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CITY OF BROOKHAVEN, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

CITY OF BROOKHAVEN, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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AUDITED FINANCIAL STATEMENTS
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Max Halley PLLC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Alderman
Brookhaven, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brookhaven, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Brookhaven, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brookhaven, Mississippi, as of September 30, 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 and budgetary comparison information on pages 4-11 and 41-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brookhaven, Mississippi's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018, on our consideration of the City of Brookhaven, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Brookhaven, Mississippi's internal control over financial reporting and compliance.



Max Halley PLLC
Brookhaven, Mississippi

June 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Brookhaven's financial performance provides an overall narrative review of the City's financial activities for the fiscal year ended **September 30, 2017**. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. To the extent this discussion contains any forward-looking statements of the City's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein. The discussion focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

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

Financial Highlights

The City's assets exceeded its liabilities by \$51,602,460 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$52,488,409.

Total net position is comprised of the following:

(1) Net investment in capital assets, of \$43,204,517 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.

(2) Net position of \$1,198,308 is restricted by constraints imposed from outside the city such as debt covenants, grantors, laws, or regulations.

(3) Unrestricted net position of \$7,199,635 represents the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds reported total ending fund balance of \$4,195,733 this year. This compares to the prior year ending fund balance of \$4,788,711 showing an decrease of \$592,978 during the year.

Total liabilities of the City increased by \$271,710 to \$12,655,920 during the fiscal year.

Overview of the financial statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

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

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

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

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

Note to the financial statements

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

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

Financial Analysis of the City as a Whole

The City's net position at fiscal year-end is \$51,602,460. This is a \$885,949 decrease over last year's net position of \$52,488,409. The following table provides a summary of the City's net position for the fiscal year ended September 30, 2016.

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

Summary of Net Position						
	Governmental Activities		Business-type Activities		Totals	
	9/30/2016	9/30/2017	9/30/2016	9/30/2017	9/30/2016	9/30/2017
Current and other assets	\$ 9,960,222	\$ 9,878,252	\$ 5,058,501	\$5,453,490	\$ 15,018,723	\$ 15,331,742
Capital assets	34,499,016	33,971,271	14,953,836	14,500,152	49,452,852	48,471,423
Restricted assets			401,044	455,215	401,044	455,215
Total assets	<u>44,459,238</u>	<u>43,849,523</u>	<u>20,413,381</u>	<u>20,408,857</u>	<u>64,872,619</u>	<u>64,258,380</u>
Long-term liabilities	2,315,664	2,178,674	3,495,463	3,088,232	5,811,127	5,266,906
Other liabilities	5,430,874	5,995,167	1,142,209	1,393,847	6,573,083	7,389,014
Total liabilities	<u>7,746,538</u>	<u>8,173,841</u>	<u>4,637,672</u>	<u>4,482,079</u>	<u>12,384,210</u>	<u>12,655,920</u>
Net Position:						
Net Investment in						
Capital Assets	32,183,352	31,792,597	11,458,373	11,411,920	43,641,725	43,204,517
Restricted			1,664,187	1,198,308	1,664,187	1,198,308
Unrestricted	4,529,348	3,883,085	2,653,149	3,316,550	7,182,497	7,199,635
Total net position	<u>\$36,712,700</u>	<u>\$ 35,675,682</u>	<u>\$ 15,775,709</u>	<u>\$15,926,778</u>	<u>\$52,488,409</u>	<u>\$51,602,460</u>

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	9/30/2016	9/30/2017	9/30/2016	9/30/2017	9/30/2016	9/30/2017
Revenues:						
Program revenues						
Charges for services	\$ 221,493	\$ 246,432	\$3,943,164	\$4,060,461	\$ 4,164,657	\$ 4,306,893
Grants and Contributions	909,273	687,976			909,273	687,976
General revenues						
Property taxes	3,575,687	3,960,119	501,563	421,382	4,077,250	4,381,501
Penalties and interest	114,039	136,307			114,039	136,307
License and Permits	100,908	97,942			100,908	97,942
Fines and forfeitures	304,474	174,254			304,474	174,254
In lieu taxes	11,234	23,862			11,234	23,862
Franchise tax	465,039	444,504			465,039	444,504
Grand Gulf Nuclear Plant	173,189	174,135			173,189	174,135
Sales tax	5,688,544	5,826,996			5,688,544	5,826,996
Gasoline tax	14,964	43,205			14,964	43,205
Homestead	180,356	197,244	22,967		203,323	197,244
Hotel Tax	92,336	148,556			92,336	148,556
Miscellaneous	268,191	790,158	141	19,395	268,332	809,553
Interest income	8,967	6,192	2,440	3,451	11,407	9,643
Rent	85,442	89,860			85,442	89,860
Transfers	(66,449)	171,878	461,804	(129,437)	395,355	42,441
Total revenues	12,147,687	13,219,620	4,932,079	4,375,252	17,079,766	17,594,872
Expenses:						
General government	2,494,885	3,556,301			2,494,885	3,556,301
Police administration	2,802,841	3,169,710			2,802,841	3,169,710
Police court	169,183	208,474			169,183	208,474
Fire administration	2,398,656	2,501,367			2,398,656	2,501,367
Building inspection	102,506	139,909			102,506	139,909
City streets	1,545,376	2,555,942			1,545,376	2,555,942
Traffic department	144,921	110,108			144,921	110,108
Airport	235,199	341,333			235,199	341,333
Cemetery	211,935	229,989			211,935	229,989
Interest on long term debt	169,380	124,672			169,380	124,672
Support appropriations	1,275,031	1,318,833			1,275,031	1,318,833
Water and sewer			3,631,986	2,814,921	3,631,986	2,814,921
Solid waste			1,224,949	1,409,262	1,224,949	1,409,262
Total expenses	11,549,913	14,256,638	4,856,935	4,224,183	16,406,848	18,480,821
Change in net position	597,774	(1,037,018)	75,144	151,069	672,918	(885,949)
Beginning net position	36,114,926	36,712,700	15,700,565	15,775,709	51,815,491	52,488,409
Ending net position	<u>\$36,712,700</u>	<u>\$35,675,682</u>	<u>\$15,775,709</u>	<u>\$15,926,778</u>	<u>\$52,488,409</u>	<u>\$51,602,460</u>

Financial Analysis of the City's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$4,195,733. Of this year-end total \$3,883,542 is unassigned indicating availability for continuing City service requirements. The remainder is restricted fund balance \$71,614; nonspendable fund balance of \$34,591 and committed fund balance of \$205,986.

