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

Lynn A. Buckhaults, Mayor

ALDERMEN

Chris Hall - Ward 1
Jeffrey Williams - Ward 2
Aaron Heidelberg - Ward 3
Carson Graham - Ward 4
Ola Beech Mitchell - At Large

CHARMA COOK
City Clerk

FREIDA GUNN COLLINS
City Attorney

TELEPHONE 601-477-3323
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February 22, 2018

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

Dear Mr. Pickering:

Accompanying this letter is a copy of the annual audit of the City of Ellisville, Mississippi for the fiscal year ended September 30, 2017. A management letter was included in the audit.

Sincerely,



Lynn A. Buckhaults

LAB/cc

Enclosures

Certified Mail No. 7011 0110 0001 0226 9931

MAR 06 2018

CITY OF ELLISVILLE, MISSISSIPPI

AUDIT REPORT

SEPTEMBER 30, 2017

12-27-10
MAR 08 2013

**CITY OF ELLISVILLE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

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HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA
Julie M. Uher, CPA
Kari M. Blackledge, CPA

H. I. Holt, CPA
Founder (1915-1997)

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund information of the City of Ellisville, Mississippi, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

The Budgetary Comparison Information, Schedule of the City's Proportionate Share of Net Pension Liability, and the Schedule of City Contributions on pages 40 through 43 are not a required part of the basis financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018 on our consideration of the City of Ellisville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ellisville, Mississippi's internal control over financial reporting and compliance.

Holt & Associates, PLLC

Laurel, MS
January 12, 2018

CITY OF ELLISVILLE, MISSISSIPPI
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2017

EXHIBIT A

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS:			
Cash and other deposits	\$ 696,787	\$ 352,143	\$ 1,048,930
Investments	920,068	698,544	1,618,612
Due from other governments	244,353	-	244,353
Receivables, accounts	-	131,482	131,482
Receivables, other	481,669	32,025	513,694
Prepaid expenses	39,374	26,250	65,624
Capital assets, net	4,359,171	8,630,284	12,989,455
Due from other funds	<u>41,148</u>	<u>-</u>	<u>41,148</u>
TOTAL ASSETS	<u>6,782,570</u>	<u>9,870,728</u>	<u>16,653,298</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	<u>337,322</u>	<u>28,497</u>	<u>365,819</u>
LIABILITIES:			
Accounts payable and accrued liabilities	116,701	65,913	182,614
Customer deposits	-	106,239	106,239
Due to other funds	-	41,148	41,148
Estimated state police fees payable	206,709	-	206,709
Long-term liabilities, due within one year			
Capital related debt	60,462	144,401	204,863
Long-term liabilities, due beyond one year			
Capital Related Debt	490,053	2,305,058	2,795,111
Non-capital related debt	28,890	3,540	32,430
Net pension liability	<u>3,807,345</u>	<u>529,366</u>	<u>4,336,711</u>
TOTAL LIABILITIES	<u>4,710,160</u>	<u>3,195,665</u>	<u>7,905,825</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	<u>170,172</u>	<u>20,959</u>	<u>191,131</u>
NET POSITION			
Investment in capital assets (net of related debt)	3,808,656	6,180,825	9,989,481
Unrestricted	<u>(1,569,096)</u>	<u>501,776</u>	<u>(1,067,320)</u>
TOTAL NET POSITION	<u>\$ 2,239,560</u>	<u>\$ 6,682,601</u>	<u>\$ 8,922,161</u>

CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 828,767	\$ 351,919	\$ -	\$ -	\$ (476,848)	\$ -	\$ (476,848)
Public safety	2,503,201	476,254	-	-	(2,026,947)	-	(2,026,947)
Public works	526,816	-	-	-	(526,816)	-	(526,816)
Health and welfare	189,777	-	-	-	(189,777)	-	(189,777)
Culture & recreation	82,041	236,078	-	-	154,037	-	154,037
Economic Development Authority	44,701	-	-	-	(44,701)	-	(44,701)
Interest on debt	17,409	-	-	-	(17,409)	-	(17,409)
						-	-
Total governmental activities	4,192,712	1,064,251	-	-	(3,128,461)	-	(3,128,461)
Business -type activities:							
Water & sewer	1,177,395	1,194,048	-	-	-	16,653	16,653
Total business-type activities	1,177,395	1,194,048	-	-	-	16,653	16,653
Total primary government	\$ 5,370,107	\$ 2,258,299	\$ -	\$ -	\$ (3,128,461)	\$ 16,653	\$ (3,111,808)
Taxes:							
Sales taxes					935,279	-	935,279
General purpose levies					838,053	-	838,053
Unrestricted grants & contributions:							
Intergovernmental					101,571	-	101,571
Unrestricted investment earnings					8,320	4,462	12,782
Other					242,523	31,866	274,389
Total General Revenues and Transfers					2,125,746	36,328	2,162,074
Change in Net Position					(1,002,715)	52,981	(949,734)
Net Position - Beginning					3,242,275	6,629,620	9,871,895
Net Position - Ending					\$ 2,239,560	\$ 6,682,601	\$ 8,922,161

