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BATESVILLE

Bringing Progress to North Mississippi

Jerry Autrey, Mayor
Susan S. Berryhill, CMC, City Clerk
Richard T. Phillips, City Attorney

September 19, 2018

Office of State Auditor
P.O. Box 956
Jackson, Mississippi 39205-0956

RE: City of Batesville - 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, 2017. 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.

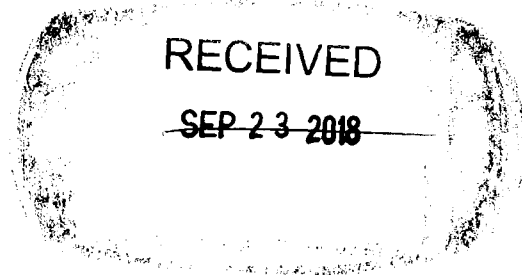
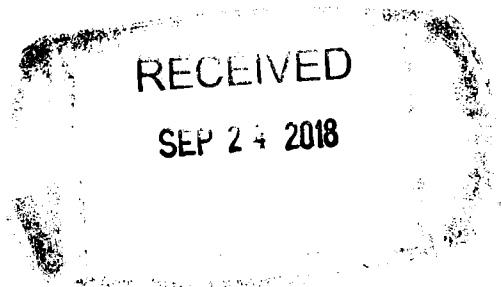
Sincerely,

CITY OF BATESVILLE

Jerry Autrey
Mayor

/ssb

Enclosure



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

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

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Mayor and Board of Alderpersons
City of Batesville, Mississippi

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Batesville, Mississippi as of and for the year ended September 30, 2017, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. 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

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

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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
2. Indications of gambling
3. Indications of drug use or excessive use of alcohol
4. Indications of financial distress

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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.

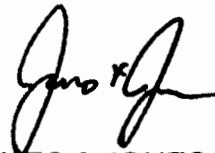
Obtain reasonable fidelity bond coverage – If the unthinkable occurs, insurance coverage is the most likely means of recovery of amounts misappropriated. The amount of coverage should be reviewed periodically for adequacy.

Separate reports dated September 6, 2018, contain our communication of significant deficiencies or material weaknesses in the City's internal control. This letter does not affect our report dated September 6, 2018, 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,



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

September 6, 2018

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CITY OF BATESVILLE, MISSISSIPPI**Basic Financial Statements****Table of Contents****September 30, 2017**

Description	Page
Independent Auditors' Report	1 - 4
Required Supplementary Information	
Management's Discussion and Analysis	5 - 18
Schedule 1 - Schedule of City's Proportionate Share of the Net Pension Liability	77
Schedule 2 - Schedule of City's Contributions to Public Employee Retirement System of Mississippi	78
Schedule 3 - Budgetary Comparison Schedule - General Fund	79 - 83
Schedule 4 - Budgetary Comparison Schedule - Major Funds - Tourism Fund	84
Notes to Required Supplementary Information	85 - 87
Basic Financial Statements	
Government-Wide Financial Statements	
Statement 1 - Statement of Net Position	19 - 20
Statement 2 - Statement of Activities	21
Fund Financial Statements	
Statement 3 - Governmental Funds - Balance Sheet and Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Position	22 - 23
Statement 4 - Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances and Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Governmental Activities in the Statement of Activities	24 - 26
Statement 5 - Proprietary Fund - Statement of Net Position	27 - 28
Statement 6 - Proprietary Fund - Statement of Revenues, Expenses, and Changes in Fund Net Position	29
Statement 7 - Proprietary Fund - Statement of Cash Flows	30 - 32
Notes to Financial Statements	33 - 76

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CITY OF BATESVILLE, MISSISSIPPI
Basic Financial Statements
Table of Contents
September 30, 2017

Description	Page
Other Supplementary Information	
Schedule 5 - Nonmajor Governmental Funds - Combining Balance Sheets	88
Schedule 6 - Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	89
Schedule 7 - Schedule of Surety Bonds for Municipal Officials and Employees	90
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	91 - 93
Report on Compliance with State Laws and Regulations	94 - 95
Schedule of Findings and Responses	96 - 105
Results of Prior Audit Findings	106 - 107

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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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, 2017 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, 2017 (Water and Sewer Fund, Gas Fund, and Civic Center Fund) and the amounts at which the related post employment benefit expense 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18, Schedule of City's proportionate share of the net pension liability (Schedule 1) on page 77, Schedule of City's contribution to Public Employee Retirement System of Mississippi (Schedule 2) on page 78, and budgetary comparison information (Schedules 3 and 4) on pages 79 through 84, and Notes to required supplementary information on pages 85 through 87 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.

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 6, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Batesville, Mississippi's 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,

A handwritten signature in black ink, appearing to read "Jones & Jones", written over a horizontal line.

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

September 6, 2018

CITY OF BATESVILLE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2017

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, 2017. 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 \$38,498,510 (net position).

The government's total net position decreased by \$1,654,763 during the current fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,077,992, a decrease of \$1,886,747 during the current fiscal year. The City reported an unassigned fund balance of \$749,075.

At the end of the current fiscal year, unassigned fund balance for the general fund had a balance of \$749,075 or 6.0 percent of total general fund expenditures.

The City had fixed asset net additions of \$3,145,377 during the current year. Of this amount \$2,422,391 occurred in the governmental activities and \$722,986 occurred in the business-type activities.

The City's total debt decreased by \$855,909 during the current fiscal year. This change resulted from new debt issued of \$0 and debt repayments net of amortization of \$855,909.

During the current fiscal year, the City's operating grants and contributions increased \$9,488 (14.58 percent) mainly due to the increase in police and fire grants; capital grants and contributions decreased \$909 (0.16 percent) mainly due to certain grants completing and the new grant for the watershed project; property taxes increased \$23,925 (0.71 percent) mainly due to an increase in property assessed valuation; charges for services decreased \$2,293,210 (24.06 percent) mainly due to relocation charges paid by Mississippi Department of Transportation for the relocation of natural gas lines for them in 2016; and total expenses decreased \$1,449,879 (6.73 percent) mainly due to the costs associated with relocating certain natural gas lines for Mississippi Department of Transportation in 2016 and increased cost in public safety, streets, and civic center.

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.

Overview of the Financial Statements – continued

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 79 – 84 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 – 76 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 77 – 90 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 88 – 89 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 \$38,498,510 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (approximately 92.0 percent or \$35,423,875) 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 14.0 percent or \$5,399,820) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position deficit is approximately 6.0 percent or \$2,325,185.

At the end of the current fiscal year, the City reported an unrestricted deficit net position in governmental activities of \$10,863,348 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 \$1,654,763 during the current fiscal year. This increase was mainly due to the decrease in net position from the governmental activities of \$2,333,152 and the increase in business-type activities of \$678,389 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.

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Government-wide Financial Analysis - continued

City of Batesville, Mississippi's Net position

	Governmental Activities				Business-Type Activities				Total			
	2017	2016	Increase (Decrease)	% Change	2017	2016	Increase (Decrease)	% Change	2017	2016	Increase (Decrease)	% Change
Current and other assets	\$ 11,562,680	\$ 13,533,178	\$ (1,970,498)	-14.6%	\$ 13,400,585	\$ 12,745,406	\$ 655,179	5.1%	\$ 24,963,265	\$ 26,278,584	\$ (1,315,319)	-5.0%
Capital assets	15,945,698	15,110,789	834,909	5.5%	23,422,467	23,923,157	(500,690)	-2.1%	39,368,165	39,033,946	334,219	0.9%
Total assets	27,508,378	28,643,967	(1,135,589)	-4.0%	36,823,052	36,668,563	154,489	0.4%	64,331,430	65,312,530	(981,100)	-1.5%
Deferred outflows of resources	1,797,645	2,838,433	(1,040,788)	-36.7%	500,855	851,142	(350,287)	-41.2%	2,298,500	3,689,575	(1,391,075)	-37.7%
Long-term liabilities outstanding	13,806,389	13,929,199	(122,810)	-0.9%	7,858,979	8,476,917	(617,938)	-7.3%	21,665,368	22,406,116	(740,748)	-3.3%
Other liabilities	903,456	1,138,013	(234,557)	-20.6%	1,022,867	1,341,719	(318,852)	-23.8%	1,926,323	2,479,732	(553,409)	-22.3%
Total liabilities	14,709,845	15,067,212	(357,367)	-2.4%	8,881,846	9,818,636	(936,790)	-9.5%	23,591,691	24,885,848	(1,294,157)	-5.2%
Deferred inflows of resources	4,147,433	3,633,291	514,142	14.2%	392,296	329,693	62,603	19.0%	4,539,729	3,962,984	576,745	14.6%
Net position												
Net investment in capital assets	15,912,273	14,813,660	1,098,613	7.4%	19,511,602	19,420,086	91,516	0.5%	35,423,875	34,233,746	1,190,129	3.5%
Restricted	5,399,820	4,881,918	517,902	10.6%	-	-	-	0.0%	5,399,820	4,881,918	517,902	10.6%
Unrestricted	(10,863,348)	(6,913,681)	(3,949,667)	57.1%	8,538,163	7,951,290	586,873	7.4%	(2,325,185)	1,037,609	(3,362,794)	-324.1%
Total Net Position	\$ 10,448,745	\$ 12,781,897	\$ (2,333,152)	-18.3%	\$ 28,049,765	\$ 27,371,376	\$ 678,389	2.5%	\$ 38,498,510	\$ 40,153,273	\$ (1,654,763)	-4.1%

City of Batesville, Mississippi's Changes in Net position

	Governmental Activities				Business-Type Activities				Total			
	2017	2016	Increase (Decrease)	% Change	2017	2016	Increase (Decrease)	% Change	2017	2016	Increase (Decrease)	% Change
Revenue												
Program Revenues												
Charges for services	\$ 590,764	\$ 528,993	\$ 61,771	11.7%	\$ 6,647,444	\$ 9,002,425	\$ (2,354,981)	-26.2%	\$ 7,238,208	\$ 9,531,418	\$ (2,293,210)	-24.1%
Operating grants and contributions	74,579	65,091	9,488	14.6%	-	-	-	0.0%	74,579	65,091	9,488	14.6%
Capital grants and contributions	566,726	383,827	182,899	47.7%	-	183,808	(183,808)	-100.0%	566,726	567,635	(909)	-0.2%
General Revenues												
Taxes												
Property taxes and late fees	3,137,329	3,115,123	22,206	0.7%	240,102	238,383	1,719	0.7%	3,377,431	3,353,506	23,925	0.7%
Road and bridge taxes	389,837	389,644	193	0.0%	-	-	-	0.0%	389,837	389,644	193	0.0%
Sales tax and tourism tax	5,799,566	5,768,335	31,231	0.5%	-	-	-	0.0%	5,799,566	5,768,335	31,231	0.5%
Franchise tax	318,836	318,825	11	0.0%	-	-	-	0.0%	318,836	318,825	11	0.0%
In lieu taxes	332,548	365,037	(32,489)	-8.9%	-	-	-	0.0%	332,548	365,037	(32,489)	-8.9%
Other taxes and state shared revenues	199,244	216,342	(17,098)	-7.9%	8,745	4,898	3,847	78.5%	207,989	221,240	(13,251)	-6.0%
Investment income	47,070	75,304	(28,234)	-37.5%	40,787	41,053	(266)	-0.6%	87,857	116,357	(28,500)	-24.5%
Unrestricted grants and contributions	2,243	3,500	(1,257)	-35.9%	-	-	-	0.0%	2,243	3,500	(1,257)	-35.9%
Other	60,086	31,789	28,297	89.0%	-	-	-	0.0%	60,086	31,789	28,297	89.0%
Total revenue	\$ 11,518,828	\$ 11,261,810	\$ 257,018	2.3%	\$ 6,937,078	\$ 9,470,567	\$ (2,533,489)	-26.8%	\$ 18,455,906	\$ 20,732,377	\$ (2,276,471)	-11.0%