The total ending fund balances of governmental funds show a decrease of \$592,978 from the prior year.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased by \$554,475.

General Fund Budgetary Highlights

The General Fund budget for expenditures for fiscal year 2017 was \$13,108,643.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2017 was \$33,971,271 and \$14,500,152 respectively. The net change for this investment was a 2% decrease for governmental and a decrease of 3% for business-type activities. The overall decrease was 2% for the City as a whole.

	Capital Assets Net of Accumulated Depreciation					
	Governmental Activities		Business-type Activities		Totals	
	9/30/2016	9/30/2017	9/30/2016	9/30/2017	9/30/2016	9/30/2017
Non Depreciable Assets:						
Land/Land Improvements	\$ 6,349,992	\$ 6,349,992	\$ 84,499	\$ 84,499	\$ 6,434,491	\$6,434,491
Depreciable Assets:						
Building	7,324,642	7,337,362			7,324,642	7,337,362
Improvements other than bldg	16,886,497	16,227,985	14,554,617	14,169,316	31,441,114	30,397,301
Machinery & equipment	3,937,885	4,055,932	314,720	246,337	4,252,605	4,302,269
Total	<u>\$34,499,016</u>	<u>\$33,971,271</u>	<u>\$14,953,836</u>	<u>\$14,500,152</u>	<u>\$49,452,852</u>	<u>\$48,471,423</u>

Long-term debt

At the end of the fiscal year, the City had total debt outstanding of \$5,266,906. Of this amount, \$2,763,233 is backed by the full faith and credit of the City (general obligation bonds) with debt service fully funded by voter-approved property taxes. \$2,315,000 is supported by pledged revenue generated primarily by the business-type activities of the City (revenue bonds). A capital lease was incurred in a previous year for the purchase of a new fire truck. The balance of the lease is \$188,673 at the end of the year.

	Outstanding Bonds and Notes					
	Governmental Activities		Business-type Activities		Totals	
	9/30/2016	9/30/2017	9/30/2016	9/30/2017	9/30/2016	9/30/2017
General Obligation bonds and notes	\$ 2,070,992	\$ 1,990,000	\$1,085,463	\$ 773,233	\$ 3,156,455	\$ 2,763,233
Revenue bonds and notes	0	0	2,410,000	2,315,000	2,410,000	2,315,000
Capital Lease	244,672	188,673	0	0	244,672	188,673
Total	\$ 2,315,664	\$ 2,178,673	\$ 3,495,463	\$ 3,088,233	\$5,811,127	\$5,266,906

Economic Factors and Next Year's Budgets and Rates

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

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

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

- 1) Annexation: The city is continuing to take steps to implement the services and facilities plan. The board has begun the process of securing funding for the expansion of water and sewer services and has adopted a plan for this expansion.
- 2) Linbrook Business Park: The City will continue working with the Chamber of Commerce and the I.D.F. in efforts to secure new industries for the park.
- 3) Downtown Business District: The Downtown Business District shows continued growth and improvement and the city feels that this growth will continue with numerous buildings being renovated and several new businesses having relocated to the downtown area.

- 4) Public Safety (Police/Fire): The City will continue to utilize various grants for the improvement of the Police department and Fire departments.
- 5) Street overlays: The City completed the overlay of Brookway Boulevard and has completed a city wide street improvement project. Rerouting of downtown traffic and a repaving project has also been completed.
- 6) Funding has been obtained for a new fire department and plans are underway to build the new location.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

CITY OF BROOKHAVEN, MISSISSIPPI
SEPTEMBER 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,038,060	\$ 3,980,751	\$ 7,018,811	\$ 345,584
Cash-Certificate of Deposit	384,232	-	384,232	-
Accounts receivables	-	536,718	536,718	-
Intergovernmental receivables	709,220	144,993	854,213	-
Federal receivable	-	-	-	-
Taxes receivable	5,681,391	712,282	6,393,673	-
Other receivable	30,758	-	30,758	-
Inventories	34,591	78,746	113,337	-
Capital assets				
Land and other improvements	6,349,992	84,499	6,434,491	-
Other capital assets, net	27,621,279	14,415,653	42,036,932	-
Restricted assets:				
Customer deposits	-	455,215	455,215	-
Total assets	43,849,523	20,408,857	64,258,380	345,584
<u>LIABILITIES</u>				
Accounts payable	477,811	202,285	680,096	-
Unearned revenue	5,150,752	536,537	5,687,289	-
Intergovernmental payables	25,000	135,832	160,832	-
Compensated absences	295,795	31,909	327,704	-
Accrued interest expense	16,853	21,584	38,437	-
Other accrued expenses	28,956	10,485	39,441	-
Customer deposits	-	455,215	455,215	-
Long term liabilities - notes:				
Due within one year	233,124	154,315	387,439	-
Due within more than one year	1,945,550	2,933,917	4,879,467	-
Total liabilities	8,173,841	4,482,079	12,655,920	-
<u>NET POSITION</u>				
Net investment in capital assets	31,792,597	11,411,920	43,204,517	-
Restricted for debt services	-	1,198,308	1,198,308	-
Unrestricted	3,883,085	3,316,550	7,199,635	345,584
Total net position	\$ 35,675,682	\$ 15,926,778	\$ 51,602,460	\$ 345,584

