	(84,316)	(39)
Vacation accrual paid after 30 days	<u>4,650</u>	<u>-</u>
Total	<u>(79,666)</u>	<u>(39)</u>
 Net difference in budgetary basis and actual	 <u>\$ 169,175</u>	 <u>\$ (1,202)</u>

- D. The General Fund budgetary comparison schedule has an excess of expenditures over appropriations of \$2,118,772 and the Tourism Fund has an excess of revenues over expenditures of \$1,166,225.

CITY OF BATESVILLE, MISSISSIPPI
Nonmajor Governmental Funds
Combining Balance Sheets
September 30, 2016

	MBI Tax Levy Reserve Fund	COFB Confiscated Fund	Fire Grant Fund	Economic Development Revolving Fund	Post Office Debt Service Fund	Risk Reduction Fund	Federal Asset Forfeiture Fund	TIF Reserve Fund	Unemployment Compensation Fund	Total Nonmajor Governmental Funds
ASSETS										
Restricted cash and cash equivalents	\$ 16,633	\$ 65,787	\$ 209	\$ 1,332,492	\$ 35,179	\$ 13,522	\$ 31,401	\$ 4	\$ 59,223	\$ 1,554,450
Receivables (net of allowance for uncollectibles)										
Interest	-	-	-	862	-	-	-	-	-	862
Notes and loans receivable - net	-	-	-	392,046	291,943	-	-	-	-	683,989
Total assets	<u>\$ 16,633</u>	<u>\$ 65,787</u>	<u>\$ 209</u>	<u>\$ 1,725,400</u>	<u>\$ 327,122</u>	<u>\$ 13,522</u>	<u>\$ 31,401</u>	<u>\$ 4</u>	<u>\$ 59,223</u>	<u>\$ 2,239,301</u>
LIABILITIES										
Accounts payable	\$ 16,627	\$ 928	\$ 1	\$ 97	\$ 3,258	\$ -	\$ 656	\$ 1	\$ -	\$ 21,568
Builders compliance bonds and seized funds held	-	21,662	-	-	-	-	-	-	-	21,662
Total liabilities	<u>16,627</u>	<u>22,590</u>	<u>1</u>	<u>97</u>	<u>3,258</u>	<u>-</u>	<u>656</u>	<u>1</u>	<u>-</u>	<u>43,230</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue	-	-	-	-	291,943	-	-	-	-	291,943
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,943</u>
FUND BALANCES										
Restricted	<u>6</u>	<u>43,197</u>	<u>208</u>	<u>1,725,303</u>	<u>31,921</u>	<u>13,522</u>	<u>30,745</u>	<u>3</u>	<u>59,223</u>	<u>1,904,128</u>
Total fund balance	<u>6</u>	<u>43,197</u>	<u>208</u>	<u>1,725,303</u>	<u>31,921</u>	<u>13,522</u>	<u>30,745</u>	<u>3</u>	<u>59,223</u>	<u>1,904,128</u>
Total liabilities and fund balances	<u>\$ 16,633</u>	<u>\$ 65,787</u>	<u>\$ 209</u>	<u>\$ 1,725,400</u>	<u>\$ 327,122</u>	<u>\$ 13,522</u>	<u>\$ 31,401</u>	<u>\$ 4</u>	<u>\$ 59,223</u>	<u>\$ 2,239,301</u>

CITY OF BATESVILLE, MISSISSIPPI
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended September 30, 2016