Government-wide Financial Analysis - continued

City of Batesville, Mississippi's Changes in Net position

	Governmental Activities				Business-Type Activities				Total			
	2017	2016	Increase (Decrease)	% Change	2017	2016	Increase (Decrease)	% Change	2017	2016	Increase (Decrease)	% Change
Expenses:												
General government	\$ 1,128,912	\$ 1,143,208	\$ (14,296)	-1.3%	\$ -	\$ -	\$ -	0.0%	\$ 1,128,912	\$ 1,143,208	\$ (14,296)	-1.3%
Public safety	7,110,096	6,842,908	267,188	3.9%	-	-	-	0.0%	7,110,096	6,842,908	267,188	3.9%
Streets	2,897,744	2,544,669	353,075	13.9%	-	-	-	0.0%	2,897,744	2,544,669	353,075	13.9%
Other	1,917,032	1,864,322	52,710	2.8%	-	-	-	0.0%	1,917,032	1,864,322	52,710	2.8%
Interest	13,941	30,865	(16,924)	-54.8%	-	-	-	0.0%	13,941	30,865	(16,924)	-54.8%
Water and Sewer	-	-	-	0.0%	3,416,257	3,312,772	103,485	3.1%	3,416,257	3,312,772	103,485	3.1%
Natural Gas	-	-	-	0.0%	2,335,272	4,447,384	(2,112,112)	-47.5%	2,335,272	4,447,384	(2,112,112)	-47.5%
Civic Center	-	-	-	0.0%	957,586	1,066,853	(109,267)	-10.2%	957,586	1,066,853	(109,267)	-10.2%
Sanitation	-	-	-	0.0%	309,955	283,693	26,262	9.3%	309,955	283,693	26,262	9.3%
Total expenses	13,067,725	12,425,972	641,753	5.2%	7,019,070	9,110,702	(2,091,632)	-23.0%	20,086,795	21,536,674	(1,449,879)	-6.7%
Increase (decrease) in net assets before contributions and transfers	(1,548,897)	(1,164,162)	(384,735)	33.0%	(81,992)	359,865	(441,857)	-122.8%	(1,630,889)	(804,297)	(826,592)	102.8%
Gain (loss) on disposition of capital assets	(24,255)	31,176	(55,431)	-177.8%	381	1,000	(619)	-61.9%	(23,874)	32,176	(56,050)	-174.2%
Transfers	(760,000)	(860,000)	100,000	-11.6%	760,000	860,000	(100,000)	-11.6%	-	-	-	0.0%
Increase (decrease) in net position	(2,333,152)	(1,992,986)	(340,166)	0.0%	678,389	1,220,865	(542,476)	-44.4%	(1,654,763)	(772,121)	(882,642)	114.3%
Net position--beginning of year	12,781,897	14,630,993	(1,849,096)	-12.6%	27,371,376	25,759,813	1,611,563	6.3%	40,153,273	40,390,806	(237,533)	-0.6%
Rounding	-	-	-	0.0%	-	(1)	1	-100.0%	-	(1)	1	-100.0%
Prior period adjustment	-	143,890	(143,890)	-100.0%	-	390,699	(390,699)	-100.0%	-	534,589	(534,589)	-100.0%
Net position--end of year	\$10,448,745	\$12,781,897	\$(2,333,152)	-18.3%	\$ 28,049,765	\$ 27,371,376	\$ 678,389	2.5%	\$38,498,510	\$ 40,153,273	\$(1,654,763)	-4.1%

Governmental activities

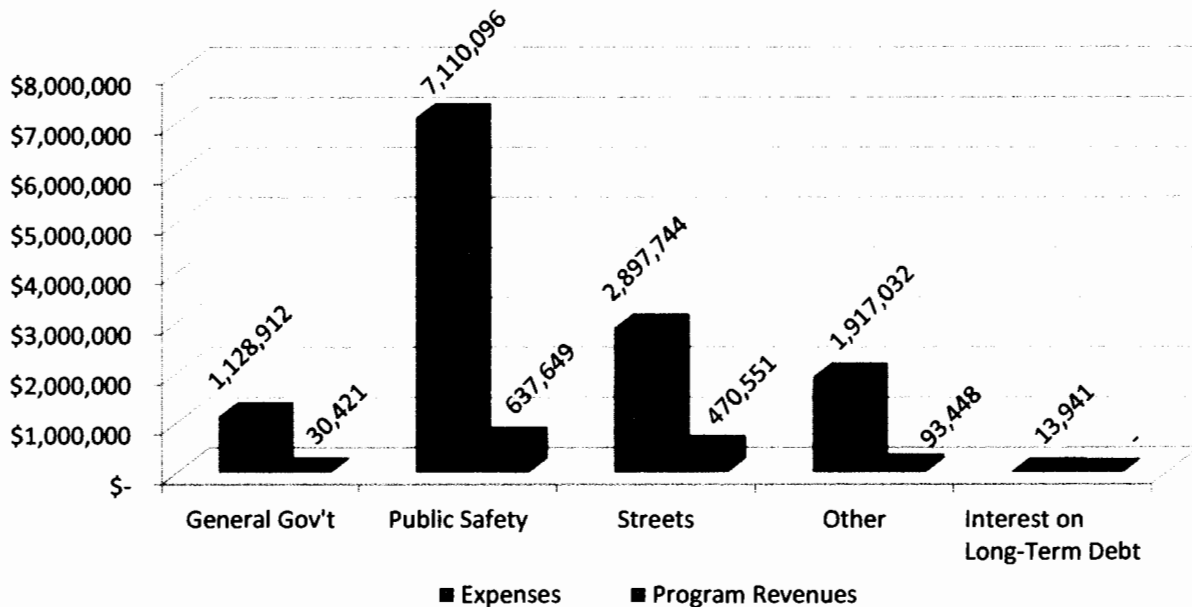
Governmental activities, including transfers, decreased the City's net position by \$2,333,152 during the current year. By comparison, governmental activities including transfers and prior period adjustments reported a decrease in net position from the previous fiscal year of approximately \$1,849,096. Key elements of the changes are detailed above.

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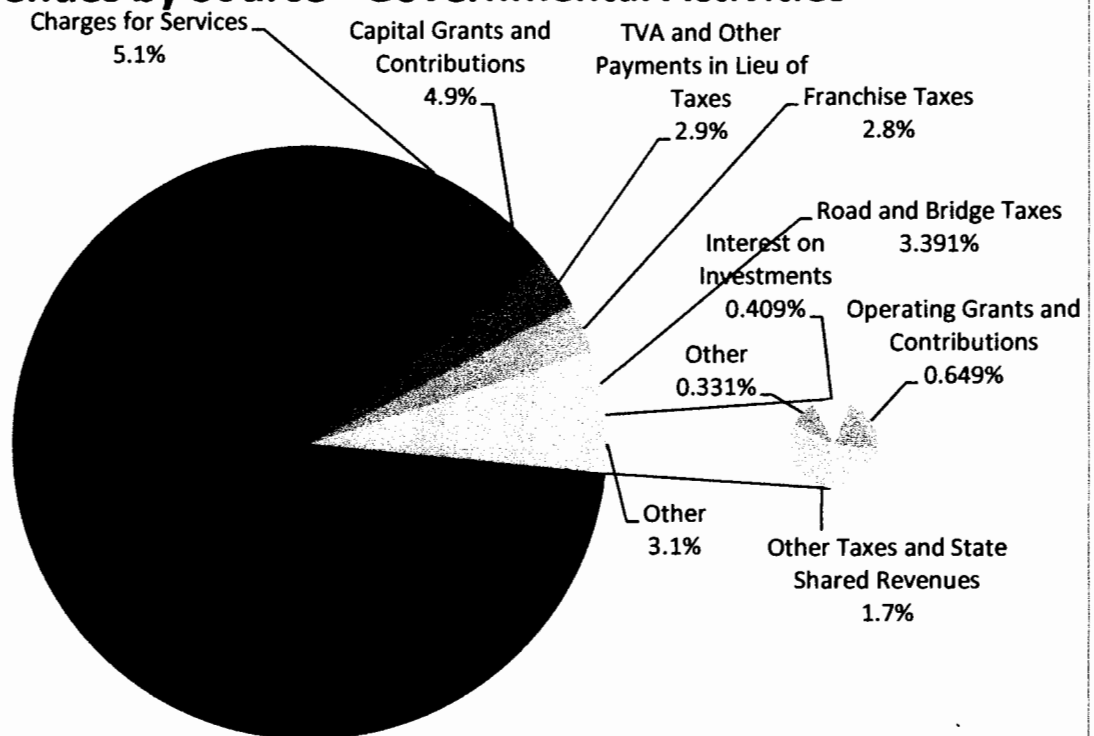
Government-wide Financial Analysis - continued

Governmental activities - continued

Expense and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

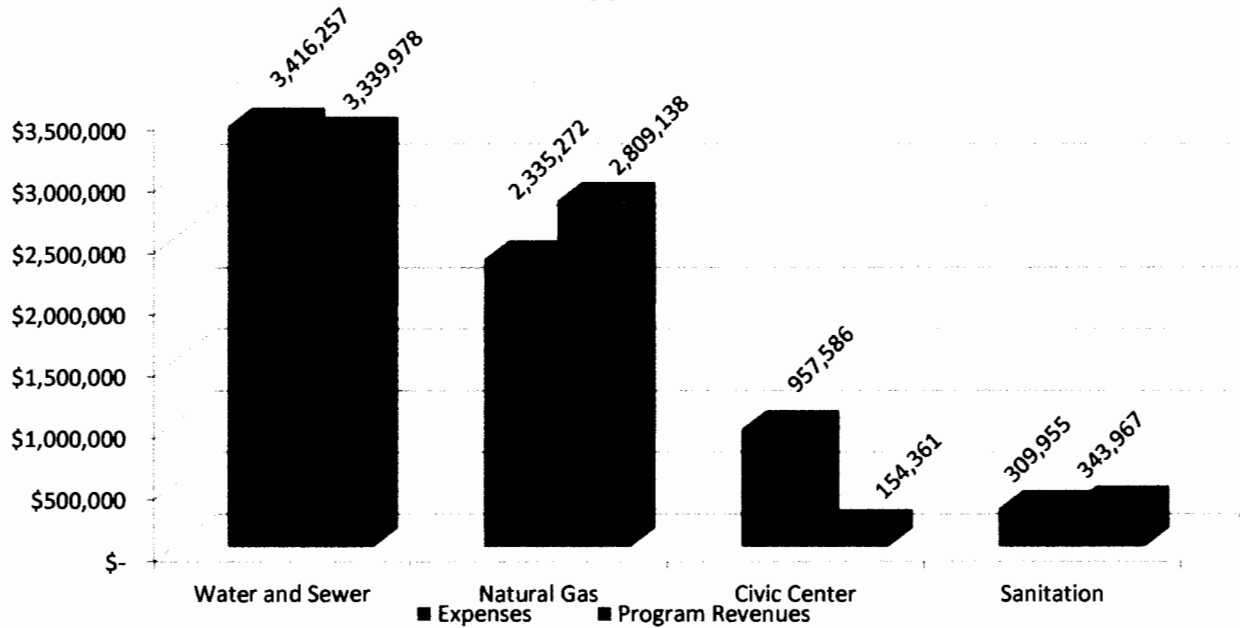


Government-wide Financial Analysis - continued

Business-type activities

Business-type activities reported an increase in the City's net position by \$678,389 during the current year. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$1,220,865. Key elements of this increase are detailed on previous pages.

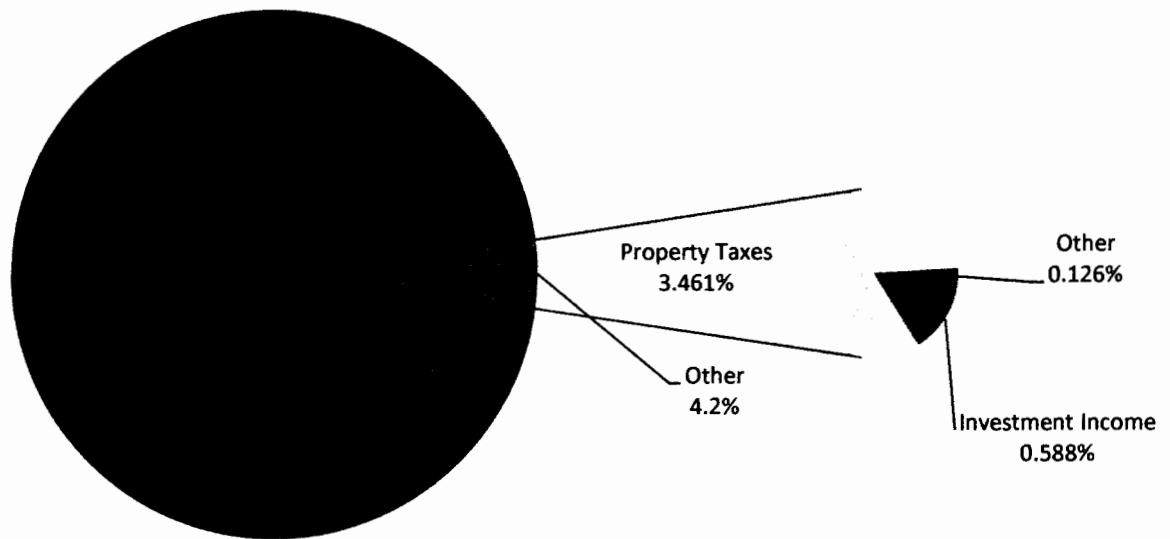
Expense and Program Revenues - Business-Type Activities



Government-wide Financial Analysis - continued

Business-type activities - continued

Revenues by Source - Business-Type Activities



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 \$6,077,992, a decrease of \$1,886,747 compared to the prior year. The City reported a balance of \$749,075 in unassigned fund balance.

The remainder of fund balance \$5,328,917 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.

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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 in the general fund was \$749,075, while total fund balance was \$2,655,092. 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 6.0 percent of total general fund expenditures.

The fund balance of the City's general fund decreased by \$2,275,984 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 \$1,356,038, \$6,819,841, \$300,203, and \$62,081, respectively. The water and sewer fund had a decrease in net position for the year of \$263,750, the gas fund had an increase in net position for the year of \$502,057, the civic center fund had an increase in net position for the year of \$406,068, and the waste collection fund had an increase in net position for the year of \$34,012.

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: Expenditures - general government - personnel services \$48,906, general government - other services and charges \$(48,906), City Court - personnel services \$20,930, City Court - other services and charges \$(20,930), public safety - police - personnel services \$611,273, public safety - police - other services and charges \$(611,273), public safety - fire - personnel services \$359,521, public safety - fire - other services and charges \$(275,663), public safety - fire - capital outlay \$(83,858), street - personnel services \$126,122, street - capital outlay \$(126,122), public health and sanitation - personnel services \$57,716, public health and sanitation - other services and charges \$(57,716), library - personnel services \$24,399, library - other services and charges \$(24,399), park and recreation - personnel services \$(81,716), park and recreation - capital outlay \$(81,716), code - personnel services \$36,587, code - capital outlay \$(36,587).