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

STATEMENT OF ACTIVITIES
CITY OF BROOKHAVEN, MISSISSIPPI
YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental activities:					
General government	\$ 4,244,277	\$ 345	\$ -	\$ 687,976	\$ (3,555,956)
Police administration	3,169,710	-	-	-	(3,169,710)
Police court	208,474	-	-	-	(208,474)
Fire administration	2,501,367	-	-	-	(2,501,367)
Building inspection	139,909	-	-	-	(139,909)
City streets	2,555,942	-	-	-	(2,555,942)
Traffic department	110,108	-	-	-	(110,108)
Airport	341,333	202,378	-	-	(138,955)
Cemetery	229,989	43,709	-	-	(186,280)
Interest on long term debt	124,672	-	-	-	(124,672)
Support appropriations	1,318,833	-	-	-	(1,318,833)
Total governmental activities	14,944,614	246,432	-	687,976	(14,010,206)
Business-type activities:					
Water and sewer	2,814,921	2,961,101	-	-	146,180
Solid waste	1,409,262	1,098,928	-	-	(310,334)
Total business-type activities	4,224,183	4,060,029	-	-	(164,154)
Total primary government	\$ 19,168,797	\$ 4,306,461	\$ -	\$ 687,976	\$ (14,174,360)
Component units:					
Parks and recreation commission	\$ 1,100,455	\$ 274,707	\$ -	\$ -	\$ (825,748)
Tourism Council	114,063	-	-	-	(114,063)
Total component units	\$ 1,214,518	\$ 274,707	\$ -	\$ -	\$ (939,811)

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

STATEMENT OF ACTIVITIES (continued)
CITY OF BROOKHAVEN, MISSISSIPPI
YEAR ENDED SEPTEMBER 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in net position:				
Net (expense) revenue	<u>\$ (14,010,206)</u>	<u>\$ (164,154)</u>	<u>\$ (14,174,360)</u>	<u>\$ (939,811)</u>
General Revenues:				
Taxes:				
Property taxes	3,960,119	421,382	4,381,501	-
Penalties and interest	136,307	(16,258)	120,049	-
License and Permits	97,942	-	97,942	-
Fines and Forfeitures	174,254	-	174,254	-
In lieu taxes	23,862	-	23,862	-
Franchise tax	444,504	-	444,504	-
Grand Gulf Nuclear Plant	174,135	-	174,135	-
Sales tax	5,826,996	-	5,826,996	-
Gasoline tax	43,205	-	43,205	-
Homestead reimbursement	197,244	-	197,244	-
Hotel/Motel tax	148,556	-	148,556	-
Federal Sources	687,976	-	687,976	-
Miscellaneous	543,366	36,085	579,451	-
Interest income	6,192	3,451	9,643	-
Rent	89,860	-	89,860	-
Services Rendered	246,792	-	246,792	-
Transfers	171,878	(129,437)	42,441	981,991
Total general revenues and transfers	<u>12,973,188</u>	<u>315,223</u>	<u>13,288,411</u>	<u>981,991</u>
Change in net position	<u>(1,037,018)</u>	<u>151,069</u>	<u>(885,949)</u>	<u>42,180</u>
Net position - beginning	<u>36,712,700</u>	<u>15,775,709</u>	<u>52,488,409</u>	<u>303,404</u>
Net position - ending	<u><u>\$ 35,675,682</u></u>	<u><u>\$ 15,926,778</u></u>	<u><u>\$ 51,602,460</u></u>	<u><u>\$ 345,584</u></u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
CITY OF BROOKHAVEN, MISSISSIPPI
SEPTEMBER 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,719,955	\$ 318,105	\$ 3,038,060
Cash-Certificate of Deposit	384,232		384,232
Receivables:			
Sales tax	474,693		474,693
Property taxes	5,206,698		5,206,698
Federal receivable	-		-
Due from other funds	686,910	22,310	709,220
Other	29,410	1,348	30,758
Inventories	34,591		34,591
Total assets	9,536,489	341,763	9,878,252
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable	455,501	22,310	477,811
Unearned revenue	5,150,752	-	5,150,752
Due to other funds	-	25,000	25,000
Other accrued expenses	12,103	16,853	28,956
Total liabilities	5,618,356	64,163	5,682,519
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	34,591	-	34,591
Restricted:			
Debt service	-	71,614	71,614
Committed:	-	-	
Capital Improvements	-	205,986	205,986
Unassigned	3,883,542	-	3,883,542
Total fund balances	3,918,133	277,600	4,195,733
Total liabilities and fund balances	\$ 9,536,489	\$ 341,763	\$ 9,878,252

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

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
CITY OF BROOKHAVEN, MISSISSIPPI
SEPTEMBER 30, 2017

Total fund balance - total governmental funds	\$ 4,195,733
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$55,209,651, net of accumulated depreciation of \$21,238,380, are	33,971,271
Accrued compensated absences are not reported in the funds.	(295,795)
Accrued interest expense is not reported in the funds.	(16,853)
Bonds payable are not included in the funds.	(1,990,000)
Notes payable are not included in the funds.	(188,674)
Net position of governmental activities.	<u><u>\$ 35,675,682</u></u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

CITY OF BROOKHAVEN, MISSISSIPPI

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
General property taxes			
Current year	\$ 3,738,569	\$ 260,765	\$ 3,999,334
Prior year	14,172	-	14,172
Penalties and interest on		-	
Delinquent taxes	136,307	-	136,307
License and permits	97,942	-	97,942
Fines and penalties	174,254	-	174,254
In lieu taxes	23,862	-	23,862
Franchise taxes:	444,504	-	444,504
Intergovernmental Revenue:		-	
Federal sources	687,976	-	687,976
State sources:		-	
Grand Gulf Nuclear Plant	174,135	-	174,135
Sales tax	5,826,996	-	5,826,996
State gasoline tax	43,205	-	43,205
Homestead reimbursement	197,244	-	197,244
Hotel/Motel Tax	148,556	-	148,556
State grants		-	-
County sources	20,000	-	20,000
Charges for services:		-	
City clerk's office	345	-	345
Airport	202,738	-	202,738
Cemetery	43,709	-	43,709
Rent	89,860	-	89,860
Interest	5,725	467	6,192
Miscellaneous	484,069	-	484,069
Total Revenues	\$ 12,554,168	\$ 261,232	\$ 12,815,400