	MBI Tax Levy Reserve Fund	COFB Confiscated Fund	Fire Grant Fund	Economic Development Revolving Fund	Post Office Debt Service Fund	Risk Reduction Fund	Federal Asset Forfeiture Fund	TIF Reserve Fund	Unemployment Compensation Fund	Total Nonmajor Governmental Funds
<u>REVENUES</u>										
Municipal court fines and bond fees	\$ -	\$ 10,399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,399
Interest income	6	20	-	15,394	-	3	17	18	260	15,718
Rents	-	-	-	-	207,987	-	-	-	-	207,987
Contributions and donations	-	-	-	-	-	1,184	-	-	-	1,184
Reduction for uncollectable loans	-	-	-	(7,500)	-	-	-	-	-	(7,500)
Total revenues	6	10,419	-	7,894	207,987	1,187	17	18	260	227,788
<u>EXPENDITURES</u>										
Current										
General government	-	-	-	9,851	7,984	-	-	-	-	17,835
Police	-	1,994	-	-	-	-	612	-	-	2,606
Capital outlay	-	4,383	-	-	-	-	11,200	-	-	15,583
Debt Service										
Principal retirement - general obligation	-	-	-	-	174,869	-	-	70,000	-	244,869
Interest and paying agent	-	-	-	-	25,222	-	-	6,811	-	32,033
Total expenditures	-	6,377	-	9,851	208,075	-	11,812	76,811	-	312,926
Excess (deficit) of revenues over (under) expenditures	6	4,042	-	(1,957)	(88)	1,187	(11,795)	(76,793)	260	(85,138)
<u>OTHER FINANCING SOURCES (USES)</u>										
Operating transfers in	-	-	-	-	-	-	-	76,610	29,105	105,715
Total other financing sources (uses)	-	-	-	-	-	-	-	76,610	29,105	105,715
Excess (deficit) of revenues and other sources over (under) expenditures and other uses	6	4,042	-	(1,957)	(88)	1,187	(11,795)	(183)	29,365	20,577
Restated fund balance - beginning	-	39,155	208	1,727,260	32,009	12,335	42,540	186	29,858	1,883,551
Fund balance - end of year	\$ 6	\$ 43,197	\$ 208	\$ 1,725,303	\$ 31,921	\$ 13,522	\$ 30,745	\$ 3	\$ 59,223	\$ 1,904,128

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials and Employees
September 30, 2016

<u>Name</u>	<u>Position</u>	<u>Amount</u>	<u>Insurance Company</u>	<u>Expiration Date</u>
Jerry Autrey	Mayor	\$ 50,000	Liberty Mutual	7/1/2017
Teddy Morrow	Alderman at large	100,000	Liberty Mutual	7/1/2017
Bill Dugger	Alderman	100,000	Liberty Mutual	7/1/2017
Ted Stewart	Alderman	100,000	Liberty Mutual	7/1/2017
Stan Harrison	Alderman	100,000	Liberty Mutual	7/1/2017
Eddie Nabors	Alderman	100,000	Liberty Mutual	7/1/2017
James Mccloud	Chief of Police	50,000	Liberty Mutual	7/1/2017
Susan Berryhill	City Clerk	50,000	Liberty Mutual	7/1/2017
Embry Moody	Payroll	50,000	Liberty Mutual	7/1/2017
Employee Theft each employee	Various	50,000	Travelers	5/1/2017

JONES & JONES
CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE, P.A.

Kermit V. Jones Jr., C.P.A. Christopher D. Jones, C.P.A. Jeremy D. Jones, C.P.A. David W. Jones, C.P.A.

**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 Alderpersons
City of Batesville, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Batesville, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Batesville, Mississippi's basic financial statements and have issued our report thereon dated September 11, 2017.

The report on Governmental Activities and Business-Type Activities was qualified because the post employment benefits liability for allowing employees who retire from City service with 25 years and are age 55 being allowed to continue on the City's health insurance group plan upon retirement until eligible for Medicare, has not been determined or accrued, we were unable to form an opinion regarding the post employment benefits liability recorded in the accompanying Statement 1 – Statement of Net Position (Governmental Activities and Business-Type Activities) at September 30, 2016 and the amounts at which the related post employment benefit expenses is recorded in the accompanying Statement 2 – Statement of Activities (Governmental Activities and Business-Type Activities). The amount by which this departure would affect the liabilities, net position, and expenses of the Governmental Activities and Business-Type Activities has not been determined.

The report on Water and Sewer Fund, Gas Fund and Civic Center Fund was qualified because the post employment benefits liability for allowing employees who retire from City service with 25 years and are age 55 being allowed to continue on the City's health insurance group plan upon retirement until eligible for Medicare, has not been determined or accrued, we were unable to form an opinion regarding the post employment benefits liability recorded in the accompanying Statement 5 – Proprietary Fund Statement of Net Position at September 30, 2016 (Water and Sewer Fund, Gas Fund, and Civic Center Fund) and the amounts at which the related post employment benefit expenses is recorded in the accompanying Statement 6 – Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position (Water and Sewer Fund, Gas Fund, and Civic Center Fund). The amount by which this departure would affect the liabilities, net position, and expenses of the Water and Sewer Fund, Gas Fund, and Civic Center Fund has not been determined.