During the year, general fund revenues were less 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 \$674,933.

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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, 2017, amounted to \$39,368,165 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, infrastructure, 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 0.9 percent (an approximate 5.5 percent increase for governmental activities and an approximate 2.1 percent decrease for business-type activities).

Major capital asset additions are as follows:

Court automotive, furniture and equipment	\$	5,824
Code automotive, furniture and equipment		2,284
Fire automotive, furniture and equipment		170,237
Fire buildings and improvements		15,097
Library building and improvements		15,000
Park and recreation equipment		2,921
Park and recreation building and improvements		181,856
Police automotive, furniture and equipment		182,083
Public health and sanitation buildings and land		35,000
Street automotive, furniture and equipment		72,773
Street buildings and improvements		100,849
Street paving and overlays		633,884
Water shed		569,019
Supervision and finance automotive, furniture and equipment		33,376
Construction in progress Indian Mounds renovation		402,188
Gas automotive, furniture and equipment		58,225
Gas distribution system		9,443
Water and sewer automotive, furniture and equipment		166,788
Water and sewer distribution system		72,785
Water and sewer construction in progress		403,973
Civic center automotive, furniture and equipment		11,772

City of Batesville, Mississippi's Capital Assets - Net

	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,834,606	\$ 438,500	\$ 2,273,106
Construction in progress	445,509	403,973	849,482
Infrastructure	9,051,717	-	9,051,717
Building and improvements	3,198,522	7,288,654	10,487,176
Natural gas system	-	1,338,099	1,338,099
Water and sewer system	-	13,340,063	13,340,063
Automotive, equipment and furnishings	1,415,344	613,178	2,028,522
Total	\$ 15,945,698	\$ 23,422,467	\$ 39,368,165

Capital Asset and Debt Administration - continued

Capital assets - continued

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 below.

Long-term debt

At the end of the current fiscal year, the City had total debt outstanding of \$3,944,290. Of this amount, \$2,585,000 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	\$ -	\$ 2,585,000	\$ 2,585,000
Notes and other loans payable	33,425	-	33,425
Revenue bonds	-	1,325,865	1,325,865
Total	\$ 33,425	\$ 3,910,865	\$ 3,944,290

The City's total debt decreased by \$855,910 (approximately 17.8 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 \$15,394,224. Additional information on the City's long-term debt can be found in Note H on pages 64 - 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 2018 fiscal year:

The City tax millage rate was 28.05 for the current year compared to 30.25 for the subsequent year.

Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, there was an unassigned fund balance in the general fund of \$749,075.

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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,573,682	\$ 10,968,789	\$ 13,542,471
Restricted cash and cash equivalents	2,884,599	440,460	3,325,059
Receivables (Net, where applicable, of allowances for uncollectibles)			
Property taxes (net of allowances of \$29,874)	3,964,024	243,566	4,207,590
Police fines (net of allowances of \$1,280,510)	259,854	-	259,854
Accounts (net of allowances of \$329,837)	-	667,580	667,580
Franchise fees (net of allowances of \$0)	105,664	-	105,664
Accrued interest (net of allowances of \$0)	1,146	-	1,146
Leases and loans receivable (net of allowances of \$490,949)	483,997	-	483,997
Prepaid items	183,862	59,294	243,156
Inventory	-	350,035	350,035
Due from other governments	1,586,937	189,776	1,776,713
Due (to) from other funds	(481,085)	481,085	-
Land and construction in progress	2,280,115	842,473	3,122,588
Other capital assets (net of accumulated depreciation)	13,665,583	22,579,994	36,245,577
Total Assets	27,508,378	36,823,052	64,331,430
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows pertaining to pensions	1,797,645	500,855	2,298,500
Total Deferred Outflows of Resources	1,797,645	500,855	2,298,500

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

CITY OF BATESVILLE, MISSISSIPPI
Statement of Net Position
September 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Accounts payable - operations	\$ 456,018	\$ 294,367	\$ 750,385
Accounts payable - capital assets	64,933	203,714	268,647
Accrued interest	225	21,639	21,864
Accrued liabilities	346,782	62,688	409,470
Customer deposits	-	440,459	440,459
Liabilities payable from restricted assets:			
Accounts payable - operations	20,670	-	20,670
Builders compliance bonds and seized funds held	14,828	-	14,828
Long-term debt and capital leases			
Bonds and notes payable due within one year	33,425	611,902	645,327
Compensated absence due within one year	33,617	156	33,773
Net pension liability due in more than one year	13,377,576	3,807,855	17,185,431
Bonds and notes payable due in more than one year	-	3,298,963	3,298,963
Compensated absense due in more than one year	361,771	140,103	501,874
 Total Liabilities	 <u>14,709,845</u>	 <u>8,881,846</u>	 <u>23,591,691</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred inflows pertaining to pensions	292,166	131,774	423,940
Deferred inflows pertaining to unavailable revenue	3,855,267	260,522	4,115,789
 Total Deferred Inflows of Resources	 <u>4,147,433</u>	 <u>392,296</u>	 <u>4,539,729</u>
 NET POSITION			
Net investment in capital assets	15,912,273	19,511,602	35,423,875
Restricted for:			
Debt service - expendable	136,068	-	136,068
Library operations - expendable	1,872,126	-	1,872,126
Economic Development	1,751,994	-	1,751,994
Other -- expendable	175,651	-	175,651
Tourism Development - expendable	1,404,520	-	1,404,520
Unemployment	59,461	-	59,461
Unrestricted (deficit)	(10,863,348)	8,538,163	(2,325,185)
 TOTAL NET POSITION	 <u>\$ 10,448,745</u>	 <u>\$ 28,049,765</u>	 <u>\$ 38,498,510</u>

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

CITY OF BATESVILLE, MISSISSIPPI
Statement of Activities
For the fiscal year ended September 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
General government	\$ 1,128,912	\$ 18,064	\$ 12,357	\$ -	\$ (1,098,491)	\$ -	\$ (1,098,491)
City Court	279,645	1,626	-	-	(278,019)	-	(278,019)
Police	4,643,134	482,596	18,713	1,541	(4,140,284)	-	(4,140,284)
Fire	2,466,962	8,337	43,509	82,953	(2,332,163)	-	(2,332,163)
Streets	2,897,744	-	-	470,551	(2,427,193)	-	(2,427,193)
Public Health and Sanitation	453,233	10,203	-	-	(443,030)	-	(443,030)
Library	310,713	364	-	-	(310,349)	-	(310,349)
Parks and recreation	440,213	15,512	-	-	(424,701)	-	(424,701)
Code	401,953	54,062	-	11,681	(336,210)	-	(336,210)
Economic development	31,275	-	-	-	(31,275)	-	(31,275)
Interest on long term debt	13,941	-	-	-	(13,941)	-	(13,941)
Total Governmental Activities	13,067,725	590,764	74,579	566,726	(11,835,656)	-	(11,835,656)
Business-Type Activities:							
Water	1,266,894	1,956,258	-	-	-	689,364	689,364
Sewer	2,149,363	1,383,720	-	-	-	(765,643)	(765,643)
Gas	2,335,272	2,809,138	-	-	-	473,866	473,866
Civic Center	957,586	154,361	-	-	-	(803,225)	(803,225)
Sanitation	309,955	343,967	-	-	-	34,012	34,012
Total Business-Type Activities	7,019,070	6,647,444	-	-	-	(371,626)	(371,626)
TOTAL PRIMARY GOVERNMENT	\$ 20,086,795	\$ 7,238,208	\$ 74,579	\$ 566,726	(11,835,656)	(371,626)	(12,207,282)
General Revenues							
Taxes							
Property taxes and late fees					3,137,329	240,102	3,377,431
Road and bridge taxes					389,837	-	389,837
Sales and tourism tax					5,799,566	-	5,799,566
Homestead					113,903	8,745	122,648
Franchise tax					318,836	-	318,836
TVA and other payments in lieu of taxes					332,548	-	332,548
Other taxes					70,952	-	70,952
Municipal aid and gasoline tax					14,389	-	14,389
Investment income					47,070	40,787	87,857
Reduction for uncollectable loans					18,485	-	18,485
Other					41,601	-	41,601
Grants and contributions not restricted to specific program					2,243	-	2,243
Gain (loss) on sale or retirement of capital assets					(24,255)	381	(23,874)
Transfers					(760,000)	760,000	-
Total					9,502,504	1,050,015	10,552,519
Change in Net Position					(2,333,152)	678,389	(1,654,763)
NET POSITION--BEGINNING					12,781,897	27,371,376	40,153,273
NET POSITION--ENDING					\$ 10,448,745	\$ 28,049,765	\$ 38,498,510

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

CITY OF BATESVILLE, STATE OF MISSISSIPPI
Governmental Funds
Balance Sheet
September 30, 2017

	General Fund	Tourism Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 701,556	\$ 1	\$ -	\$ 701,557
Restricted cash and cash equivalents	1,877,314	1,207,660	1,671,751	4,756,725
Receivables (net of allowance for uncollectibles)	-	-	-	-
Taxes	3,964,024	-	-	3,964,024
Police fines	259,854	-	-	259,854
Interest	-	-	1,146	1,146
Franchise fees	105,664	-	-	105,664
Due from other funds	-	-	7,325	7,325
Due from other governments	1,387,302	199,635	-	1,586,937
Prepaid items	-	-	551	551
Lease and loans receivable - net	14,615	-	469,381	483,996
Total assets	\$ 8,310,329	\$1,407,296	\$ 2,150,154	\$ 11,867,779
LIABILITIES				
Accounts payable - operations	\$ 453,242	\$ 2,776	\$ -	\$ 456,018
Accounts payable - fixed assets	64,933	-	-	64,933
Accrued liabilities	346,782	-	-	346,782
Compensated absences	33,617	-	-	33,617
Due to other funds	488,410	-	-	488,410
Liabilities payable from restricted assets	-	-	-	-
Accounts payable	-	-	20,671	20,671
Builders compliance bonds and seized funds held	5,188	-	9,640	14,828
Total liabilities	1,392,172	2,776	30,311	1,425,259
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	4,263,065	-	101,463	4,364,528
Total deferred inflows of resources	4,263,065	-	101,463	4,364,528
FUND BALANCES				
Nonspendable	14,615	-	-	14,615
Restricted	1,872,126	1,404,520	2,018,380	5,295,026
Committed	19,276	-	-	19,276
Unassigned	749,075	-	-	749,075
Total fund balance	2,655,092	1,404,520	2,018,380	6,077,992
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,310,329	\$1,407,296	\$ 2,150,154	\$ 11,867,779

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, 2017

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 6,077,992
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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	2,280,115
Other capital assets	40,245,296
Less accumulated depreciation	(26,579,713)

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	138,329
Revenues - lease-sale post office building	101,463
Revenues - payments in lieu of tax	193,146
Revenues - property taxes	5,161
Revenues - grants	71,161

The City's policy is to not recognize prepaid items as assets at the fund level; therefore they are not reported in the funds.	183,311
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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.	(224)
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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	(33,425)
Compensated absences	(361,770)

Net pension obligations are not due and payable in the current period and; therefore, are not reported in the governmental fund financial statements.	(13,377,576)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and; therefore, are not reported in the governmental fund financial statements.

Deferred outflows of resources related to pensions	1,797,645
Deferred inflows related to pensions	(292,166)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>10,448,745</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, 2017

	General	Tourism Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Advalorem taxes, penalties and interest	\$ 3,133,571	\$ -	\$ -	\$ 3,133,571
Road and bridge taxes	389,837	-	-	389,837
In lieu of taxes General Electric	139,402	-	-	139,402
License, permits, and fees	116,164	-	-	116,164
Intergovernmental revenues:				
Federal grants	433,325	-	80,953	514,278
State shared revenues:				
Sales tax	4,527,526	-	-	4,527,526
Liquor privilege tax	10,350	-	-	10,350
Fire protection	41,786	-	-	41,786
Gasoline tax and municipal aid	14,389	-	-	14,389
Homestead reimbursement	113,903	-	-	113,903
In lieu of taxes - TVA	211,817	-	-	211,817
Tourism tax	-	1,272,040	-	1,272,040
Franchise taxes	318,836	-	-	318,836
Municipal court fines and bond fees	253,564	-	12,144	265,708
Cops in school charges	213,227	-	-	213,227
Parks and recreation	18,337	-	-	18,337
Fire department revenue - local	8,337	-	-	8,337
Interest income	15,130	541	13,892	29,563
Rents	41,600	-	207,988	249,588
Contributions and donations	2,243	-	1,723	3,966
Reduction for uncollectable loans	-	-	18,485	18,485
Other	33,254	-	-	33,254
Total revenues	10,036,598	1,272,581	335,185	11,644,364
<u>EXPENDITURES</u>				
Current				
General government	964,893	31,275	13,900	1,010,068
City court	238,898	-	-	238,898
Police	3,769,949	-	2,163	3,772,112
Fire	1,880,494	-	-	1,880,494
Streets	1,572,575	-	-	1,572,575
Public health and sanitation	393,418	-	-	393,418
Library	277,846	-	-	277,846
Parks and recreation	313,940	-	-	313,940
Code	327,563	-	-	327,563
Economic development	-	6,321	-	6,321
Capital outlay	2,697,414	-	4,542	2,701,956
Debt Service				
Principal retirement - general obligation	-	-	263,705	263,705
Interest and paying agent	-	-	15,215	15,215
Total expenditures	12,436,990	37,596	299,525	12,774,111
Excess (deficit) of revenues over (under) expenditures	\$ (2,400,392)	\$ 1,234,985	\$ 35,660	\$ (1,129,747)