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
CITY OF BROOKHAVEN, MISSISSIPPI
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>EXPENDITURES</u>			
General Government	\$ 1,018,394	\$ -	\$ 1,018,394
Police Administration	3,169,710	-	3,169,710
Municipal Court	208,474	-	208,474
Fire Administration	2,501,367	-	2,501,367
Building Inspection	139,909	-	139,909
City Streets	2,555,942	-	2,555,942
Traffic Department	110,108	-	110,108
Airport	341,333	-	341,333
Cemetery	229,989	-	229,989
Support Appropriations	1,318,833	-	1,318,833
Debt Service:			
Principal	115,998	60,000	175,998
Interest	49,381	75,291	124,672
Total Expenditures	11,759,438	135,291	11,894,729
Excess <deficiency> of revenues over expenditures	794,730	125,941	920,671
<u>OTHER FINANCING SOURCES <USES></u>			
Buildings and Other Improvements	(930,197)	(28,660)	(958,857)
Machinery and Equipment	(452,216)	-	(452,216)
Paying Agent and Professional Fees	-	(16,113)	(16,113)
Operating transfers	33,208	(119,671)	(86,463)
Net Other Financing Sources <Uses>	(1,349,205)	(164,444)	(1,513,649)
Net change in fund balances	(554,475)	(38,503)	(592,978)
Fund balances beginning	4,472,608	316,103	4,788,711
Fund balances ending	\$ 3,918,133	\$ 277,600	\$ 4,195,733

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
CITY OF BROOKHAVEN, MISSISSIPPI
SEPTEMBER 30, 2017

Net change in fund balances - total governmental funds	\$ (592,978)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,411,073 were less than depreciation of \$1,910,158 in the current period.	(499,085)
Repayment of debt principal is an expenditure in the governmental funds, but the expenditure reduces long-term liabilities in the statement of net position.	115,998
The issuance of new debt is shown as income in the governmental funds, but the issuance increases long-term liabilities in the statement of net position.	-
The increase in compensated absences reported in the statement of activities does not require the use of current financial resources and are not reported as expenditures in governmental funds.	(51,824)
The increase in accrued interest expense is not reported in the fund statements, but it is reported in the statement of activities.	(9,129)
Change in net position of governmental activities.	<u>\$ (1,037,018)</u>