Except as discussed in the preceding paragraphs, we conducted our audit 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.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. They are labeled as items 2016-001, 2016-002, 2016-003, 2016-004, and 2016-005.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. They are labeled as items 2016-006 and 2016-007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Batesville, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2016-008, 2016-009, 2016-010, 2016-011, 2016-012, 2016-013, 2016-014, 2016-015, 2016-016, and 2016-017.

We noted certain other matters that we reported to management of City of Batesville, Mississippi, in a separate letter dated September 11, 2017.

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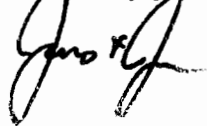
City of Batesville, Mississippi's Response to Findings

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

Purpose of this Report

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

Sincerely yours,



JONES & JONES
Certified Public Accountants
of Booneville, PA
Booneville, Mississippi

September 11, 2017

JONES & JONES
CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE, P.A.

Kermit V. Jones Jr., C.P.A. Christopher D. Jones, C.P.A. Jeremy D. Jones, C.P.A. David W. Jones, C.P.A.

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

Honorable Mayor and Board of Alderpersons
City of Batesville, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Batesville, Mississippi, as of and for the year ended September 30, 2016, which collectively comprise the City of Batesville, Mississippi's basic financial statements and have issued our report thereon dated September 11, 2017.

The report on Governmental Activities and Business-Type Activities was qualified because the post employment benefits liability for allowing employees who retire from City service with 25 years and are age 55 being allowed to continue on the City's health insurance group plan upon retirement until eligible for Medicare, has not been determined or accrued, we were unable to form an opinion regarding the post employment benefits liability recorded in the accompanying Statement 1 – Statement of Net Position (Governmental Activities and Business-Type Activities) at September 30, 2016 and the amounts at which the related post employment benefit expenses is recorded in the accompanying Statement 2 – Statement of Activities (Governmental Activities and Business-Type Activities). The amount by which this departure would affect the liabilities, net position, and expenses of the Governmental Activities and Business-Type Activities has not been determined.

The report on Water and Sewer Fund, Gas Fund and Civic Center fund was qualified because the post employment benefits liability for allowing employees who retire from City service with 25 years and are age 55 being allowed to continue on the City's health insurance group plan upon retirement until eligible for Medicare, has not been determined or accrued, we were unable to form an opinion regarding the post employment benefits liability recorded in the accompanying Statement 5 – Proprietary Fund Statement of Net Position at September 30, 2016 (Water and Sewer Fund, Gas Fund, and Civic Center Fund) and the amounts at which the related post employment benefit expenses is recorded in the accompanying Statement 6 – Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position (Water and Sewer Fund, Gas Fund, and Civic Center Fund). The amount by which this departure would affect the liabilities, net position, and expenses of the Water and Sewer Fund, Gas Fund, and Civic Center Fund has not been determined.

Compliance

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 financial statements disclosed material instances of noncompliance with state laws and regulations and which is described in the accompanying schedule of findings and responses as items 2016-008, 2016-009, 2016-010, 2016-011, 2016-013, 2016-014, 2016-015, 2016-016, and 2016-017.

The instances of noncompliance of the prior year have been corrected by management as discussed in the accompanying schedule of results of prior year findings or otherwise included in the above noted findings and responses.

City of Batesville, Mississippi's Response to Findings

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

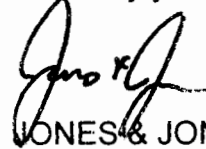
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance with state laws and regulations, and not to express an opinion on the entity's compliance.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the City's management, Board of Alderpersons, 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.

Sincerely yours,



JONES & JONES
Certified Public Accountants
of Booneville, P.A.
Booneville, Mississippi

September 11, 2017

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Material Weaknesses

2016-001. Outsourcing Financial Statements and Related Notes, and Supplementary Information Preparation

Condition: Management outsources financial statements and related notes, and supplementary information preparation.

Criteria: Part of effective internal control over financial reporting is the ability to adequately produce financial statements in accordance with generally accepted accounting principles.

Cause: As is normal for governments of this type and size, the City's staff and management do not have the required technical expertise to meet the above criteria.