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, 2017

	General	Tourism Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from disposition of fixed assets	\$ 3,000	\$ -	\$ -	\$ 3,000
Operating transfers in	200,209	-	78,801	279,010
Operating transfers out	(78,801)	(960,000)	(209)	(1,039,010)
Total other financing sources (uses)	<u>124,408</u>	<u>(960,000)</u>	<u>78,592</u>	<u>(757,000)</u>
Excess (deficit) of revenues and other sources over (under) expenditures and other uses	(2,275,984)	274,985	114,252	(1,886,747)
Fund balance - beginning	<u>4,931,076</u>	<u>1,129,535</u>	<u>1,904,128</u>	<u>7,964,739</u>
Fund balance - end of year	<u>\$ 2,655,092</u>	<u>\$ 1,404,520</u>	<u>\$ 2,018,380</u>	<u>\$ 6,077,992</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, 2017

NET CHANGES IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ (1,886,747)

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	2,422,391
Basis of assets disposed of	(27,255)
Depreciation expense	(1,560,227)

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.	263,707
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The proceeds from a capital lease is reported as revenue when issued in governmental funds, but 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.	(190,480)
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The payment of insurance, operating leases and maintenance agreements are reported as an expenditure in the governmental funds, but reported on the consumption basis in the statement of activities.	14,575
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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	3,757
Advalorem privilege tax	(6,122)
Municipal court fines	17,644
Payment in lieu of taxes	(18,671)
Capital grant and contributions	71,162

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	(1,436,887)
Compensated absences	(1,274)
Interest expense	1,275

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (2,333,152)

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

CITY OF BATESVILLE, MISSISSIPPI

Proprietary Fund

Statement of Net Position

September 30, 2017

	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	\$ 3,281,088	\$ 6,727,710	\$ 884,605	\$ 75,386	\$ 10,968,789
Cash and cash equivalents - restricted	198,523	241,936	-	-	440,459
Receivables (net of allowance for uncollectibles)					
Accounts	377,900	284,364	-	5,316	667,580
Property and franchise tax	-	-	243,566	-	243,566
Inventory	77,052	272,984	-	-	350,036
Due from other governments	-	151,173	-	-	151,173
Due from other funds	134,219	574,971	2,567	33,882	745,639
Prepaid items	28,162	8,963	22,169	-	59,294
Total current assets	4,096,944	8,262,101	1,152,907	114,584	13,626,536
Noncurrent Assets					
Restricted Assets					
Due from other governments - restricted	30,000	-	8,603	-	38,603
Nondepreciable land, improvements and construction in progress	642,473	15,000	185,000	-	842,473
Depreciable capital assets, net of accumulated depreciation	13,842,551	1,511,394	7,226,049	-	22,579,994
Total noncurrent assets	14,515,024	1,526,394	7,419,652	-	23,461,070
Total assets	18,611,968	9,788,495	8,572,559	114,584	37,087,606
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows pertaining to pensions	300,835	129,760	70,260	-	500,855
Total deferred outflows of resources	300,835	129,760	70,260	-	500,855

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

CITY OF BATESVILLE, MISSISSIPPI

Proprietary Fund

Statement of Net Position

September 30, 2017

	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	\$ 85,411	\$ 146,694	\$ 30,861	\$ 25,625	\$ 288,591
Accounts payable - fixed assets	203,714	-	5,776	-	209,490
Accrued interest	2,038	-	19,601	-	21,639
Accrued liabilities	37,231	18,714	6,743	-	62,688
Customer deposits payable from restricted assets	198,523	241,936	-	-	440,459
Compensated absences	156	-	-	-	156
Due to other funds	139,831	97,845	-	26,878	264,554
Current portion of long-term debt payable	126,902	-	485,000	-	611,902
Total current liabilities	793,806	505,189	547,981	52,503	1,899,479
Noncurrent Liabilities					
Net pension liability	2,280,034	991,152	536,669	-	3,807,855
Compensated absences	75,007	47,151	17,945	-	140,103
Long-term debt, net of current maturities	1,198,963	-	2,100,000	-	3,298,963
Total noncurrent liabilities	3,554,004	1,038,303	2,654,614	-	7,246,921
Total liabilities	4,347,810	1,543,492	3,202,595	52,503	9,146,400
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	260,522	-	260,522
Deferred inflows pertaining to pensions	49,796	28,528	53,450	-	131,774
Total deferred inflows of resources	49,796	28,528	313,972	-	392,296
NET POSITION					
Net investment in capital assets	13,159,159	1,526,394	4,826,049	-	19,511,602
Unrestricted	1,356,038	6,819,841	300,203	62,081	8,538,163
Total net position	\$ 14,515,197	\$ 8,346,235	\$ 5,126,252	\$ 62,081	\$ 28,049,765

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

CITY OF BATESVILLE, MISSISSIPPI
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the fiscal year ended September 30, 2017

	Business-Type Activities--Enterprise Fund				
	Water and Sewer Fund	Gas Fund	Civic Center Fund	Nonmajor Fund Waste Collection Fund	Total Business-Type Funds
<u>OPERATING REVENUES</u>					
Charges for sales and services					
Water sales	\$ 1,957,986	\$ -	\$ -	\$ -	\$ 1,957,986
Sewer sales	1,345,100	-	-	-	1,345,100
Gas sales	-	2,768,024	-	-	2,768,024
Facility fees	-	-	153,898	-	153,898
Sanitation fees	-	-	-	335,362	335,362
Service charges and other	98,172	41,114	463	8,605	148,354
Total operating revenues	3,401,258	2,809,138	154,361	343,967	6,708,724
<u>OPERATING EXPENSES</u>					
Personnel services	1,407,453	613,352	319,304	-	2,340,109
Professional services	214,139	89,677	31,998	309,955	645,769
Supplies	241,597	63,855	11,645	-	317,097
Repairs	120,918	13,897	65,046	-	199,861
Operational	558,837	112,742	213,014	-	884,593
Relocation of gas line for MDOT	-	24,730	-	-	24,730
Purchase of gas for resale	-	1,324,275	-	-	1,324,275
Depreciation and amortization	901,278	92,744	229,654	-	1,223,676
Total operating expenses	3,444,222	2,335,272	870,661	309,955	6,960,110
Operating income (loss)	(42,964)	473,866	(716,300)	34,012	(251,386)
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Property taxes	-	-	240,102	-	240,102
Homestead	-	-	8,745	-	8,745
Interest revenue	12,148	28,191	446	-	40,785
Interest expense and fiscal charges	(33,315)	-	(86,925)	-	(120,240)
Gain (loss) on sale of fixed assets	381	-	-	-	381
Total nonoperating revenues and expenses	(20,786)	28,191	162,368	-	169,773
Income (loss) before operating transfers and contributions	(63,750)	502,057	(553,932)	34,012	(81,613)
Operating transfers in	-	-	960,000	-	960,000
Operating transfers out	(200,000)	-	-	-	(200,000)
Changes in net position	(263,750)	502,057	406,068	34,012	678,387
Net position - beginning	14,778,947	7,844,178	4,720,184	28,069	27,371,378
Net position - ending	\$ 14,515,197	\$ 8,346,235	\$ 5,126,252	\$ 62,081	\$ 28,049,765

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, 2017

	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	\$ 3,454,784	\$ 2,762,764	\$ 169,224	\$ 358,501	\$ 6,745,273
Receipts from MDOT for relocation of gas line	-	540,216	-	-	540,216
Other miscellaneous receipts	1,132	3,891	463	-	5,486
Payments to employees including fringe benefits	(1,173,931)	(506,740)	(280,552)	-	(1,961,223)
Payments to suppliers for goods and services	(1,174,432)	(1,855,777)	(326,589)	(310,086)	(3,666,884)
Net cash provided by operating activities	<u>1,107,553</u>	<u>944,354</u>	<u>(437,454)</u>	<u>48,415</u>	<u>1,662,868</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating transfers in	-	-	960,000	-	960,000
Operating transfers out	(200,000)	-	-	-	(200,000)
Net changes in due from other funds	22,310	(473,668)	11,187	(32,400)	(472,571)
Net changes in due to other funds	24,569	(52,216)	-	9,892	(17,755)
Net cash provided (used) by non-capital financing activities	<u>(153,121)</u>	<u>(525,884)</u>	<u>971,187</u>	<u>(22,508)</u>	<u>269,674</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from disposition of fixed assets	381	-	-	-	381
Taxes levied for debt services	-	-	248,844	-	248,844
Principal payments - revenue bonds	(122,206)	-	(470,000)	-	(592,206)
Payment on payables used to acquire fixed assets	(273,639)	-	-	-	(273,639)
Acquisition and construction of capital assets	(439,833)	(67,669)	(5,997)	-	(513,499)
Interest and fiscal charges paid	(33,315)	-	(89,894)	-	(123,209)
Net cash provided (used) by capital and related financing activities	<u>(868,612)</u>	<u>(67,669)</u>	<u>(317,047)</u>	<u>-</u>	<u>(1,253,328)</u>

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, 2017

	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	\$ 12,963	\$ 28,191	\$ 448	\$ -	\$ 41,602
Net cash provided (used) by investment activities	12,963	28,191	448	-	41,602
NON CASH TRANSACTIONS AFFECTING FINANCIAL POSITION					
Acquisition of fixed assets on account and capital lease	(203,714)	-	(5,776)	-	(209,490)
Borrowing from suppliers on account	203,714	-	5,776	-	209,490
Net effect of non cash transactions	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	98,783	378,992	217,134	25,907	720,816
Cash and cash equivalents, beginning of year	3,380,828	6,590,654	667,471	49,479	10,688,432
Cash and cash equivalents, end of year	\$ 3,479,611	\$ 6,969,646	\$ 884,605	\$ 75,386	\$ 11,409,248

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, 2017

	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)	\$ (42,964)	\$ 473,866	\$ (716,300)	\$ 34,012	\$ (251,386)
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation	901,278	92,744	229,654	-	1,223,676
(Increase) decrease in accounts receivable	48,086	(43,806)	3,541	14,534	22,355
(Increase) decrease in intergovernmental receivables	-	540,216	-	-	540,216
(Increase) decrease in inventory	(8,601)	(11,748)	-	-	(20,349)
(Increase) decrease in deferred outflows pertaining to pensions	163,701	89,393	97,193	-	350,287
(Increase) decrease in prepaid items	4,953	5,645	1,000	-	11,598
Increase (decrease) in accounts payable - operations	(39,930)	(220,871)	(5,886)	(131)	(266,818)
Increase (decrease) in accrued liabilities - payroll and benefits	657	494	214	-	1,365
Increase (decrease) in accrued liabilities - other than payroll	4,637	373	-	-	5,010
Increase (decrease) in compensated absences	5,194	4,120	543	-	9,857
Increase (decrease) in pension liability	88,592	(13,254)	(110,927)	-	(35,589)
Increase (decrease) in deferred inflows pertaining to pensions	(24,622)	25,859	51,729	-	52,966
Increase (decrease) in unavailable revenue operations	-	-	11,785	-	11,785
Increase (decrease) in customer deposits	6,572	1,323	-	-	7,895
Total adjustments	1,150,517	470,488	278,846	14,403	1,914,254
Net cash provided (used) by operating activities	\$ 1,107,553	\$ 944,354	\$ (437,454)	\$ 48,415	\$ 1,662,868

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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.

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CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017

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, 2017

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, 2017**

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.

Proprietary 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, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus and Basis of Accounting - continued

Proprietary Funds - continued:

- 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.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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	\$ 3,281,088	\$ 6,727,710	\$ 884,605
Restricted cash and cash equivalents	<u>198,523</u>	<u>241,936</u>	<u>-</u>
	<u>\$ 3,479,611</u>	<u>\$ 6,969,646</u>	<u>\$ 884,605</u>

	Waste Collection	Total
Cash and cash equivalents	\$ 75,386	\$ 10,968,789
Restricted cash and cash equivalents	<u>-</u>	<u>440,459</u>
	<u>\$ 75,386</u>	<u>\$ 11,409,248</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, 2017

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, 2017**

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 \$120,240. Interest costs, fiscal charges, and amortization of loan discount and deferred amount of refunding of \$120,240 were charged to expense. Interest costs, net of interest earned of \$6,630 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.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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:

	<u>Water and Sewer</u>	<u>Gas</u>
Customer deposits	\$ 198,523	\$ 241,936

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, 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.

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CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017**

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	\$ 1,872,126	\$ -	\$ -
Tourism	-	1,404,520	-
MBI tax levy	-	-	12
COFB confiscated	-	-	51,358
Fire protection	-	-	80,974
Economic development	-	-	1,751,994
Post office debt service	-	-	31,274
Risk reduction	-	-	15,249
Federal asset forfeiture	-	-	28,058
Unemployment	-	-	59,461
Total Restricted	<u>\$ 1,872,126</u>	<u>\$ 1,404,520</u>	<u>\$ 2,018,380</u>

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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	\$ 19,276	\$ -	\$ -
Total Committed	<u>\$ 19,276</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, 2017**

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 ??, 2018, 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 \$0 and decreasing certain expense categories by \$163,432 during the year ended September 30, 2017.