MAILED 2018

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

CITY OF ELLISVILLE, MISSISSIPPI

FUND FINANCIAL STATEMENTS

CITY OF ELLISVILLE, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

EXHIBIT C

	General Fund	Total Governmental Funds
ASSETS:		
Cash and other deposits	\$ 696,787	\$ 696,787
Investments	920,068	920,068
Due from other governments	244,353	244,353
Receivables, other	481,669	481,669
Prepaid expenses	39,374	39,374
Due from other funds	<u>41,148</u>	<u>41,148</u>
TOTAL ASSETS	<u>\$ 2,423,399</u>	<u>\$ 2,423,399</u>
 LIABILITIES & FUND BALANCES:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 116,701	\$ 116,701
Estimated state police fees payable	<u>206,709</u>	<u>206,709</u>
Total Liabilities	<u>323,410</u>	<u>323,410</u>
 Fund Balances:		
Nonspendable:		
Prepaid expenses	39,374	39,374
Assigned:		
Police Fund	77,984	77,984
Unassigned:	<u>1,982,631</u>	<u>1,982,631</u>
Total Fund Balance	<u>2,099,989</u>	<u>2,099,989</u>
 TOTAL LIABILITIES & FUND BALANCE	<u>\$ 2,423,399</u>	<u>\$ 2,423,399</u>

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

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

EXHIBIT C-1

Total Fund Balance - Governmental Funds \$ 2,099,989

Amounts reported for net assets in the statement of net assets are different because:

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

Land	\$	310,836	
Infrastructure		4,885,599	
Building		2,166,416	
Machinery & equipment		1,187,778	
Mobile Equipment		954,444	
Intangible Asset		20,117	
Accumulated Depreciation		<u>(5,166,019)</u>	4,359,171

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability		(3,807,345)	
-----------------------	--	-------------	--

Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions		337,322	
Deferred inflows of resources related to pensions		<u>(170,172)</u>	(3,640,195)

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

Notes payable		(550,515)	
Compensated Absences		<u>(28,890)</u>	<u>(579,405)</u>

Total Net Assets - Governmental Activities \$ 2,239,560

MAR 08 2018

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

CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT D

	<u>MAJOR FUNDS</u>	
	<u>General</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>
		<u>Funds</u>
REVENUES		
Property taxes	\$ 838,053	\$ 838,053
Franchise and other taxes	286,807	286,807
License and permits	76,500	76,500
Intergovernmental revenue	1,025,461	1,025,461
Charges for services	236,078	236,078
Fines and forfeitures	476,254	476,254
Miscellaneous	<u>250,844</u>	<u>250,844</u>
TOTAL REVENUES	<u>3,189,997</u>	<u>3,189,997</u>
EXPENDITURES		
General government	475,036	475,036
Public safety	2,016,126	2,016,126
Public works	433,463	433,463
Health and welfare	189,777	189,777
Culture & recreation	79,791	79,791
Economic Development Authority	44,701	44,701
Capital Outlay	210,554	210,554
Debt Service:		
Principal	69,711	69,711
Interest	<u>17,409</u>	<u>17,409</u>
TOTAL EXPENDITURES	<u>3,536,568</u>	<u>3,536,568</u>
EXCESS (DEFICIENCY) OF REVENUES		
OVER EXPENDITURES	<u>(346,571)</u>	<u>(346,571)</u>
NET CHANGE IN FUND BALANCE	(346,571)	(346,571)
FUND BALANCE, OCTOBER 1, 2017	<u>2,446,560</u>	<u>2,446,560</u>
FUND BALANCE, SEPTEMBER, 2017	<u>\$ 2,099,989</u>	<u>\$ 2,099,989</u>