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

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
CITY OF BROOKHAVEN, MISSISSIPPI
SEPTEMBER 30, 2017

	<u>Water & Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Current assets:			
Cash and other deposits	\$ 1,888,930	\$ 2,091,821	\$ 3,980,751
Due from other funds	-	144,993	144,993
Accounts receivable	527,753	8,965	536,718
Property taxes receivable	-	712,282	712,282
Inventory	78,746	-	78,746
Total current assets	<u>2,495,429</u>	<u>2,958,061</u>	<u>5,453,490</u>
Restricted assets:			
Customer deposits	455,215	-	455,215
	<u>455,215</u>	<u>-</u>	<u>455,215</u>
Non-current assets:			
Capital assets:			
Land	84,499	-	84,499
Construction in Progress	-	-	-
Fixed assets net of depreciation	14,351,286	64,367	14,415,653
Total non-current assets	<u>14,435,785</u>	<u>64,367</u>	<u>14,500,152</u>
Total Assets	<u>17,386,429</u>	<u>3,022,428</u>	<u>20,408,857</u>
<u>LIABILITIES</u>			
Current liabilities:			
Due to other funds	135,832		135,832
Accounts payable	147,858	54,427	202,285
Unearned revenues	-	536,537	536,537
Customer deposits	455,215	-	455,215
Accrued interest	21,584	-	21,584
Accrued Salaries	2,662	1,436	4,098
Compensated absences	23,684	8,225	31,909
Other accrued expenses	6,387		6,387
Current portion of long term debt	154,315	-	154,315
Total current liabilities	<u>947,537</u>	<u>600,625</u>	<u>1,548,162</u>
Non-current liabilities:			
Notes payable	448,917	-	448,917
Bonds payable	2,485,000	-	2,485,000
Total non-current liabilities	<u>2,933,917</u>	<u>-</u>	<u>2,933,917</u>
Total liabilities	<u>3,881,454</u>	<u>600,625</u>	<u>4,482,079</u>
<u>NET POSITION</u>			
Net investment in capital assets	11,347,553	64,367	11,411,920
Restricted for debt service	1,198,308	-	1,198,308
Unrestricted	959,114	2,357,436	3,316,550
Total net position	<u>\$ 13,504,975</u>	<u>\$ 2,421,803</u>	<u>\$ 15,926,778</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
CITY OF BROOKHAVEN, MISSISSIPPI
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Water & Sewer</u> <u>Fund</u>	<u>Solid Waste</u> <u>Fund</u>	<u>Totals</u>
<u>OPERATING REVENUES</u>			
Charges for services:			
Water / Sewer charges	\$ 2,908,276	\$ -	\$ 2,908,276
Garbage compost and rubbish fees	-	1,098,928	1,098,928
Tap fees and construction fees	52,825	-	52,825
Total operating revenues	<u>2,961,101</u>	<u>1,098,928</u>	<u>4,060,029</u>
<u>OPERATING EXPENSES</u>			
Administrative expenses	373,230	-	373,230
Water and field maintenance	1,167,493	-	1,167,493
Waste water treatment expenses	383,153	-	383,153
Water wells and plant expenses	263,480	-	263,480
Solid waste expenses	-	1,312,221	1,312,221
Solid waste personnel services	-	81,402	81,402
Bad debt expense	-	-	-
Depreciation expense	627,565	15,639	643,204
Total operating expenses	<u>2,814,921</u>	<u>1,409,262</u>	<u>4,224,183</u>
Operating income (loss)	<u>146,180</u>	<u>(310,334)</u>	<u>(164,154)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	808	2,643	3,451
Homestead reimbursement	-	-	-
Federal sources	-	-	-
Property taxes	-	421,382	421,382
Interest expense	(16,258)	-	(16,258)
Bond agent fees	-	-	-
Operating transfers	(129,437)	-	(129,437)
Miscellaneous income	8,900	27,185	36,085
Total non-operating revenue (expenses)	<u>(135,987)</u>	<u>451,210</u>	<u>315,223</u>
Change in net position	10,193	140,876	151,069
Total net position beginning	13,494,782	2,280,927	15,775,709
Total net postion ending	<u>\$ 13,504,975</u>	<u>\$ 2,421,803</u>	<u>\$ 15,926,778</u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
CITY OF BROOKHAVEN, MISSISSIPPI
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Water & Sewer Fund	Solid Waste Fund	Totals
<u>Cash flows from operating activities:</u>			
Cash received from customers	\$ 2,765,515	\$ 1,179,800	\$ 3,945,315
Cash payments to suppliers for goods and services	(1,385,756)	(930,188)	(2,315,944)
Cash payments to employees and professional contractors for services	(646,633)	(162,273)	(808,906)
Net cash provided (used) by operating activities	<u>733,126</u>	<u>87,339</u>	<u>820,465</u>
<u>Cash flows from non-capital financing activities:</u>			
Cash received from taxes	-	421,382	421,382
Net cash provided by non-capital financing activities	<u>-</u>	<u>421,382</u>	<u>421,382</u>
<u>Cash flows from capital and related financing activities:</u>			
Acquisition and construction of capital assets	(189,519)	-	(189,519)
Miscellaneous Income	8,900	27,185	36,085
Principal paid on bonds and note obligations	(407,231)	-	(407,231)
Net proceeds from bonds issued	453	-	453
Interest paid on bonds and note obligations	(16,258)	-	(16,258)
Bond Agent Fees	-	-	-
Transfers	(129,437)	(451,209)	(580,646)
Customer deposits	54,171	-	54,171
Net cash provided (used) by capital and related financing activities	<u>(678,921)</u>	<u>(424,024)</u>	<u>(1,102,945)</u>
<u>Cash flows from investing activities:</u>			
Investment income	808	2,643	3,451
Net cash provided (used) by investing activities	<u>808</u>	<u>2,643</u>	<u>3,451</u>
Net increase (decrease) in cash and cash equivalents	55,013	87,340	142,353
Cash and cash equivalents at October 1, 2016	1,833,917	2,004,481	3,838,398
Cash and cash equivalents at September 30, 2017	<u>1,888,930</u>	<u>2,091,821</u>	<u>3,980,751</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>			
Operating income (loss)	10,193	140,876	151,069
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	627,565	15,639	643,204
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(195,431)	80,872	(114,559)
(Increase) decrease in due from other funds	135,832	(136,328)	(496)
(Increase) decrease in customer deposits	(54,171)	-	-
(Increase) decrease in inventories	(2,049)	-	(2,049)
Increase (decrease) in accounts payable	68,836	(13,721)	55,115
Increase (decrease) in due to other funds	135,832	-	135,832
Increase (decrease) in other accruals	6,519	1	6,520
Total adjustments	<u>722,933</u>	<u>(53,537)</u>	<u>723,567</u>
Net cash provided by operating activities	<u>\$ 733,126</u>	<u>\$ 87,339</u>	<u>\$ 820,465</u>

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
CITY OF BROOKHAVEN, MISSISSIPPI
SEPTEMBER 30, 2017

	<u>Pension & Other Employee Benefits</u>	<u>Private Purpose Trust</u>	<u>Agency Funds</u>	<u>Total</u>
<u>RESTRICTED ASSETS</u>				
Cash in bank	\$ 556,592	\$ 2,887	\$ 447,827	\$ 1,007,306
Due from other funds			\$ 1,962	\$ 1,962
Taxes receivable			111,440	111,440
Total assets	<u>556,592</u>	<u>2,887</u>	<u>561,229</u>	<u>1,120,708</u>
<u>LIABILITIES</u>				
Due to other funds			13,144	13,144
Due to others			6,322	6,322
Payable school district			541,763	541,763
Total liabilities	<u>-</u>	<u>-</u>	<u>561,229</u>	<u>561,229</u>
<u>NET FIDUCIARY POSITION</u>	<u>\$ 556,592</u>	<u>\$ 2,887</u>	<u>\$ -</u>	<u>\$ 559,479</u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
CITY OF BROOKHAVEN, MISSISSIPPI
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Pension & Other Employment Benefits</u>	<u>Private Purpose Trust</u>	<u>Total</u>
<u>ADDITIONS</u>			
Interest	\$ 677	\$ 2	\$ 679
Receipts	4,389		4,389
Total additions	5,066	2	5,068
<u>DEDUCTIONS</u>			
Miscellaneous charges	1,094		
Unemployment claims	3,161		3,161
Total deductions	4,255	-	4,255
<u>TRANSFERS</u>	-	-	-
<u>CHANGE IN NET POSITION</u>	811	2	813
<u>NET POSITION - BEGINNING OF YEAR</u>	555,781	2,885	558,666
<u>NET POSITION - END OF YEAR</u>	<u>\$ 556,592</u>	<u>\$ 2,887</u>	<u>\$ 559,479</u>

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

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1: Summary of Significant Accounting Policies

The City of Brookhaven, Mississippi was incorporated in 1859. The City operates under a City Board form of government, with a Mayor and seven Aldermen serving as the governing body. Elected officials include the Mayor, seven Aldermen, Police chief, and City clerk. The present term of these elected officials expires June 30, 2021. Services provided by the City include: Public Safety – Police and Fire, Highways and Street, Sanitation, Health and Social Services, Culture and Recreation, Public Improvements, Planning and Zoning, and General Administrative Services. A public school system is available to residents of the City of Brookhaven but is not under the jurisdictions of the City government.