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 85 - 87 also provides additional budgetary information.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE C - DEPOSITS AND INVESTMENTS

At September 30, 2017, cash and investments included the following:

<u>Account Balances</u>		<u>Ownership of Funds</u>	
Petty cash/cash on hand	\$ 8,560	Governmental Funds	\$ 5,458,281
Demand deposits	<u>16,858,970</u>	Enterprise Funds	<u>11,409,249</u>
	<u>\$ 16,867,530</u>		<u>\$ 16,867,530</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, 2017, the demand deposits held with various local financial institutions had carrying amounts totaling \$16,858,970 and bank balances totaling \$17,035,207 of which \$751,196 was covered by federal depository insurance and \$16,284,011 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.

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**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017.

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, 2017.

Concentration of Credit Risks

The City of Batesville had no investments at September 30, 2017, 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 81%, 12%, and 7%, respectively, of total demand deposits.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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 2016 taxes are collected in December, 2016 and January, 2017. The 2016 taxes are levied to fund the 2016-2017 budget year. The assessed value upon which the 2016 taxes were based was \$126,522,797.

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 2017 taxes intended to fund the 2017-2018 budget year of \$3,958,358. 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 2017 taxes of \$3,958,358 are also included in unavailable revenue and not in current revenues in governmental activities because they are levied to fund the 2017-2018 budget year.

The City assessed a tax rate of 28.05 mills for the 2016 taxes and 30.25 mills for the 2017 taxes.

NOTE E - RECEIVABLES

Receivables at September 30, 2017 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, 2017**

NOTE E - RECEIVABLES - CONTINUED

	General	Tourism	Water and Sewer System	Gas System	Civic Center	Nonmajor Funds	Total
Receivables:							
Taxes	\$ 3,991,997	\$ -	\$ -	\$ -	\$ 245,467	\$ -	\$ 4,237,464
Police fines	1,540,364	-	-	-	-	-	1,540,364
Accounts	-	-	502,884	478,383	490	15,660	997,417
Franchise fees	105,664	-	-	-	-	-	105,664
Accrued interest	-	-	-	-	-	1,146	1,146
Gross receivables	5,638,025	-	502,884	478,383	245,957	16,806	6,882,055
Less: Allowance for uncollectables	(1,308,483)	-	(124,984)	(194,019)	(2,391)	(10,344)	(1,640,221)
Net receivables	<u>\$ 4,329,542</u>	<u>\$ -</u>	<u>\$ 377,900</u>	<u>\$ 284,364</u>	<u>\$ 243,566</u>	<u>\$ 6,462</u>	<u>\$ 5,241,834</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, 2017**

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, 2017 are:

	<u>Loan Balance</u>
Loan #1	\$ 15,844
Loan #2	22,158
Loan #3	<u>11,843</u>
	49,845
Less allowance for uncollectable	<u>(35,230)</u>
	<u><u>\$ 14,615</u></u>

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

<u>Years ending Sept 30</u>	
2018	\$ 2,505
2019	2,505
2020	2,505
2021	2,505
2022	2,505
Thereafter	<u>37,320</u>
	<u><u>\$ 49,845</u></u>

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, 2017 were:

<u>Years ending Sept 30</u>	<u>Principal Portion</u>	<u>Interest Portion</u>	<u>Total Lease</u>
2018	\$ 101,464	\$ 2,530	\$ 103,994
	<u>\$ 101,464</u>	<u>\$ 2,530</u>	<u>\$ 103,994</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017 are:

	Original <u>Term</u>	<u>Due Date</u>	Interest <u>Rate</u>	Loan <u>Balance</u>
Loan #1	10 years	2011	3.00%	\$ 112,917
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%	20,000
Loan #5	10 years	2022	3.00%	200,547
Loan #6	1 year	2017	1.00%	15,000
Loan #7	1 year	2017	1.00%	11,250
Loan #8	1 year	2017	1.00%	<u>8,203</u>
				\$ 823,636
Less allowance for uncollectable loans				<u>(455,719)</u>
				<u>\$ 367,917</u>

The estimated loans receivable are due as follows:

Years ending Sept 30

Delinquent	\$ 348,098
2018	110,505
2019	89,642
2020	61,981
2021	35,328
2022	36,315
Thereafter	<u>141,769</u>
	<u>\$ 823,638</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE E - RECEIVABLES - CONTINUED

Lease and Loan Receivable - continued

Economic development loans - 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, 2017:

Impaired loans without a valuation allowance	\$ 112,917
Impaired loans with a valuation allowance	<u>455,719</u>
Total impaired loans	<u>\$ 568,636</u>
Average investment in impaired loans	<u>\$ 569,783</u>
Interest income recognized on impaired loans	<u>\$ 344</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	\$ (52,350)	\$ 463,219
Reserve for loan loss	-	(7,500)
Adjustments for home loans	<u>87,580</u>	<u>-</u>
Balance at end of year	<u>\$ 35,230</u>	<u>\$ 455,719</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE F - CAPITAL ASSETS

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

	Balance September 30, 2016	Additions	Retirements	Transfers and Other Adjustments	Balance September 30, 2017
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated					
Land	\$ 1,824,606	\$ 10,000	\$ -	\$ -	\$ 1,834,606
Construction in progress	80,991	403,638	-	(39,120)	445,509
Total capital assets not being depreciated	<u>1,905,597</u>	<u>413,638</u>	<u>-</u>	<u>(39,120)</u>	<u>2,280,115</u>
Capital assets being depreciated					
Building and improvements	6,461,905	337,801	(4,470)	-	6,795,236
Automotive, equipment and fixtures	6,555,601	468,050	(269,761)	39,120	6,793,010
Infrastructure	25,454,148	1,202,902	-	-	26,657,050
Total capital assets being depreciated	<u>38,471,654</u>	<u>2,008,753</u>	<u>(274,231)</u>	<u>39,120</u>	<u>40,245,296</u>
Less accumulated depreciation for					
Buildings	3,382,791	218,393	(4,470)	-	3,596,714
Automotive, equipment and fixtures	5,273,029	347,143	(242,506)	-	5,377,666
Infrastructure	16,610,642	994,691	-	-	17,605,333
Total accumulated depreciation	<u>25,266,462</u>	<u>1,560,227</u>	<u>(246,976)</u>	<u>-</u>	<u>26,579,713</u>
Total capital assets being depreciated, net	<u>13,205,192</u>	<u>448,526</u>	<u>(27,255)</u>	<u>39,120</u>	<u>13,665,583</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 15,110,789</u>	<u>\$ 862,164</u>	<u>\$ (27,255)</u>	<u>\$ -</u>	<u>\$ 15,945,698</u>

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**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE F - CAPITAL ASSETS - CONTINUED

	Balance September 30, 2016	Additions	Retirements	Transfers and Other Adjustments	Balance September 30, 2017
BUSINESS-TYPE ACTIVITIES					
WATER AND SEWER SYSTEM					
Capital assets not being depreciated					
Land	\$ 238,500	\$ -	\$ -	\$ -	\$ 238,500
Construction in progress	418,519	41,063	-	(55,609)	403,973
Total capital assets not being depreciated	<u>657,019</u>	<u>41,063</u>	<u>-</u>	<u>(55,609)</u>	<u>642,473</u>
Capital assets being depreciated					
Building	259,133	-	-	-	259,133
Automotive, equipment and fixtures	1,595,050	166,788	(998)	55,609	1,816,449
Water and sewer system	<u>29,879,694</u>	<u>435,695</u>	<u>-</u>	<u>-</u>	<u>30,315,389</u>
Total capital assets being depreciated	<u>31,733,877</u>	<u>602,483</u>	<u>(998)</u>	<u>55,609</u>	<u>32,390,971</u>
Less accumulated depreciation for					
Buildings	165,871	7,753	-	-	173,624
Automotive, equipment and fixtures	1,312,405	88,063	(998)	-	1,399,470
Water and sewer system	<u>16,169,864</u>	<u>805,462</u>	<u>-</u>	<u>-</u>	<u>16,975,326</u>
Total accumulated depreciation	<u>17,648,140</u>	<u>901,278</u>	<u>(998)</u>	<u>-</u>	<u>18,548,420</u>
Total capital assets being depreciated, net	<u>14,085,737</u>	<u>(298,795)</u>	<u>-</u>	<u>55,609</u>	<u>13,842,551</u>
WATER AND SEWER SYSTEM CAPITAL ASSETS, NET	<u>\$ 14,742,756</u>	<u>\$ (257,732)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,485,024</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE F - CAPITAL ASSETS - CONTINUED

	Balance September 30, 2016	Additions	Retirements	Transfers and Other Adjustments	Balance September 30, 2017
BUSINESS-TYPE ACTIVITIES - CONTINUED					
GAS SYSTEM					
Capital assets not being depreciated					
Land	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Construction in progress	44,191	-	-	(44,191)	-
Total capital assets not being depreciated	59,191	-	-	(44,191)	15,000
Capital assets being depreciated					
Building	91,723	-	-	-	91,723
Automotive, equipment and fixtures	545,206	58,225	(87,989)	44,191	559,633
Gas system	3,129,882	9,443	-	-	3,139,325
Total capital assets being depreciated	3,766,811	67,668	(87,989)	44,191	3,790,681
Less accumulated depreciation for					
Buildings	44,599	3,415	-	-	48,014
Automotive, equipment and fixtures	495,338	22,698	(87,989)	-	430,047
Gas system	1,734,595	66,631	-	-	1,801,226
Total accumulated depreciation	2,274,532	92,744	(87,989)	-	2,279,287
Total capital assets being depreciated, net	1,492,279	(25,076)	-	44,191	1,511,394
GAS SYSTEM CAPITAL ASSETS, NET	\$ 1,551,470	\$ (25,076)	\$ -	\$ -	\$ 1,526,394

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE F - CAPITAL ASSETS - CONTINUED

	Balance September 30, 2016	Additions	Retirements	Transfers and Other Adjustments	Balance September 30, 2017
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	578,249	11,772	-	(10,618)	579,403
Total capital assets being depreciated	<u>10,973,328</u>	<u>11,772</u>	<u>-</u>	<u>(10,618)</u>	<u>10,974,482</u>
Less accumulated depreciation for					
Buildings	3,025,666	209,977	-	-	3,235,643
Automotive, equipment and fixtures	503,731	19,677	-	(10,618)	512,790
Total accumulated depreciation	<u>3,529,397</u>	<u>229,654</u>	<u>-</u>	<u>(10,618)</u>	<u>3,748,433</u>
Total capital assets being depreciated, net	<u>7,443,931</u>	<u>(217,882)</u>	<u>-</u>	<u>-</u>	<u>7,226,049</u>
CIVIC CENTER CAPITAL ASSETS, NET	<u>\$ 7,628,931</u>	<u>\$ (217,882)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,411,049</u>
BUSINESS-TYPE CAPITAL ASSETS – NET	<u>\$ 23,923,157</u>	<u>\$ (500,690)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,422,467</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE F - CAPITAL ASSETS - CONTINUED

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

Governmental Activities

General government	\$ 50,272
City court	4,648
Police	135,662
Fire	194,086
Streets	1,031,848
Public health and sanitation	6,384
Library	33,062
Parks and recreation	82,772
Code	<u>21,493</u>

Total Depreciation Expense - Governmental Activities \$ 1,560,227

Business-Type Activities

Water and sewer	\$ 901,278
Gas	92,744
Civic center	<u>229,654</u>

Total Depreciation Expense - Business-Type Activities \$ 1,223,676

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, 2017, 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.

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**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

**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.

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**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

**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, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. City of Batesville, Mississippi contributions (employer share only) to PERS for the years ended September 30, 2017, 2016, and 2015 were \$1,018,766, \$976,670, and \$888,463, 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, 2017, the City reported a liability of \$17,185,431 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the 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, 2017, the City's proportion was 0.103381%, which was an increase of 0.007751%, from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the City recognized pension expense of \$2,823,317. At September 30, 2017, 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	\$ 246,900	\$ 125,397
Net difference between projected and actual earnings on pension plan investments	-	220,648
Changes of assumptions	381,967	29,284
Changes in proportion and differences between City contributions and proportionate share of contributions	1,437,148	48,611
City contributions subsequent to the measurement date	<u>232,485</u>	<u>-</u>
	<u>\$ 2,298,500</u>	<u>\$ 423,940</u>

\$232,485 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, 2018.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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	
2018	\$ 1,024,680
2019	802,634
2020	146,722
2021	<u>(331,961)</u>
	<u>\$ 1,642,075</u>

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

Inflation	3.00 percent
Salary increases	3.25-18.50 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 2022 with rates set forward one year for males with adjustments.

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, 2017**

**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**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Broad	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Assets	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Debt	2.00%	2.25%
Cash	<u>1.00%</u>	0.00%
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 rate set in the Board's Funding Policy). 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 system, 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	\$ 22,539,840	\$ 17,185,431	\$ 12,740,108

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.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

Defined Benefit Pension Plan - continued

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued 2017 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.

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 2017, 1) the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 rather than projected with Scale BB to 2016, which was used prior to 2017, 2) small adjustments were also made to the Mortality Table for disabled lives, 3) the wage inflation assumption was reduced from 3.72% to 3.25%, 4) withdrawal rates, pre-retirement mortality rates, disabled rates and service retirement rates were also adjusted to more closely reflect actual experience, and 5) the percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

Payables to the Pension Plan

At September 30, 2017, 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, 2017.

Section 125 Cafeteria Reduction Plan and Deferred Compensation

Section 125 Cafeteria reduction plan expense for employees included in the accompanying financial statements totaled \$173,908.

The Mississippi Deferred Compensation Plan & Trust (MDCPT), offered through the Mississippi Public Employees' Retirement System (PERS), is a supplemental retirement savings plan authorized under Section 457 of the Internal Revenue Code and enacted by the Mississippi State Legislature.