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

CITY OF ELLISVILLE, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT D-1

Net Change in fund balances - governmental funds \$ (346,571)

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

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

Capital outlay	210,554	
Depreciation expense	<u>(431,333)</u>	(220,779)

2. Decrease in compensated absences not included in governmental funds, but payment is reported as expenditures in statement of activity. 7,408
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities. 69,711
4. The statement of activities uses the economic resources measurement focus and accrual basis of accounting, and therefore requires the pension expense and deferred outflows/inflows of resources related to pensions be recognized. (512,484)

Change in net assets of governmental activities \$ (1,002,715)

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

**CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2017**

EXHIBIT E

ASSETS	
CURRENT ASSETS	
Cash	\$ 352,143
Investments	698,544
Accounts receivable (net)	131,482
Prepaid insurance	26,250
Receivables, other	32,025
Total current assets	<u>1,240,444</u>
NONCURRENT ASSETS	
Capital assets (net)	<u>8,630,284</u>
TOTAL ASSETS	<u><u>\$ 9,870,728</u></u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows related to pensions	<u><u>\$ 28,497</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Note payable- current portion	\$ 144,401
Accounts payable	59,296
Accrued salaries and taxes	6,617
Customer deposits	106,239
Due to other funds	41,148
Total current liabilities	<u>357,701</u>
LONG-TERM LIABILITIES	
Long-term liabilities, due beyond one year	2,305,058
Accrued compensation	3,540
Net pension liability	529,366
Total long-term liabilities	<u>2,837,964</u>
TOTAL LIABILITIES	<u><u>\$ 3,195,665</u></u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows related to pensions	<u><u>\$ 20,959</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 6,180,825
Retained earnings: Unreserved	501,776
TOTAL NET ASSETS	<u><u>\$ 6,682,601</u></u>

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

**CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR YEARS ENDED SEPTEMBER 30, 2017**

EXHIBIT F

OPERATING REVENUES:

Charges for services	\$ <u>1,194,048</u>
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OPERATING EXPENSES:

Personal services	359,580
Supplies	89,651
Contractual services and other charges	296,812
Depreciation	<u>353,048</u>
Total operating expenses	<u>1,099,091</u>
Operating income	<u>94,957</u>

NON-OPERATING REVENUES (EXPENSES):

Other miscellaneous income	31,866
Interest income	4,462
Interest expense	<u>(78,304)</u>
Total non-operating revenues (expenses)	<u>(41,976)</u>

NET INCOME	52,981
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Net position, October 1	<u>6,629,620</u>
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Net position, September 30	<u>\$ 6,682,601</u>
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The notes to the financial statements
are an integral part of this statement.

**CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2017**

EXHIBIT G

	<u>Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,212,833
Payments to suppliers	(359,479)
Payments to employees	(285,854)
Net cash flows from operating activities	<u>567,500</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interest income	4,462
Miscellaneous income	31,866
Cash payments made by governmental funds	-
Net cash provided by noncapital financing activities	<u>36,328</u>
CASH FLOWS FROM CAPITAL AND REALTED FINANCING ACTIVITIES:	
Purchase of capital assets	(383,261)
Principal paid on capital debt	(140,875)
Interest paid on capital debt	(78,304)
Net cash provided by noncapital financing activities	<u>(602,440)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(1,984)
Net cash provided by investing activities	<u>(1,984)</u>
NET INCREASE (DECREASE) IN CASH	(596)
Cash, October 1	<u>352,739</u>
Cash, September 30	<u><u>\$ 352,143</u></u>

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

**CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2017**

EXHIBIT G

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

Operating Income	\$ 94,957
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	353,048
Change in assets and liabilities:	
Receivables, net of allowances	8,595
Prepaid insurance	(778)
Deferred outflows related to pension	45,495
Accounts payable	27,762
Customer deposits	10,190
Accrued compensation	3,841
Net pension liability	4,272
Deferred inflows related to pension	20,118
Net cash flows from operating activities	<u>\$ 567,500</u>

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity.