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

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

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1: Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

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

Governmental Funds

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

Revenue Recognition

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

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

Expenditure Recognition

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

Proprietary Funds

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

The city reports the following major government funds:

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

The city reports the following major enterprise funds:

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

Other non-major funds:

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

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

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

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

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

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

B. Reporting Entity

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

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Included in the reporting entity:

City of Brookhaven Parks and Recreation Commission

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

Brookhaven Tourism Promotion Council

The Council was organized to promote tourism and economic development within the Brookhaven area. The funds for operation of the Council shall be derived from a tax not to exceed two percent of gross receipts derived from the occupancy of inns, bed and breakfast establishments, and hotel and motel rooms. The Council consists of nine directors appointed by the City of Brookhaven. The Council prepares its own budget and separate financial statements are prepared for the Council.

Excluded from the reporting entity:

Brookhaven Separate School District

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

Brookhaven-Lincoln County Economic Development Alliance

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

C. Fund Accounting

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

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

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

D. Assets, Liabilities, and Net Position or Equity

Cash and Investments

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

Inventories

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

Receivables

Enterprise receivables

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

Property taxes receivable

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

Sales tax receivable

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

Capital Assets, Depreciation, and Amortization

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

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

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

The City's property, plant, equipment and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund. The costs of normal repairs and maintenance that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Compensated Absences

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

Long-term Debt

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

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

Net Position

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

The net position balance of \$51,602,460 at September 30, 2017, includes \$43,204,517 net investment in capital assets, \$1,198,308, restricted for debt services and an unrestricted amount of \$7,199,635.

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available within thirty days. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

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

F. Use of Estimates

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

G. Cash Equivalents

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

H. Inventory

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

I. Uncollectible Receivables

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

J. Encumbrances

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

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1: Summary of Significant Accounting Policies (Continued)

K. Inter-fund Loans

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

L. Changes in Accounting Standards

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

M. Restricted Assets

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

NOTE 2: Cash and Cash Equivalents

The City’s deposits with financial institutions were \$7,748,627 on September 30, 2017. The carrying amount of the city’s deposits was \$9,724,238. All cash and checking accounts are with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) which insures the account for \$250,000. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as needed. See Note 1 M describing restricted assets.

Custodial Credit Risk. The remaining \$7,498,627 of the collateral for public entities’ deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann (1972). Under this program, the entity’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

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

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 3: Inter-fund Receivable and Payable Balances

There were funds payable to various funds at September 30, 2017.

Due From:		
Industrial Park	\$20,000	
CDBG	5,000	
General Fund	25,000	
Accounts Payable Clearing	659,220	
Due To:		
General Fund	_____	<u>\$ 709,220</u>
	<u>\$ 709,220</u>	<u>\$ 709,220</u>

NOTE 4: Unemployment Compensation Fund

The City has elected to establish a revolving fund for unemployment compensation which is to be maintained in the amount of 2% of the first \$14,000 of employee wages paid in the preceding calendar year. The Unemployment Compensation Fund had a balance of \$37,077 and was under funded by \$9,963 at September 30, 2017. This has since been corrected and the account is presently fully funded.

NOTE 5: Defined Benefit Pension Plan

Plan Description

The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers to recognize their proportionate share of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

Funding Policy

PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions of \$840,746 on covered wages of \$5,338,067 to PERS for the year ending September 30, 2017, equaled the required contribution. Contributions by the City were \$796,667 for the year ending September 30, 2016.

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 6: Fund Balances

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

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

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

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

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

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

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 7: Changes in Capital Assets

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

	Primary Government				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustment</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land/Land Improvements	\$6,349,992				\$6,349,992
Construction in progress					
	-----	-----	-----	-----	-----
	6,349,992				6,349,992
	-----	-----	-----	-----	-----
Other capital assets:					
Building	9,045,523	244,183			9,289,706
Improvements Other-Bldg.	31,238,322	686,014			31,924,336
Machinery & equipment:					
Street Department	1,544,027	180,193			1,724,220
Fire Department	1,882,017	22,500			1,904,517
Police Department	1,194,754				1,194,754
City Clerk's Office	69,212				69,212
Mayor's Office	23,110				23,110
Building Inspector	22,981	24,481			47,462
City Court	13,770				13,770
Animal Control	18,209				18,209
Airport	2,205,506	209,539			2,415,045
Cemetery	102,994				102,994
Traffic Department	23,256				23,256
Parks and Recreation	93,565	15,503			109,068
	-----	-----	-----	-----	-----
Total other capital assets at historical cost	47,477,246	1,382,413			48,859,659
	-----	-----	-----	-----	-----
Less accumulated depreciation for:					
Buildings	(1,720,881)	(231,463)			(1,952,344)
Streets, gutters and drains	(9,745,582)	(912,789)			(10,658,371)
Concrete bridges	(187,958)	(6,851)			(194,809)
Airport	(1,615,184)	(119,810)			(1,734,994)
Other improvements	(2,803,101)	(305,076)			(3,108,177)
Equipment	(3,255,516)	(334,169)			(3,589,685)
	-----	-----	-----	-----	-----
Total accumulated depreciation	(19,328,222)	(1,910,158)			(21,238,380)
	-----	-----	-----	-----	-----
Other capital assets, net	28,149,024	(527,745)			27,621,279
	-----	-----	-----	-----	-----
Governmental activities capital Assets, net	<u>\$ 34,499,016</u>	<u>\$(527,745)</u>	<u>\$ _____</u>	<u>_____</u>	<u>\$ 33,971,271</u>