Effect: The City must incur the expense of outsourcing the preparation of the financial statements and related notes, and supplementary information.

Recommendation: Due to the size of the City and the cost of hiring additional staff, no change is recommended.

Response: We agree with the finding, but feel the City is best served by continuing to outsource the preparation of the financial statements and related notes, and supplementary information. This is less costly than hiring additional staff to perform these tasks.

2016-002. Utility Collection Allocation

Condition: As the City's utility billing software does not allocate cash collections among the various utility funds, the City utilizes spreadsheets to compute allocations based on billing percentages. However, it was noted that these allocation reports were not always used correctly to make accurate and timely cash transfers among the utility funds. The City has no controls in place to ensure the spreadsheets were computed with correct information.

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

Cause: While the spreadsheets were maintained, the monthly totals were not always computed correctly because the formula cells were not locked and formulas were accidentally changed or wrong balances were used in the spreadsheets. The City followed the procedure of depositing all collections to the Water and Sewer Fund and post all collections to water sales and then used spreadsheets to develop adjusting journal entries to reclassify various revenues from water sales to other funds and revenue accounts. This procedure did not reconcile the spreadsheet allocations to deposits in the bank.

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

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Material Weaknesses - continued

2016-002. Utility Collection Allocation – continued

Recommendation: Since the City is depositing all utility collections into the Water and Sewer Funds, we recommend the City stop posting these collections to water sales and instead post collections to a clearing account. The City should recheck all formulas in their allocation spreadsheet and lock the formulas. The City should make adjusting journal entries and reclassify the Water and Sewer Fund portion of this clearing account to the various Water and Sewer Fund revenue accounts based on the spreadsheet. The City should transfer the other fund's portion of utility collections, based on the spreadsheet, from the Water and Sewer Fund to the other utility funds. The balance remaining in the clearing account should equal these transfers and will zero out once these transfers are posted. If this account does not zero out, the allocation spreadsheet was not computed correctly and the City should immediately investigate the difference.

Response: We have installed your recommended control and it is in place and functioning. The clearing account is zeroing out each month after transfers are made.

2016-003. Segregation of Duties

Condition: The City does not have an adequate segregation of duties among accounting functions.

Criteria: Internal controls should be in place to require a segregation of duties among accounting functions.

Cause: The City does not have enough personnel to have an adequate segregation of duties.

Effect: The City has employees who maintain general ledgers, collect cash, write and/or sign checks. The City has two court clerks who handle court fine billings, receivables and collections. This lack of segregation of duties could result in misappropriation of funds that would not be timely discovered.

Recommendation: The City should have a segregation of duties among accounting functions; however, we recognize the expense of acquiring the additional employees might be prohibitive. The Mayor and Board of Alderpersons should periodically review accounting functions to compensate for a lack of segregation of duties.

Response: We concur with the recommendation.

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Material Weaknesses - continued

2016-004. Various Funds Combined Bank Account

Condition: The City keeps combined monies belonging to various funds in a single bank account. Bank interest and transactions among funds are not being balanced with the amounts allocated to other funds monthly resulting in inaccurate bank balances being shown in the general ledger.

Criteria: Controls should be in place and functioning to maintain each fund's portion of a combined bank account.

Cause: The City was maintaining a spreadsheet that allocated interest, deposits and withdrawals by fund, but was not recording interest by fund monthly or balancing each fund's bank balance to the spreadsheet. In some instances, the general ledger recorded deposits and/or withdrawals as transfers instead of increasing or decreasing the fund's bank account.

Effect: The bank balance belonging to each fund might not report the correct balance.

Recommendation: We recommend the City establish a control to require interest income, by fund, be recorded monthly and all bank deposits and withdraws be reflected as bank account transactions instead of as a transfer among funds.

Response: We have revised our spread sheet to create an adjusting journal entry each month by fund to make the appropriate entries into our general ledger monthly. We are now comparing our manual spread sheet to each fund's recorded bank balance and correcting any discrepancies.

2016-005. Violation of Laws and Regulations

Condition: As discussed in finding numbers 2016-008 and 2016-009, there were violations of State of Mississippi laws and regulations.

Criteria: Controls should be in effect and functioning to detect and prevent violations of State of Mississippi laws and regulations.

Cause: See cause in finding numbers 2016-008 and 2016-009.