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

B. Basis of Presentation (continued)

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

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

C. Measurement Focus and Basis of Accounting.

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

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

The City reports the following major governmental funds:

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

C. Measurement Focus and Basis of Accounting (continued)

Additionally the City reports the following fund type:

Proprietary Funds Types:

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

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

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

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

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

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

H. Receivables.

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

I. Prepaid Expenses.

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

J. Capital Assets.

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

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

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

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

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

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

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

K. Long-term Liabilities.

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

L. Inter-fund Transactions and Balances.

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

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

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

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

M. Equity Classifications.

Government-wide Financial Statements:

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

- (1) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
- (2) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at September 30, 2017, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

M. Equity Classifications (continued)

- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the City of Ellisville's Council, the City's highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by the City of Ellisville.
- Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The City of Ellisville, Mississippi reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

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

N. Property Taxes.

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

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

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

O. Budgets and Budgetary Accounting.

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

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

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

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

P. Compensated Absences.

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

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

Q. Use of Estimates.

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

R. Pensions

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

S. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

1. Deferred outflows related to pensions \$365,819

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1. Deferred inflows related to pensions \$191,131

See Note 8 for further details.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS.

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

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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.

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

Cash and Cash Equivalents.

The carrying amount of the City's deposits with financial institutions was \$2,667,542 (including investments of \$1,618,612) for 2017 and the bank balance was \$2,723,372 (including investments of \$1,618,612) for 2017.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2017, the City's bank balance did not have any exposure to custodial credit risk.

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CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Investments.

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

Type of Investment	Amount	Maturity Date
General Fund:		
Certificate of Deposit	\$ 23,640	9/30/2018
Certificate of Deposit	174,099	9/30/2018
Certificate of Deposit	437,375	9/30/2018
Certificate of Deposit	206,334	9/30/2018
Certificate of Deposit	52,313	9/30/2018
Certificate of Deposit	26,307	9/30/2018
	<u>\$ 920,068</u>	
Enterprise Fund		
Certificate of Deposit	\$ 458,035	3/30/2018
Certificate of Deposit	240,509	9/30/2018
	<u>\$ 698,544</u>	

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

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

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk. As of September 30, 2017, the City did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. As of September 30, 2017, the City has six certificates of deposits with Community Bank which comprised 100 % of the investment balance on Exhibit A and Exhibit E.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 – ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT

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

GENERAL FUND:

ACCOUNTS

Police fines – installment agreements	\$ 837,249
Less: Estimated amount uncollectible	<u>(355,580)</u>
	<u>\$ 481,669</u>

ENTERPRISE FUND

ACCOUNTS

Water & Sewer Charges	\$164,069
Less: Allowance for uncollectible accounts	<u>(562)</u>
	<u>\$163,507</u>

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Receivables from other governments are as follows:

GENERAL FUND:

Sales tax	\$159,567
Utility tax	71,033
Auto Ad valorem and Property Taxes	11,129
Other Receivable	<u>2,624</u>
Total General Fund	<u>\$244,353</u>

NOTE 5 - INTER-FUND TRANSACTIONS AND BALANCES

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

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 41,148	\$ -
Water & Sewer Fund	-	41,148

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 - CAPITAL ASSETS

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

	Begin Balance 10/1/2016	Additions	Retirements	End Balance 9/30/2017
<u>Non-depreciable capital assets:</u>				
Land	\$ 175,836	\$ 135,000	\$ -	\$ 310,836
Construction in Progress		-	-	-
Total non-depreciable capital assets	<u>175,836</u>	<u>135,000</u>	<u>-</u>	<u>310,836</u>
<u>Depreciable capital assets:</u>				
Infrastructure	4,885,599	-	-	4,885,599
Building	2,166,416	-	-	2,166,416
Machinery & Equipment	1,187,778	-	-	1,187,778
Mobile Equipment	909,957	55,437	10,950	954,444
Intangible Assets	-	20,117	-	20,117
Total depreciable capital assets	<u>9,149,750</u>	<u>75,554</u>	<u>10,950</u>	<u>9,214,354</u>
<u>Less accumulated depreciation for:</u>				
Infrastructure	2,708,707	232,521	-	2,941,228
Building	459,440	54,978	-	514,418
Machinery & Equipment	951,491	90,180	-	1,041,671
Mobile Equipment	625,998	48,942	10,950	663,990
Intangible Assets	-	4,712	-	4,712
Total accumulated depreciation	<u>4,745,636</u>	<u>431,333</u>	<u>10,950</u>	<u>5,166,019</u>
Governmental Activities, capital assets, net	<u>\$4,579,950</u>	<u>\$(220,779)</u>	<u>\$ -</u>	<u>\$4,359,171</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
General Government	\$ 272,132
Public Safety	124,288
Public Works	32,663
Streets	<u>2,250</u>
Total depreciation expense	<u>\$ 431,333</u>