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 7: Changes in Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General Government	\$ 1,530,667
Street Department	61,817
Fire Department	90,560
Police Department	104,395
Airport	119,810
Cemetery	2,909

Total governmental activities depreciation expense	----- <u>\$1,910,158</u>
--	-----------------------------

	Beginning <u>Balance</u>	Primary Government <u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$84,499			\$84,499
	-----	-----	-----	-----
Other Capital Assets:				
Plant and Systems	26,223,063	181,504		26,404,567
Machinery and Equipment	2,211,173	8,015		2,219,188
	-----	-----	-----	-----
Total other capital assets				
At historical cost	28,434,236	189,519		28,623,755
	-----	-----	-----	-----
Less accumulated depreciation for:				
Plant and Systems	(11,668,446)	(566,805)		(12,235,251)
Machinery and Equipment	(1,896,453)	(76,398)		(1,972,851)
	-----	-----	-----	-----
Total accumulated depreciation	(13,564,899)	(643,203)		(14,208,102)
	-----	-----	-----	-----
Other capital assets net	14,869,337	(453,684)		14,415,653
Business type activities	-----	-----	-----	-----
Capital assets, net	<u>\$14,953,836</u>	<u>(\$453,684)</u>		<u>\$ 14,500,152</u>

Depreciation expense was charged to functions as follows:

Business-type activities:

Water and Sewer	\$ 627,565
Solid Waste	15,639
Total business type activities depreciation expense	<u>\$643,204</u>

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 8: Long term liability activity for the year ended September 30, 2017

The following is a summary of transactions of the City for the year ended September 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities				
Bonds and notes payable:				
General obligation bonds	\$2,050,000	\$ 0	\$ 60,000	\$ 1,990,000
General obligation notes	20,992	0	20,992	0
Capital Lease	<u>244,672</u>	<u>0</u>	<u>55,999</u>	<u>188,673</u>
Total bonds and Notes payable	<u>\$2,315,664</u>	<u>\$</u>	<u>\$ 136,991</u>	<u>\$2,178,673</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-type activities				
Bonds and notes payable				
Water and Sewer:				
General obligation debt	\$ 1,085,463	\$ 0	\$ 312,230	\$ 773,233
Revenue debt	<u>2,410,000</u>	<u>0</u>	<u>95,000</u>	<u>2,315,000</u>
Total bonds and Notes payable	<u>\$3,495,463</u>	<u>\$,0</u>	<u>\$ 407,230</u>	<u>\$3,088,233</u>

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

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

<u>Year ending September 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	233,124	93,897	154,315	113,175
2019	244,857	84,463	289,852	103,440
2020	175,000	74,463	297,212	102,440
2021	175,000	63,338	347,002	105,806
2022	175,000	63,338	347,002	105,806
2023-2037	<u>1,175,692</u>	<u>176,865</u>	<u>1,652,850</u>	<u>562,564</u>
	<u>\$2,178,673</u>	<u>\$556,364</u>	<u>\$3,088,233</u>	<u>\$1,093,231</u>

CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 9: Other Commitments

Operating leases

The City has two operating leases as follows:

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

Lease expenditures for the year ending September 30, 2017 amounted to \$1,955. Future minimum payments for the leases are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2018	<u>1,629</u>
	<u>\$ 1,629</u>

NOTE 10: Risk Management

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

NOTE 11: Credit Risk

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

NOTE 12: Commitments and Contingencies

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

NOTE 13: Property Tax

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

NOTE 14: Subsequent Events

The City has evaluated events and transactions for potential recognition or disclosure through June 28, 2018, which is the date the financial statements are issued.

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET TO ACTUAL

CITY OF BROOKHAVEN, MISSISSIPPI
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Original Budget</u>	<u>Revisions</u>	<u>Final Budget</u>	<u>Total Actual</u>	<u>Variance</u>
<u>REVENUES</u>					
General property taxes					
Current year	\$ 4,603,500	\$ -	\$ 4,603,500	\$ 3,960,119	\$ (643,381)
Prior year	-	-	-	-	-
Penalties and interest on					
Delinquent taxes	95,000	-	95,000	120,049	25,049
Licenses and permits	82,000	3,000	85,000	97,942	12,942
Fines and penalties	300,000	-	300,000	174,524	(125,476)
In lieu taxes	55,000	-	55,000	23,862	(31,138)
Franchise taxes	500,000	-	500,000	444,504	(55,496)
Intergovernmental revenue:					
Federal sources	70,000	-	70,000	687,976	617,976
State sources:					
Sales tax	5,700,000	-	5,700,000	5,826,996	126,996
Homestead reimbursement	175,000	-	175,000	197,244	22,244
Fire protection allocation	91,650	-	91,650	-	(91,650)
Local Grants	437,000	-	437,000	658,249	221,249
State revenues /grants	207,000	-	207,000	331,782	124,782
Fire House Construction				-	-
County Sources	20,000	-	20,000	20,000	-
Charges for services:					
Airport	250,000	-	250,000	203,083	(46,917)
Cemetery	41,000	-	41,000	43,709	2,709
Rent	6,000	-	6,000	89,860	83,860
Drug task force reimbursements	5,000	(5,000)	-	-	-
Interest	7,200	-	7,200	9,643	2,443
Miscellaneous	119,000	2,000	121,000	83,646	(37,354)
Total Revenues	\$ 12,764,350	-	\$ 12,764,350	\$ 12,973,188	\$ 208,838