Effect: The City did not comply with the requirements for Board of Alderman authorization of transfers among funds and the allocation of taxes among functions based on millage assessments. See additional information in finding numbers 2016-008 and 2016-009.

Recommendation: See recommendation in finding numbers 2016-008 and 2016-009. Controls should be put in place to prevent noncompliance.

Response: We will install procedures to prevent noncompliance.

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CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Significant Deficiencies

2016-006. Violation of Laws and Regulations

Condition: As discussed in finding numbers 2016-010 and 2016-017, there were violations of State of Mississippi and other laws and regulations.

Criteria: Controls should be in effect and functioning to detect and prevent violations of State of Mississippi and other laws and regulations.

Cause: See cause in finding numbers 2016-010 and 2016-017.

Effect: The City did not comply with budget laws and regulations and purchase laws. See additional information in finding numbers 2016-010 and 2016-017.

Recommendation: See recommendation in finding numbers 2016-010 and 2016-017. Controls should be put in place to prevent noncompliance.

Response: We will install procedures to prevent noncompliance.

2016-007. Property Taxes

Condition: The City did not receive a reconciliation of taxes billed to taxes collected and still receivable from Panola County for the year ended September 30, 2016.

Criteria: Internal controls should be in place and functioning to balance taxes billed to taxes collected and taxes receivable.

Cause: The City had been requesting this information from the wrong County department.

Effect: Our comparison of projected collections and receivables was out of balance by \$30,468.

Recommendation: We recommend the City install controls requiring obtaining a print out of property taxes billed for the year and a list of property taxes receivable as of September 30 of each year and reconcile property taxes billed to property taxes collected and receivable.

Response: We have been trying to get this information from the County. We have apparently been requesting it from the wrong department.

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Compliance and Other Matters and Compliance with State Laws and Regulations

2016-008. Transfers Between Funds Not Approved by the Board of Alderpersons

Condition: The City transferred \$200,000 from the Waste Collection Fund to the General Fund that was not approved by the Board of Alderpersons. The City transferred \$1,060,000 from the Tourism Fund to the Civic Center Fund that was not approved by the Board of Alderpersons.

Criteria: State laws require the Board of Alderpersons to authorize transfers among funds. There are laws that must be followed before funds can be transferred from an enterprise funds, such as declaring a surplus exists, and funding reserves.

Cause: The City was not aware of this requirement.

Effect: The City made transfers that were not authorized by the Board of Alderpersons.

Recommendation: We recommend all transfers be approved by the Board of Alderpersons and state laws be followed for any transfers from enterprise funds.

Response: We will get Board of Alderpersons approval for all future transfers.

2016-009. City Assessed Ad-Valorem Taxes Not Allocated to Proper Category

Condition: The library portion of the ad-valorem taxes collected during the year ended September 30, 2016 totaled \$581,385, while the budget basis expenditures totaled only \$265,734. The difference of \$315,651 has been accounted for as unrestricted cash instead of being restricted to library operations. The City was also not allocating the homestead exemption reimbursement collected based on millage. It was all being accounted for as General Fund unrestricted cash. The portion of the homestead exemption reimbursement allocated to the library operations and the Civic Center Fund should have been \$21,154 and \$9,079 respectively. The error of not restricting library operating cash has been occurring since the year ended September 30, 2012. The unspent library taxes collected netted to \$321,309 for the year ended September 30, 2015, \$330,200 for the year ended September 30, 2014, \$468,778 for the year ended September 30, 2013, and \$95,889 for the year ended September 30, 2012. The cumulative unspent library taxes totaled \$1,552,981 at September 30, 2016.

Criteria: State law requires that ad-valorem tax collections be used for the specific purpose it was assessed.

Cause: Several years ago, the City assessed taxes for library debt and library operations. When the library debt was paid off, the millage assessed for library debt was added to library operations without considering the ad-valorem taxes far exceeded the library operations.

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Compliance and Other Matters and Compliance with State Laws and Regulations - continued

2016-009. City Assessed Ad-Valorem Taxes Not Allocated to Proper Category - continued

Effect: The City has been using monies assessed for library operations for other General Fund activities. These funds could be required to be reimbursed by the General Fund.

Recommendation: No additional recommendations since the City now restricts library operations cash and presents a restricted library operations fund balance of \$1,552,981.