Deferred compensation for employees included in the accompanying financial statements totaled \$110,206.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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.

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, 2017 is approximately:

<u>15% Limit</u>	<u>20% Limit</u>
\$ 15,394,224	\$ 21,387,298

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

General long-term debt balances and transactions for the year ended September 30, 2017 are as follows:

GOVERNMENTAL ACTIVITIES

	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance 10/1/2016</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance 9/30/2017</u>	<u>Amounts Due Within One Year</u>
Limited Obligation Bonds							
Tax Increment Limited Obligation Bonds	10/1/2017	4.25%	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ -</u>
Total limited obligation bonds			<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Other Debt							
Blended Component Unit First Security Bank	11/1/2017	8.50%	<u>222,129</u>	<u>-</u>	<u>188,704</u>	<u>33,425</u>	<u>33,425</u>
Total other debt			<u>222,129</u>	<u>-</u>	<u>188,704</u>	<u>33,425</u>	<u>33,425</u>
Net Pension Liability	---	---	<u>13,238,462</u>	<u>139,114</u>	<u>-</u>	<u>13,377,576</u>	<u>-</u>
Compensated Absences	---	---	<u>393,608</u>	<u>1,780</u>	<u>-</u>	<u>395,388</u>	<u>33,617</u>
TOTAL GOVERNMENTAL ACTIVITIES			<u>\$ 13,929,199</u>	<u>\$ 140,894</u>	<u>\$ 263,704</u>	<u>\$ 13,806,389</u>	<u>\$ 67,042</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017 are as follows:

Years Ending Sept. 30,	Other Debt		
	Principal	Interest	Total
2018	\$ 33,425	\$ 359	\$ 33,784
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023 - 2027	-	-	-
Total	<u>\$ 33,425</u>	<u>\$ 359</u>	<u>\$ 33,784</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.

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**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

BUSINESS-TYPE ACTIVITIES

	Final Maturity Date	Interest Rate	Beginning Balance 10/1/2016	Additions	Repayments	Ending Balance 9/30/2017	Amounts Due Within One Year
<u>Water and Sewer Fund:</u>							
Other Debt							
State of Mississippi	9/1/2019	3.00%	\$ 37,668	\$ -	\$ 13,123	\$ 24,545	\$ 13,528
State of Mississippi	3/1/2020	3.00%	86,061	-	23,957	62,104	24,686
State of Mississippi	3/1/2022	3.00%	66,398	-	11,444	54,954	11,793
State of Mississippi	5/1/2023	2.00%	110,819	-	15,814	95,005	16,133
SRF loan - auto meters	3/1/2034	1.95%	790,084	-	38,260	751,824	39,011
SRF loan GF/Covenant Crossing	8/1/2027	1.75%	357,041	-	19,607	337,434	21,751
Total other debt			1,448,071	-	122,205	1,325,866	126,902
Net Pension Liability	---	---	2,191,442	88,592	-	2,280,034	-
Compensated absences	---	---	69,969	5,194	-	75,163	156
Total water and sewer fund			3,709,482	93,786	122,205	3,681,063	127,058
<u>Gas Fund</u>							
Net Pension Liability	---	---	1,004,406	-	13,254	991,152	-
Compensated Absences	---	---	43,031	4,120	-	47,151	-
Total gas fund			\$ 1,047,437	\$ 4,120	\$ 13,254	\$ 1,038,303	\$ -

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

BUSINESS-TYPE ACTIVITIES - Continued

	Final Maturity Date	Interest Rate	Beginning Balance 10/1/2016	Additions	Repayments	Ending Balance 9/30/2017	Amounts Due Within One Year
<u>Civic Center Fund</u>							
General Obligation Bonds							
General Obligation Bonds - Series 2010	7/1/2022	2% to 2.50%	\$ 3,055,000	\$ -	\$ 470,000	\$ 2,585,000	\$ 485,000
Total general obligation debt			3,055,000	-	470,000	2,585,000	485,000
Net Pension Liability	---	---	647,596	-	110,927	536,669	-
Compensated absences	---	---	17,402	543	-	17,945	-
Total civic center fund			3,719,998	543	580,927	3,139,614	485,000
TOTAL BUSINESS TYPE ACTIVITIES			\$ 8,476,917	\$ 98,449	\$ 716,386	\$ 7,858,980	\$ 612,058

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017 are as follows:

Years Ending Sept. 30	General Obligation Bonds			Other Debt		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 485,000	\$ 77,550	\$ 562,550	\$ 124,005	\$ 26,154	\$ 150,159
2019	500,000	63,000	563,000	125,826	23,701	149,527
2020	515,000	48,000	563,000	103,206	20,971	124,177
2021	535,000	32,550	567,550	127,197	19,348	146,545
2022	550,000	16,500	566,500	64,283	16,525	80,808
2023 - 2027	-	-	-	340,152	63,881	404,033
2028 - 2032	-	-	-	349,445	30,401	379,846
2033 - 2037	-	-	-	91,751	3,149	94,900
Total	<u>\$ 2,585,000</u>	<u>\$ 237,600</u>	<u>\$ 2,822,600</u>	<u>\$ 1,325,865</u>	<u>\$ 204,130</u>	<u>\$ 1,529,995</u>

Years Ending Sept. 30	Total		
	Principal	Interest	Total
2018	\$ 609,005	\$ 103,704	\$ 712,709
2019	625,826	86,701	712,527
2020	618,206	68,971	687,177
2021	662,197	51,898	714,095
2022	614,283	33,025	647,308
2023 - 2027	340,152	63,881	404,033
2028 - 2032	349,445	30,401	379,846
2033 - 2037	91,751	3,149	94,900
Total	<u>\$ 3,910,865</u>	<u>\$ 441,730</u>	<u>\$ 4,352,595</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, 2017

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	\$ -	\$ 198,523	\$ 241,936	\$ -	\$ 440,459
Capital additions	-	-	-	170,030	170,030
Library operations	1,872,126	-	-	-	1,872,126
Building compliance bond	5,188	-	-	-	5,188
Unemployment	-	-	-	59,461	59,461
Debt service	-	-	-	25,679	25,679
Excess tax collection and other	-	-	-	31,888	31,888
Tourism	-	-	-	1,207,660	1,207,660
Economic development	-	-	-	1,384,693	1,384,693
Total	<u>\$ 1,877,314</u>	<u>\$ 198,523</u>	<u>\$ 241,936</u>	<u>\$ 2,879,411</u>	<u>\$ 5,197,184</u>

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 water and sewer fund were transferred to the general fund. Gas system funds of \$450,187 were loaned 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	\$ -	\$ 488,410
Nonmajor Funds - Other Governmental Funds	7,325	-
Water and Sewer System Fund	134,219	139,831
Gas System Fund	574,971	97,845
Civic Center Fund	2,567	-
Nonmajor Business-Type Funds	33,882	26,878
	<u>\$ 752,964</u>	<u>\$ 752,964</u>

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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	\$ 200,209	\$ 78,801
Tourism Fund	-	960,000
	<u> </u>	<u> </u>
Total Major Governmental Funds	\$ 200,209	\$ 1,038,801
Major Enterprise Funds		
Water and Sewer System Fund	\$ -	\$ 200,000
Civic Center Fund	960,000	-
	<u> </u>	<u> </u>
Total Major Enterprise Funds	\$ 960,000	\$ 200,000
Nonmajor Governmental Funds	\$ 78,801	\$ 209
Total Nonmajor Funds	\$ 78,801	\$ 209
Total all funds	\$ 1,239,010	\$ 1,239,010

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, 2017, was as follows:

General Fund	\$ 46,252
Water and Sewer Fund	6,577
Gas Fund	6,577
	<u> </u>
	\$ 59,406

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CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 96 - 105. 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, 2017:

Water and Sewer System	\$ 3,303,138
Gas System	7,756,912
Civic Center	604,926
Waste Collection System	<u>62,081</u>
Total	<u>\$ 11,727,057</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, 2017, the Gas System Fund had extended credit to customers totaling \$284,364 and to others totaling \$0. Gas System Fund receivables are secured by customer deposits totaling \$241,936. No other collateral has been obtained.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE M - SEGMENT INFORMATION FOR ENTERPRISE FUNDS - CONTINUED

At September 30, 2017, the Combined Water and Sewer System Fund had extended credit to customers totaling \$377,900 and to others totaling \$0. Combined Water and Sewer System Fund receivables are secured by customer deposits totaling \$198,523. No other collateral has been obtained.

At September 30, 2017, the Civic Center Fund Fund had extended credit to customers totaling \$0. The Civic Center Fund receivables are not secured.

At September 30, 2017, the Nonmajor Enterprise Fund had extended credit to customers totaling \$5,316. The Nonmajor Enterprise Fund receivables are not secured.

Gas System Fund accounts payable - operations consist mainly of \$96,398 for natural gas purchases and \$35,582 for professional fees. The Combined Water and Sewer System Fund accounts payable - operations consist mainly of \$25,847 for repairs and supplies, \$28,194 for professional fees and \$5,961 for insurance and electricity. The Civic Center Fund accounts payable operations consist mainly of \$8,494 for professional fees and \$17,299 for repairs and replacements. The Nonmajor Enterprise Fund accounts payable - operations consist of \$23,501 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 two outstanding lawsuits against its liability insurance. The City has two claims, for which no lawsuit has been filed. 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

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

Subsequent to September 30, 2017, the City authorized a resolution for a CAP Loan Program from Mississippi Development Authority not to exceed \$5,000,000 for the purchase and renovation of an industrial building. No action has been taken on this purchase.

Subsequent to September 30, 2017, the City applied for a Mississippi Development Authority grant for \$1,000,000 additional development on the above potential building purchase with the City being responsible for 10% of the total. No action has been taken on this grant.

Subsequent to September 30, 2017, the City applied for a \$150,000 Mississippi Development Grant for industrial infrastructure improvements. No action has been taken on this grant.

Subsequent to September 30, 2017, the City entered into a three year 3.35 percent lease-purchase agreement for radios at a cost of \$618,846.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 \$59,461 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 reserve could change in the near term.

NOTE R - NET POSITION

The government-wide statement of net position reports \$5,399,820 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	\$ 2,280,115	\$ 842,473
Other capital assets (net of accumulated depreciation)	13,665,583	22,579,994
Less bonds and notes payable	<u>(33,425)</u>	<u>(3,910,865)</u>
Net investment in capital asset	<u>\$ 15,912,273</u>	<u>\$ 19,511,602</u>

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE T - TAX ABATEMENTS

The City of Batesville enters into property tax abatements with local businesses under Section 27-31-101, Miss. Code (Ann.) 1972. Under the act any person, firm or corporation who owns or operates a manufacturing or other enterprise of public utility as enumerated in Section 27-31-101, Miss. Code (Ann.) 1972 and who makes additions to or expansions of the facilities or properties or replaces equipment used in connection with or necessary to the operation of such enterprise may be granted an exemption from ad valorem taxation, except state ad valorem taxation, upon each addition to or expansion of the facility or property or replacement of equipment, within the discretion of the county board of supervisors and municipal authorities; however, such governing authorities shall not exempt ad valorem taxes for school district purposes on such additions or expansions of the facility or property, or replacement of equipment.

For the year ended September 30, 2017, the City abated property taxes totaling \$555,229 under this program to induce companies to add additional production facilities or by acquiring equipment to be used in its facilities and thereby inducing the company to remain in operation at the facility located in the City of Batesville. These tax abatements include the following agreements that each exceed 10% of the total amount abated:

A 100% property tax abatement to a local industry for purchasing equipment and/or adding to facilities placed in service at the facility during 2013, with a cost or value of \$21,250,762 beginning for the 2013 tax roll for 10 years. The abatement amounted to \$89,412.

A 100% property tax abatement to a local industry for purchasing equipment and/or adding to facilities placed in service at the facility during 2012, with a cost or value of \$20,226,409 beginning for the 2012 tax roll for 10 years. The abatement amounted to \$85,103.

A 100% property tax abatement to a local industry for purchasing equipment and/or adding to facilities placed in service at the facility during 2011, with a cost or value of \$14,165,000 beginning for the 2011 tax roll for 10 years. The abatement amounted to \$59,599.

A 100% property tax abatement to a local industry for purchasing equipment and/or adding to facilities placed in service at the facility during 2009, with a cost or value of \$13,626,176 beginning for the 2009 tax roll for 10 years. The abatement amounted to \$57,332.

NOTE U - EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' unrestricted (deficit) net positions amount of (\$10,863,348) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pension in the amount of \$180,177 resulted 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, 2018. The \$1,617,468 balance of deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next four years. The \$292,166 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next four years.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE U - EFFECT OF DEFERRED AMOUNTS ON NET POSITION - CONTINUED

The business type activities' unrestricted net positions amount of \$8,538,163 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pension in the amount of \$52,309 resulted 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, 2018. The \$448,546 balance of deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next four years. The \$131,774 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next four years.

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, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability (asset)	0.089505%	0.086490%	0.009563%	0.010338%
City's proportionate share of the net pension liability (asset)	\$ 10,864,268	\$ 13,369,648	\$ 17,081,906	\$ 17,185,431
City's covered payroll	\$ 5,439,789	\$ 5,641,028	\$ 6,201,078	\$ 6,468,355
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	199.72%	237.01%	275.47%	265.68%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	61.70%	57.47%	61.49%

- * 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.