See accompanying notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**BUDGET TO ACTUAL****CITY OF BROOKHAVEN, MISSISSIPPI****FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Original Budget	Revisions	Final Budget	Total Actual	Variance
<u>EXPENDITURES</u>					
General government	\$ 1,401,690	\$ 106,154	\$ 1,507,844	\$ 1,185,614	\$ 322,230
Police administration	3,113,640	-	3,113,640	3,109,233	4,407
Police court	155,825	-	155,825	208,474	(52,649)
Animal Control	63,500	-	63,500	60,477	3,023
Fire administration	2,535,000	-	2,535,000	2,501,367	33,633
Building inspection	138,000	4,565	142,565	139,909	2,656
City streets	2,314,250	253,694	2,567,944	2,555,942	12,002
Traffic department	116,750	(6,050)	110,700	110,108	592
Airport	701,300	(351,689)	349,611	341,333	8,278
Cemetery	268,300	(30,200)	238,100	229,989	8,111
Support appropriations	1,316,520	-	1,316,520	1,318,833	(2,313)
Specialized Services	65,150	-	65,150	54,641	10,509
Debt Service:					
Principal	113,400	(27,000)	86,400	175,998	(89,598)
Interest	0	-	0	124,672	(124,672)
Total expenditures	12,303,325	(50,526)	12,252,799	12,116,590	136,209
Excess <deficiency> of revenues over expenditures	461,025	79,356	511,551	856,598	345,047
<u>OTHER FINANCING SOURCES <USES></u>					
Operating transfers	-	-	-	-	-
Capital Lease	-	-	-	-	-
Building and Other Improvements	(442,100)	(539,282)	(981,382)	(958,857)	22,525
Machinery and Equipment	-	-	-	(452,216)	(452,216)
Net other financing sources <uses>	(442,100)	(539,282)	(981,382)	(1,411,073)	(429,691)
Excess <deficiency> of revenues and other financing sources over expenditures and other uses	\$ 18,925	\$ (459,926)	\$ (469,831)	\$ (554,475)	\$ (84,644)
Fund balance beginning of year				4,472,608	
Fund balance ending of year				\$ 3,918,133	

See accompanying notes to financial statements

SUPPLEMENTARY INFORMATION

CITY OF BROOKHAVEN, MISSISSIPPI
SURETY BOND SCHEDULE
SEPTEMBER 30, 2017

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

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

CITY OF BROOKHAVEN, MISSISSIPPI
COMBINED SCHEDULE OF LONG-TERM DEBT
SEPTEMBER 30, 2017

<u>Date of Issue</u>	<u>Name of Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Balance Outstanding 10-1-16</u>
<u>General Obligation Bonds:</u>				
<u>General Long-Term Debt Fund</u>				
06-01-05	2005 G/O Industrial Park	1,200,000	5.3 – 6.0	\$ 715,000
12-01-06	Public Improvement Bonds Series 2006	2,200,000	3.75-4.5	1,335,000
<u>Water and Sewer Fund</u>				
03-30-10	2010 General Obligation Refunding	1,220,000	2.00-3.750	520,000
<u>Total General Obligation Bonds</u>				<u>\$2,570,000</u>
<u>Revenue Bonds:</u>				
<u>Water and Sewer Fund</u>				
07-01-15	Water Improvements Series 2015	2,500,000	3.12-4.25	2,410,000
<u>Total Revenue Bonds</u>				<u>\$ 2,410,000</u>
<u>Notes Payable (General Obligation):</u>				
06-18-02	Mississippi Development Authority	303,789	4.0	\$ 20,992
11-12-02	Mississippi Development Authority	200,000	3.0	65,987
00-00-16	Mississippi Development Authority	521,186	3.0	499,476
<u>0</u>				
<u>Total Notes Payable</u>				<u>\$ 586,455</u>
<u>Capital Lease:</u>				
10-17-12	OshKosh Capital	459,256	3.7	244,672
<u>Total Capital Lease</u>				<u>\$ 244,672</u>
<u>Total Long – Term Debt</u>				<u>\$ 5,811,127</u>

<u>New Issued</u>	<u>Redeemed</u>	Balance Outstanding <u>9-30-17</u>	Maturities Next Period	
			<u>Principal</u>	<u>Interest</u>
\$ 0	\$ 60,000	\$ 655,000	\$ 65,000	\$ 37,275
0	0	1,335,000	110,000	49,378
0	255,000	265,000	0	4,888
<u>0</u>	<u>255,000</u>	<u>265,000</u>	<u>0</u>	<u>4,888</u>
<u>\$ 0</u>	<u>\$ 315,000</u>	<u>\$ 2,255,000</u>	<u>\$ 175,000</u>	<u>\$ 91,541</u>
0	95,000	2,315,000	95,000	87,256
<u>0</u>	<u>95,000</u>	<u>2,315,000</u>	<u>95,000</u>	<u>87,256</u>
\$ 0	\$ 20,992	\$ 0	\$ 0	\$ 0
0	11,476	54,511	11,852	1,459
<u>0</u>	<u>45,755</u>	<u>453,721</u>	<u>47,463</u>	<u>12,931</u>
<u>\$ 0</u>	<u>\$ 78,223</u>	<u>\$ 508,232</u>	<u>\$ 59,315</u>	<u>\$ 14,390</u>
\$ 0	\$ 55,998	\$ 188,674	\$ 58,124	\$ 7,244
<u>0</u>	<u>55,999</u>	<u>188,673</u>	<u>58,124</u>	<u>7,244</u>
<u>\$ 0</u>	<u>\$ 544,221</u>	<u>\$ 5,266,906</u>	<u>\$ 387,439</u>	<u>\$ 200,431</u>

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



Max Halley PLLC
Certified Public Accountant

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brookhaven, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Brookhaven, Mississippi's basic financial statements, and have issued our report thereon dated June 28, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Max Halley PLLC

Brookhaven, Mississippi
June 28, 2018

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



Max Halley PLLC
Certified Public Accountant

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brookhaven, Mississippi as of and for the year ended September 30, 2017, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2018.

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

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

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

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

Max Halley PLLC
Brookhaven, Mississippi

June 28, 2018