Response: Our September 30, 2016 financial statements now restrict library operations cash and present a restricted library operations fund balance of \$1,552,981.

2016-010. City Payroll Overtime and Retirement Eligibility

Condition: The City is paying overtime rates of time and one half city-wide if holiday pay creates hours in excess of the number of hours established by the federal labor standards. The City firemen are also paid overtime rates at time and one half if vacation or sick leave creates hours in excess of the number of hours established by federal labor standard. The City is admitting all new employees, except volunteer firefighters, to the Public Employee Retirement System even though they do not meet the minimum eligibility requirements.

Criteria: State law does not allow overtime to be paid when not required by state law. According to the Mississippi Attorney General overtime paid not allowed by state law are not allowable pension wages either.

Cause: The City was not aware of the state law pertaining to not allowing payroll payments made in excess of federal law requirements.

Effect: The City has paid overtime when not required by federal law. The City could be required to request reimbursement for these overpaid wages.

Recommendation: We recommend that overtime be paid only when required by federal law.

Response: We are now paying overtime only when required by federal labor standards.

2016-011. Firemen Swap Time

Condition: The City firemen occasionally swap time with another fireman without the City having a formal policy establishing under what circumstances this can be done.

Criteria: State law allows swap time only if the Board of Alderperson have established a formal policy establishing under what circumstances this can be done.

RECEIVED

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Compliance and Other Matters and Compliance with State Laws and Regulations - continued

2016-011. Firemen Swap Time - continued

Cause: The firemen were just swapping time and keeping up with it among themselves.

Effect: The City is not in compliance with state laws pertaining to swap time. One fireman could work for another and never get reimbursed.

Recommendation: We recommend the City either stop swap time or establish a formal swap time policy approved by the Board of Alderpersons.

Response: We will consult with our attorney and the fire chief and decide what is needed pertaining to swap time.

2016-012. Federal I-9 Forms (Employment Eligibility Verification)

Condition: Federal I-9 forms are not being properly filled out. The City is listing only one document from column B or column C instead of one document from both column B and column C.

Criteria: The instructions for Form I-9 state the employer must see a form of identification from column A or one document from each of column B and column C.

Cause: The City had misread the form's requirements.

Effect: The City could be required to pay a penalty of \$1,000 per occurrence for an improperly completed I-9 form. The City could also have an ineligible worker.

Recommendation: We recommend the City review all I-9 forms and obtain any missing documents to verify employment eligibility.

Response: We have reviewed all of our I-9 forms and have obtained missing information when required.

2016-013. Utility Department On Call Time

Condition: The City pays certain employees for being on call in the utility department.

Criteria: Federal labor standards state that on call time is not compensable unless the employee is so restricted that he cannot do anything personally. Mississippi does not allow any payroll item unless required to be paid by federal law. The employee is required to be reimbursed for all time actually worked.

Cause: The City was not aware of this part of the federal labor standards.

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Compliance and Other Matters and Compliance with State Laws and Regulations - continued

2016-013. Utility Department On Call Time - continued

Effect: The City is paying on call time not allowed to be paid by state law. Reimbursement could be required.

Recommendation: We recommend the City stop paying on time call when the employee is not working.

Response: We will consult with our attorney and follow his recommendations.

2016-014. Water Rates

Condition: The City is billing water users outside the city limits a monthly \$7.13 minimum bill for the first 2,000 gallons and \$4.94 per each additional 1,000 gallons. The approved water rate was \$7.42 minimum bill for first 2,000 gallons and \$5.14 per each additional 1,000 gallons.

Criteria: The November 11, 2011 Board of Alderperson minutes established a minimum bill of \$7.42 for the first 2,000 gallons of water used and \$5.14 per additional 1,000 gallons used.

Cause: The amounts entered into the utility billing system were incorrect for those outside of the city limits.

Effect: The water users outside the city limits have been undercharged 20 cents per month on their minimum bill and 20 cents per additional 1,000 gallons of water used.

Recommendation: We recommend the city charge its customers outside the city limits the water rates approved by the Board of Alderpersons. If it is determined that the City has been undercharging these customers, the City should determine the amount undercharged and bill each user. The City needs to consider that any rate changes to customers over one mile from the city limits must be approved by the Mississippi Public Service Commission.

Response: We will consult with our attorney and follow his recommendations.