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

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, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily required contribution	\$ 856,768	\$ 888,463	\$ 976,670	\$ 1,018,766
Contributions in relation to the statutorily required contribution	<u>(856,768)</u>	<u>(888,463)</u>	<u>(976,670)</u>	<u>(1,018,766)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 5,439,789	\$ 5,641,028	\$ 6,201,078	\$ 6,468,355
Contributions as a percentage of covered payroll	15.75%	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.

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

Schedule 3

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2017

	<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	\$ 3,145,000	\$ 3,145,000	\$ 3,133,571	\$ 41,315	\$ 3,174,886	\$ 29,886
Road and bridge taxes	450,000	450,000	389,837	659	390,496	(59,504)
In lieu of taxes General Electric	585,000	585,000	139,402	-	139,402	(445,598)
License, permits, and fees	180,200	180,200	116,164	-	116,164	(64,036)
Intergovernmental revenues:						
Federal grants	1,068,000	1,068,000	433,325	(398,395)	34,930	(1,033,070)
State shared revenues:						
Sales tax	4,200,000	4,200,000	4,527,526	(4,546)	4,522,980	322,980
Liquor privilege tax	-	-	10,350	450	10,800	10,800
Fire protection	43,000	43,000	41,786	-	41,786	(1,214)
Gasoline tax and municipal aid	10,000	10,000	14,389	(3,722)	10,667	667
Homestead reimbursement	104,000	104,000	113,903	-	113,903	9,903
In lieu of taxes - TVA	-	-	211,817	(37,342)	174,475	174,475
Franchise taxes	300,500	300,500	318,836	5,862	324,698	24,198
Municipal court fines and bond fees	261,500	261,500	253,564	(3,771)	249,793	(11,707)
Cops in school charges	-	-	213,227	(2,002)	211,225	211,225
Parks and recreation	20,000	20,000	18,337	-	18,337	(1,663)
Fire department revenue - local	-	-	8,337	-	8,337	8,337
Interest income	35,000	35,000	15,130	-	15,130	(19,870)
Rents	-	-	41,600	-	41,600	41,600
Contributions and donations	-	-	2,243	-	2,243	2,243
Other	342,600	342,600	33,254	1,411	34,665	(307,935)
Total revenues	\$ 10,744,800	\$ 10,744,800	\$ 10,036,598	\$ (400,081)	\$ 9,636,517	\$ (1,108,283)

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

Schedule 3

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2017

	<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	\$ 426,000	\$ 474,906	\$ 476,383	\$ 4,667	\$ 481,050	\$ (6,144)
Supplies	39,000	39,000	9,667	386	10,053	28,947
Other services and charges	757,100	708,194	478,843	7,034	485,877	222,317
Capital outlay	405,000	405,000	39,755	-	39,755	365,245
Total	1,627,100	1,627,100	1,004,648	12,087	1,016,735	610,365
City Court						
Personnel services	157,000	177,930	172,765	-	172,765	5,165
Supplies	9,100	9,100	3,493	239	3,732	5,368
Other services and charges	107,400	86,470	62,640	(7,360)	55,280	31,190
Capital outlay	27,000	27,000	6,805	-	6,805	20,195
Total	300,500	300,500	245,703	(7,121)	238,582	61,918
Public Safety - Police						
Personnel services	2,552,000	3,163,273	3,113,635	(2,080)	3,111,555	51,718
Supplies	218,200	218,200	139,382	1,945	141,327	76,873
Other services and charges	1,317,100	705,827	545,776	46,790	592,566	113,261
Capital outlay	496,500	496,500	253,580	(4,172)	249,408	247,092
Total	\$ 4,583,800	\$ 4,583,800	\$ 4,052,373	\$ 42,483	\$ 4,094,856	\$ 488,944

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

Schedule 3

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2017

	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	\$ 1,240,000	\$ 1,599,521	\$ 1,578,071	\$ 3,178	\$ 1,581,249	\$ 18,272
Supplies	80,000	80,000	46,269	135	46,404	33,596
Other services and charges	477,100	201,437	256,154	9,968	266,122	(64,685)
Capital outlay	962,000	878,142	247,737	3	247,740	630,402
Total	2,759,100	2,759,100	2,128,231	13,284	2,141,515	617,585
Street						
Personnel services	754,000	880,122	868,622	(686)	867,936	12,186
Supplies	210,000	210,000	89,162	13,307	102,469	107,531
Other services and charges	557,600	557,600	614,791	11,294	626,085	(68,485)
Capital outlay	2,138,340	2,012,218	1,503,782	231,795	1,735,577	276,641
Total	3,659,940	3,659,940	3,076,357	255,710	3,332,067	327,873
Public Health and Sanitation						
Personnel services	214,000	271,716	279,469	(5,583)	273,886	(2,170)
Supplies	95,000	95,000	44,763	(8)	44,755	50,245
Other services and charges	132,600	74,884	69,186	(4,931)	64,255	10,629
Capital outlay	150,000	150,000	35,680	366	36,046	113,954
Total	\$ 591,600	\$ 591,600	\$ 429,098	\$ (10,156)	\$ 418,942	\$ 172,658

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

Schedule 3

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2017

	<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	\$ 106,000	\$ 130,399	\$ 130,400	\$ -	\$ 130,400	\$ (1)
Supplies	9,000	9,000	2,797	115	2,912	6,088
Other services and charges	176,000	151,601	144,649	(4,930)	139,719	11,882
Capital outlay	74,000	74,000	15,026	-	15,026	58,974
Total	365,000	365,000	292,872	(4,815)	288,057	76,943
Park and Recreation						
Personnel services	174,000	92,284	208,417	-	208,417	(116,133)
Supplies	268,100	268,100	33,644	(1,770)	31,874	236,226
Other services and charges	-	-	71,879	(4,984)	66,895	(66,895)
Capital outlay	785,000	703,284	563,257	(14,910)	548,347	154,937
Total	1,227,100	1,063,668	877,197	(21,664)	855,533	208,135
Code						
Personnel services	222,000	258,587	251,648	-	251,648	6,939
Supplies	16,000	16,000	5,790	162	5,952	10,048
Other services and charges	102,500	102,500	70,125	(5,118)	65,007	37,493
Capital outlay	60,000	23,413	2,948	-	2,948	20,465
Total	\$ 400,500	\$ 400,500	\$ 330,511	\$ (4,956)	\$ 325,555	\$ 74,945

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

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2017

	<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>						
Total expenditures	\$ 15,514,640	\$ 15,351,208	\$ 12,436,990	\$ 274,852	\$ 12,711,842	\$ 2,639,366
Excess (deficit) of revenues over (under) expenditures	(4,769,840)	(4,606,408)	(2,400,392)	(674,933)	(3,075,325)	1,531,083
<u>OTHER FINANCING SOURCES (USES)</u>						
Non-revenue receipts	20,000	20,000	3,000	-	3,000	(17,000)
Operating transfers in	2,031,000	2,031,000	200,209	-	200,209	(1,830,791)
Operating transfers out	(835,000)	(835,000)	(78,801)	-	(78,801)	756,199
Total other financing sources (uses)	1,216,000	1,216,000	124,408	-	124,408	(1,091,592)
Excess (deficit) of revenues and other financing sources over (under) expenditures and sources over (under) expenditures and other uses	(3,553,840)	(3,390,408)	(2,275,984)	(674,933)	(2,950,917)	439,491
Fund balances - beginning of year	4,931,076	4,931,076	4,931,076	-	4,931,076	-
Fund balances - end of year	\$ 1,377,236	\$ 1,540,668	\$ 2,655,092	\$ (674,933)	\$ 1,980,159	\$ 439,491

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

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
Tourism Fund
For the fiscal year ended September 30, 2017

	<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>REVENUES</u>					
Tourism tax	\$ 1,200,000	\$ 1,200,000	\$ 1,272,040	\$ 573	\$ 1,272,613
Interest income	500	500	541	-	541
Total revenues	1,200,500	1,200,500	1,272,581	573	1,273,154
<u>EXPENDITURES</u>					
Tourism expenses	104,000	104,000	31,275	-	31,275
Other services and charges	-	-	6,321	(1,879)	4,442
Total expenditures	104,000	104,000	37,596	(1,879)	35,717
Excess (deficit) of revenues over (under) expenditures	1,096,500	1,096,500	1,234,985	2,452	1,237,437
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers out	(1,500,000)	(1,500,000)	(960,000)	-	(960,000)
Total other financing sources (uses)	(1,500,000)	(1,500,000)	(960,000)	-	(960,000)
Excess (deficit) of revenues and other financing sources over (under) expenditures and other uses	(403,500)	(403,500)	274,985	2,452	277,437
Fund balances - beginning of year	1,129,535	1,129,535	1,129,535	-	1,129,535
Fund balances - end of year	\$ 726,035	\$ 726,035	\$ 1,404,520	\$ 2,452	\$ 1,406,972

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

CITY OF BATESVILLE, MISSISSIPPI
Notes to Required Supplementary Information
For the fiscal year ended September 30, 2017

NOTE 1 - PENSION SCHEDULES

- A. *Changes of benefit provisions.* In 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.
- B. *Changes 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. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years.

In 2015, (1) the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015; (2) the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015; (3) withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience; (4) the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience; and (5) the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

In 2017, (1) the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives; (2) the wage inflation assumption was reduced from 3.75% to 3.25%; (3) withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience; and (4) the percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

- C. *Changes in size or composition of the population covered by the benefit terms.* None were identified during the periods presented in the required supplementary information.
- D. *Changes in benefit provisions.* Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

CITY OF BATESVILLE, MISSISSIPPI
Notes to Required Supplementary Information
For the fiscal year ended September 30, 2017

- E. *Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentages of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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, 2017

NOTE 2 - BUDGETARY INFORMATION - CONTINUED

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

	<u>General Fund</u>	<u>Tourism Fund</u>
Revenues		
Deferred revenues	\$ 297,458	\$ -
Receivables	(724,097)	573
Payables	<u>26,558</u>	<u>-</u>
Total	<u>(400,081)</u>	<u>573</u>
Expenditures		
Accounts payable paid after 30 days	275,356	(1,879)
Vacation accrual paid after 30 days	<u>(504)</u>	<u>-</u>
Total	<u>274,852</u>	<u>(1,879)</u>
Net difference in budgetary basis and actual	<u>\$ (674,933)</u>	<u>\$ 2,452</u>

- D. The General Fund budgetary comparison schedule has an excess of expenditures over revenues of \$2,950,917 and the Tourism Fund has an excess of revenues over expenditures of \$277,437.

CITY OF BATESVILLE, MISSISSIPPI
Nonmajor Governmental Funds
Combining Balance Sheets
September 30, 2017

	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	\$ 16,639	\$ 60,998	\$ 80,974	\$ 1,384,693	\$ 25,679	\$ 15,249	\$ 28,058	\$ -	\$ 59,461	\$ 1,671,751
Receivables (net of allowance for uncollectibles)										
Interest	-	-	-	1,146	-	-	-	-	-	1,146
Due (to) from other governmental funds	-	-	-	-	7,325	-	-	-	-	7,325
Prepaid items	-	-	-	-	551	-	-	-	-	551
Notes and loans receivable - net	-	-	-	367,917	101,464	-	-	-	-	469,381
Total assets	\$ 16,639	\$ 60,998	\$ 80,974	\$ 1,753,756	\$ 135,019	\$ 15,249	\$ 28,058	\$ -	\$ 59,461	\$ 2,150,154
LIABILITIES										
Accounts payable	\$ 16,627	\$ -	\$ -	\$ 1,762	\$ 2,282	\$ -	\$ -	\$ -	\$ -	\$ 20,671
Builders compliance bonds and seized funds held	-	9,640	-	-	-	-	-	-	-	9,640
Total liabilities	16,627	9,640	-	1,762	2,282	-	-	-	-	30,311
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue	-	-	-	-	101,463	-	-	-	-	101,463
Total deferred inflows of resources	-	-	-	-	101,463	-	-	-	-	101,463
FUND BALANCES										
Restricted	12	51,358	80,974	1,751,994	31,274	15,249	28,058	-	59,461	2,018,380
Total fund balance	12	51,358	80,974	1,751,994	31,274	15,249	28,058	-	59,461	2,018,380
Total liabilities and fund balances	\$ 16,639	\$ 60,998	\$ 80,974	\$ 1,753,756	\$ 135,019	\$ 15,249	\$ 28,058	\$ -	\$ 59,461	\$ 2,150,154

CITY OF BATESVILLE, MISSISSIPPI
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended September 30, 2017

	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
REVENUES										
Federal grants	\$ -	\$ -	\$ 80,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,953
Municipal court fines and bond fees	-	12,144	-	-	-	-	-	-	-	12,144
Interest income	6	22	22	13,563	-	4	13	24	238	13,892
Rents	-	-	-	-	207,988	-	-	-	-	207,988
Contributions and donations	-	-	-	-	-	1,723	-	-	-	1,723
Reduction for uncollectable loans	-	-	-	18,485	-	-	-	-	-	18,485
Total revenues	6	12,166	80,975	32,048	207,988	1,727	13	24	238	335,185
EXPENDITURES										
Current										
General government	-	-	-	5,357	8,543	-	-	-	-	13,900
Police	-	2,163	-	-	-	-	-	-	-	2,163
Capital outlay	-	1,842	-	-	-	-	2,700	-	-	4,542
Debt Service										
Principal retirement - general obligation	-	-	-	-	188,705	-	-	75,000	-	263,705
Interest and paying agent	-	-	-	-	11,387	-	-	3,828	-	15,215
Total expenditures	-	4,005	-	5,357	208,635	-	2,700	78,828	-	299,525
Excess (deficit) of revenues over (under) expenditures	6	8,161	80,975	26,691	(647)	1,727	(2,687)	(78,804)	238	35,660
OTHER FINANCING SOURCES (USES)										
Operating transfers in	-	-	-	-	-	-	-	78,801	-	78,801
Operating transfers out	-	-	(209)	-	-	-	-	-	-	(209)
Total other financing sources (uses)	-	-	(209)	-	-	-	-	78,801	-	78,592
Excess (deficit) of revenues and other sources over (under) expenditures and other uses	6	8,161	80,766	26,691	(647)	1,727	(2,687)	(3)	238	114,252
Fund balance - beginning	6	43,197	208	1,725,303	31,921	13,522	30,745	3	59,223	1,904,128
Fund balance - end of year	\$ 12	\$ 51,358	\$ 80,974	\$ 1,751,994	\$ 31,274	\$ 15,249	\$ 28,058	\$ -	\$ 59,461	\$ 2,018,380

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials and Employees
September 30, 2017

<u>Name</u>	<u>Position</u>	<u>Amount</u>	<u>Insurance Company</u>	<u>Expiration Date</u>
Jerry Autrey	Mayor	\$ 50,000	Liberty Mutual	7/1/2021
Teddy Morrow	Alderman at large	100,000	Liberty Mutual	7/1/2021
Bill Dugger	Alderman	100,000	Liberty Mutual	7/1/2021
Bobby Walton Jr	Alderman	100,000	Liberty Mutual	7/1/2021
Stan Harrison	Alderman	100,000	Liberty Mutual	7/1/2021
Dennis Land	Alderman	100,000	Liberty Mutual	7/1/2021
James McCloud	Chief of Police	50,000	Liberty Mutual	2/7/2019
Susan Berryhill	City Clerk	50,000	Liberty Mutual	7/1/2021
Embry Moody	Payroll	50,000	Liberty Mutual	7/1/2021
Miranda Gail Lance	Bookkeeper	50,000	Liberty Mutual	5/15/2021
Employeeet theft each employee	Various	50,000	Travelers	5/9/2018

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, 2017, 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 6, 2018.

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, 2017 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, 2017 (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 have not been 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 2017-001, 2017-002, and 2017-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. It is labeled as item 2017-004.

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 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, 2017-011, 2017-012, 2017-013, and 2017-014.

We noted certain other matters that we reported to management of City of Batesville, Mississippi, in a separate letter dated September 6, 2018.

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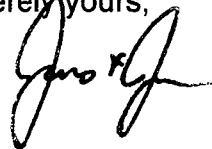
City of Batesville, Mississippi's Response to Findings

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 6, 2018

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, 2017, which collectively comprise the City of Batesville, Mississippi's basic financial statements and have issued our report thereon dated September 6, 2018.

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, 2017 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, 2017 (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 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, 2017-011, 2017-012, 2017-013, and 2017-014.

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.

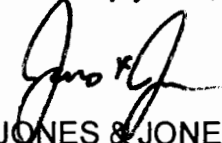
Purpose of this Report

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 6, 2018

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Material Weaknesses

2017-001. 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.

2017-002. 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.

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Material Weaknesses - continued

2017-002. Segregation of Duties - continued

Response: We concur with the recommendation.

2017-003. Violation of Laws and Regulations

Condition: As discussed in finding numbers 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, 2017-011, 2017-012, 2017-013, and 2017-014, 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 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, 2017-011, 2017-012, 2017-013, and 2017-014.

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 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, 2017-011, 2017-012, 2017-013, and 2017-014.

Recommendation: See recommendation in finding numbers 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, 2017-011, 2017-012, 2017-013, and 2017-014. Controls should be put in place to prevent noncompliance.

Response: We will install procedures to prevent noncompliance.

Significant Deficiencies

2017-004. Unaccounted for Natural Gas

Condition: Tennessee Gas Pipeline Company metered natural gas to the City of 332,150 MCF. The City's records reflect gas sold of 308,419 MCF. This is a difference of 23,731 MCF or 7.14%.

Criteria: Internal controls should be in place to require comparison of the volume of natural gas sold to the volume of natural gas purchased.

Cause: The City had not established such a policy.

Effect: The City could have significant undetected leaks in its natural gas lines or the meters could be reading incorrectly.

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CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Significant Deficiencies - continued

2017-004. Unaccounted for Natural Gas - continued

Recommendation: We recommend the City establish a policy to maintain formal records of natural gas volume sold compared to natural gas volume purchased and investigate unaccounted differences.

Response: Our new natural gas department head is now monitoring this.

Compliance and Other Matters and Compliance with State Laws and Regulations

2017-005. Tax Abatement

Condition: Tax abatements were not properly completed.

Criteria: Section 27-31-101 of Mississippi Code Ann. gives the City authority to grant tax abatements to certain businesses. The tax abatement must be approved by the Mississippi Department of Revenue and approved by the Board of Alderperson.

Cause: The final step was omitted.

Effect: The Board of Alderperson minutes reflect the City granted subject to approval and certification of the Mississippi State Tax Commission an ad valorem tax exemption to a local company for property for a ten year period. On August 23, 2017, the Mississippi Department of Revenue certified that the company is eligible for ad valorem tax exemption for a period of ten years from and after January 1, 2017. The City's Board of Alderperson minutes never reflected the final granting of this exemption nor changed the amount authorized.

Recommendation: We recommend the City consult with it's attorney and complete the process of granting this tax abatement.

Response: We will consult our attorney and follow their advice.

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CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Compliance and Other Matters and Compliance with State Laws and Regulations

2017-006. City Vehicles Not Properly Identified

Condition: We noted some City vehicles that did not contain the required identification that the vehicle belonged to the City.

Criteria: Section 25-1-87 of Miss. Code Ann. (1972) requires all municipal vehicles be marked except police vehicles authorized by governing authorities. This section requires vehicles to be marked in contrasting color by affixing on both sides of the vehicle a permanent decal or design which is at least twelve inches in width and height or painting the name of the municipality on each vehicle in letters at least three inches in height or painting the name of the municipality on each vehicle in letters at least three inches in height and on the rear of each vehicle in letters at least one and one-half inches in height.

Cause: This was an apparent oversight.

Effect: In our observation of six City vehicles, we noted one did not have the City's name on the rear of the vehicle as required by Section 25-1-87 of Miss. Code Ann. (1972).

Recommendation: We recommend City management examine all vehicles and determine they display the City's name in accordance with the requirement of Section 25-1-87 of Miss. Code Ann. (1972).

Response: We will examine all City vehicles and correct any noncompliance.

2017-007. 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, unless it is a single source or an emergency purchase.

Cause: The City did not thoroughly understand the requirements of the purchasing laws.

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Compliance and Other Matters and Compliance with State Laws and Regulations

2017-007. Purchase Law Violations – continued

Effect: In our test of 85 invoices, we noted that 10 invoices were not in compliance with the State of Mississippi purchasing law. The noncompliance items were as follows:

1. The Board of Alderperson minutes authorize a single source purchase only available from Holophane; however, it was purchased from a local supplier in Oxford MS for \$5,342 which would indicate it is not a single source purchase. The total purchases under this single source authorization amounted to \$39,589. No quotes were obtained.
2. The Board of Alderperson minutes declared an emergency on April 4, 2017 to provide protective crossing of the railroad track at the Indian Mounds. The City hired a contractor for \$181,673 without advertising for bids. The work for this contract was not started per the invoice until August 11, 2017, over four months later; therefore, the contract would not qualify as an emergency purchase because the City had sufficient time to follow the purchasing laws.
3. The City paid an invoice in the amount of \$118,072 for a regulator tap station without obtaining bids or quotes. The invoice was dated September 21, 2016 and was backed up by Board of Alderperson minutes dated January 19, 2016 declaring the purchase of a meter as an emergency purchase due to having to complete by June 30, 2017 and a there being a 20 week wait period. This invoice was for a tap station and not a meter; therefore, not in compliance with purchasing laws. The total amount paid for the regulator tap station was \$175,947.
4. The City could not locate verification that bids or quotes were obtained on the following expenditures:

<u>Type of Expenditure</u>	<u>Amount</u>
Capital expenditure – streets	\$109,507
Capital expenditure – land	7,309
Street paving	28,210
Street paving	13,796
Street paving	320,121
Capital expenditure Hunter Trace	128,873
Other	28,477

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

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Compliance and Other Matters and Compliance with State Laws and Regulations

2017-007. Purchase Law Violations – continued

Response: We had a meeting with all Alderpersons and department heads and went over the purchase law requirements.

2017-008. Transfers Between Funds Not Approved by the Board of Alderpersons

Condition: The City transferred \$200,000 from the Water and Sewer Fund to the General Fund that was not approved by the Board of Alderpersons. The City transferred \$960,000 from the Tourism Fund to the Civic Center Fund that was not approved by the Board of Alderpersons. The City transferred \$209 from the Fire Grant Fund to the General Fund that was not approved by the Board of Alderpersons. The General Fund borrowed \$450,187 from the Gas System Fund that was not approved by the Board of Alderpersons.

Criteria: State laws require the Board of Alderpersons to authorize transfers and loans 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 and loans that were not authorized by the Board of Alderpersons. Any unapproved distributions from enterprise funds could be questioned by the Public Service Commission.

Recommendation: We recommend all transfers and loans 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.

2017-009. City Assessed Ad-Valorem Taxes Not Allocated to Proper Category

Condition: The library portion of the ad-valorem taxes and homestead tax reimbursement collected during the year ended September 30, 2017 totaled \$585,839 and \$21,363, while the budget basis expenditures totaled only \$288,057. The difference of \$319,145 has been accounted for as unrestricted cash instead of being restricted to library operations. 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 \$336,805 for the year ended September 30, 2016, \$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 \$1,872,126 at September 30, 2017.

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

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

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

2017-009. City Assessed Ad-Valorem Taxes Not Allocated to Proper Category - continued

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.

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 \$1,872,126.

Response: Our September 30, 2017 financial statements now restrict library operations cash and present a restricted library operations fund balance of \$1,872,126. We no longer are assessing a tax to support our library. The above funds will be used for future library operations.

2017-010. 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. This was corrected near the end of the year and will not reoccur next year.

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

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

2017-011. 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 Alderpersons have established a formal policy establishing under what circumstances this can be done.

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.

2017-012. 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.

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

General Fund – general government – personnel services	\$6,144
General Fund – public safety – fire – other services and charges	64,685
General Fund – street – other services and charges	68,485
General Fund – public health and sanitation - personnel services	2,170
General Fund – library – personnel services	1
General Fund – park and recreation – personnel services	116,133
General Fund – park and recreation – other services and charges	66,985
Tourism Fund – other services and charge	4,442
TIF Reserve Fund – debt service	2,827
Post Office Fund – other services and charges	9,975
Gas System Fund – personnel services	15,929

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENT - CONTINUED

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

2017-012. Budget - continued

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.

Response: We make every effort to amend the budget when necessary to avoid budget overruns.

2017-013. 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.

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 bring this up to the Board of Alderpersons and consult with our attorney and follow his recommendations.

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENT - CONTINUED

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

2017-014. 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's 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: Subsequent to year end we have established new water and sewer rates and we have implemented these rates.

CITY OF BATESVILLE, MISSISSIPPI
Results of Prior Year Findings
For the fiscal year ended September 30, 2017

Financial Statement Findings

Finding Number	Finding Title	Status
2016-001	Outsourcing Financial Statements and Related Notes, and Supplementary Information Preparation (original finding 2015-001)	Repeated - see current year finding 2017-001
2016-002	Utility Collection Allocation (original finding 2015-002)	Corrected
2016-003	Segregation of Duties (original finding 2016-003)	Repeated - see current year finding 2017-002
2016-004	Various Funds Combined Bank Account (original finding 2016-004)	Corrected
2016-005	Violation of Laws and Regulations (original finding 2016-005)	Repeated - see current year finding 2017-003
2016-006	Violation of Laws and Regulations (original finding 2016-006)	Repeated - see current year finding 2017-003
2016-007	Property Taxes (original finding 2016-007)	Corrected
2016-008	Transfers Between Funds Not Approved by the Board of Alderpersons (original finding 2016-008)	Repeated - see current year finding 2017-008
2016-009	City Assessed Ad-Valorem Taxes Not Allocated to Proper Category (original finding 2016-009)	Repeated - see current year finding 2017-009
2016-010	City Payroll Overtime and Retirement Eligibility (original finding 2016-010)	Repeated - see current year finding 2017-010
2016-011	Firemen Swap Time (original finding 2016-011)	Repeated - see current year finding 2017-011
2016-012	Federal I-9 Forms (Employment Eligibility Verification)(original finding 2016-012)	Corrected
2016-013	Utility Department On Call Time (original finding 2016-013)	Repeated - see current year finding 2017-013
2016-014	Water Rates (original finding 2016-014)	Repeated - see current year finding 2017-014
2016-015	Budgets (original finding 2014-005)	Repeated - see current year finding 2017-012

CITY OF BATESVILLE, MISSISSIPPI
Results of Prior Year Findings
For the fiscal year ended September 30, 2017

2016-016	Purchase Law Violations (original finding 2016-016)	Repeated - see current year finding 2017-007
2016-017	Mississippi Department of Transportation Contract for Gas Line Relocation (original finding 2016-017)	Corrected

Federal Award Findings and Questioned Costs

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