2016-015. Budget

Condition: Expenditures exceeded the budget in various categories.

Criteria: Section 21-35-185, Miss. Code Ann (1972) states expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlays, election expenses and payment of emergency warrants. Sections 21-35-5 and 21-35-9, Miss. Code Ann. (1972) provide for Special Revenue Funds.

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENT - CONTINUED

Compliance and Other Matters and Compliance with State Laws and Regulations - continued

2016-015. Budget - continued

Effect: The City's expenditures exceeded its budget estimates in the following categories:

General Fund – city court – personnel services	\$ 987
General Fund – public safety – fire – other services and charges	123,060
General Fund – code – personnel services	8,005
Tourism Fund – other services and charge	4,165
Tourism Fund – transfers out	160,000
TIF Reserve Fund – debt service	811
Civic Center – personnel services	46,124
Water and Sewer Fund – sewer personnel services	16,615
Water and Sewer Fund – WWTP personnel services	17,303

Cause: The general ledger is maintained on the cash receipts and disbursements basis for comparison to budgets. Expenditures for September that are paid within 30 days of year end are chargeable to the budget and have to be estimated.

Recommendation: We recommend the City take greater care in reviewing the budget vs actual comparison and amend the budget as circumstances require.

Response: We concur, and will take greater care in our budget amendment procedures.

2016-016. Purchase Law Violations

Condition: The City did not always obtain the required two quotes or advertised bids for all procurements.

Criteria: Section 31-7-13(b) and (c) of the Mississippi Code requires the City to obtain advertised bids when the purchase order exceeds \$50,000 and quotes when the purchase order exceeds \$5,000 but less than \$50,000.

Cause: The City felt they did not have time to advertise and used a contractor that was already on the job site.

Effect: The City did not obtain the required advertised bid for a \$63,530 contract for trenching and backfilling for installation of conduit and utility boxes.

Recommendation: We recommend the City instruct all City employees of the purchase law requirements and abide by these requirements.

Response: We concur with the recommendation.

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CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENT - CONTINUED

COMPLIANCE AND OTHER MATTERS AND COMPLIANCE WITH STATE LAWS AND REGULATIONS

2015-017. Mississippi Department of Transportation Contract for Gas Line Relocation

Condition: One of the City's cash requests was overpaid by \$14,336 and one was underpaid by \$30,000. The City also had legal fees and engineering fees that have been paid but no pay requests have been filed.

Criteria: The City entered into a contract with Mississippi Department of Transportation (MDOT) to relocate certain City gas lines due to MDOT highway expansions. This contract requires MDOT to reimburse the City 100% of the cost of the gas line relocation.

Effect: Pay request number 7 in the amount of \$14,336 was also included in pay request number 7A, resulting in the City being over reimbursed by \$14,336. Pay request number 9 billed \$46,760 when the actual billing should have been \$76,620. Pay request number 9 was under reimbursed by \$30,000. No pay requests had been made to MDOT for engineering work performed in August 2015, October 2015, January 2016, June 2016, July 2016, August 2016 and September 2016. No pay requests to MDOT have been made for legal work performed during the months of March 2016 through September 2016.

Cause: Pay request number 7A billed the items that had already been billed on pay request number 7. Pay request number 9 was a typo that was not caught. The engineering fees and legal fees were overlooked.

Recommendation: We recommend the City have its engineers notify MDOT of the double payment that occurred on pay request number 7A and the error in billing on pay request number 9. The City's engineer should bill MDOT for the legal and engineering work for the periods indicated above.

Response: We concur with the recommendation.

CITY OF BATESVILLE, MISSISSIPPI
Results of Prior Year Findings
For the fiscal year ended September 30, 2016

Financial Statement Findings

Finding Number	Finding Title	Status
2015-001	Financial Statements and Related Disclosures (original finding 2015-001)	Repeated - see current year finding 2016-001
2015-002	Utility Collection Allocation (original finding 2015-002)	Repeated - see current year finding 2016-002
2015-003	Utility Customer Deposits (original finding 2015-003)	Corrected by having the software provider provide a breakdown of customer deposits by fund
2014-005	Budgets (original finding 2014-005)	Repeated - see current year finding 2016-015

Federal Award Findings and Questioned Costs

Finding Number	Finding Title	Status
	There were no prior year federal award findings and questioned costs.	