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 - CAPITAL ASSETS (CONTINUED)

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

	Begin Balance <u>10/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	End Balance <u>9/30/2017</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 25,657	\$ -	\$ -	\$ 25,657
Construction in Progress	<u>53,558</u>	<u>120,826</u>	<u>(53,558)</u>	<u>120,826</u>
Total non-depreciable capital assets	<u>79,215</u>	<u>120,826</u>	<u>(53,558)</u>	<u>146,483</u>
<u>Depreciable capital assets:</u>				
Plant, Building & Systems	11,935,333	309,297	-	12,244,630
Machinery & Equipment	504,781	6,697	21,797	489,681
Mobile equipment	<u>96,669</u>	<u>-</u>	<u>-</u>	<u>96,669</u>
Total depreciable capital assets	<u>12,536,783</u>	<u>315,994</u>	<u>21,797</u>	<u>12,830,980</u>
<u>Less accumulated depreciation for:</u>				
Plant, Building & Systems	3,602,340	290,037	-	3,892,377
Machinery & Equipment	340,612	52,454	-	393,066
Mobile equipment	<u>72,977</u>	<u>10,556</u>	<u>21,797</u>	<u>61,736</u>
Total accumulated depreciation	<u>4,015,929</u>	<u>353,047</u>	<u>21,797</u>	<u>4,347,179</u>
Proprietary Activities, capital assets, net	<u>\$ 8,600,069</u>	<u>\$ 83,773</u>	<u>\$ (53,558)</u>	<u>\$ 8,630,284</u>

Depreciation expense charged to the enterprise fund totaled \$353,047.

Construction in progress is composed of:

	<u>Spent to September 30, 2017</u>	<u>Remaining Commitment</u>
Business-type Activities		
Sewer System Improvements	\$ 120,826	\$ 5,708
Total construction in progress	<u>\$ 120,826</u>	<u>\$ 5,708</u>

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - LONG - TERM LIABILITIES

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

<u>Debt Type</u>	<u>Balance</u> <u>10/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2017</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Notes Payable	\$ 620,226	\$ -	\$ 69,711	\$ 550,515	\$ 60,462
Compensated Absences Payable	36,298	-	7,408	28,890	-
Total	<u>\$ 656,524</u>	<u>\$ -</u>	<u>\$ 77,119</u>	<u>\$ 579,405</u>	<u>\$ 60,462</u>

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

<u>Debt Type</u>	<u>Balance</u> <u>10/1/2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>9/30/2017</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Notes Payable	\$ 2,507,787	\$ -	\$ 132,477	\$ 2,375,310	\$ 135,825
Capital Leases Payable	82,547	-	8,398	74,149	8,576
Compensated Absences Payable	1,186	2,354	-	3,540	-
Total	<u>\$ 2,591,520</u>	<u>\$ 2,354</u>	<u>\$ 140,875</u>	<u>\$ 2,452,999</u>	<u>\$ 144,401</u>

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - LONG - TERM LIABILITIES (CONTINUED)

The annual requirements to amortize note principal and capital leases outstanding for all funds as of September 30, 2017 are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Leases</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 196,287	\$ 93,702	\$ 8,576	\$ 1,653	\$ 300,218
2019	201,652	88,232	8,758	1,475	300,117
2020	207,417	82,542	56,815	1,491	348,265
2021	200,258	77,105	-	-	277,363
2022	199,128	71,570	-	-	270,698
2023-2027	807,081	278,641	-	-	1,085,722
2028-2032	476,157	209,851	-	-	686,008
2033-2037	382,459	91,824	-	-	474,283
2038-2041	255,386	23,196	-	-	278,582
Total	<u>\$2,925,825</u>	<u>\$1,016,663</u>	<u>\$ 74,149</u>	<u>\$ 4,619</u>	<u>\$4,021,256</u>

Notes payable in Governmental Fund

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

	<u>CAP Loan</u>	<u>Community Bank</u>	<u>Jones County Board of Supervisors</u>	<u>Community Bank</u>
Date of Note	1/1/2011	3/26/2012	10/1/2015	2/5/2016
Maturity Date	10/1/2029	3/25/2017	3/1/2027	2/5/2021
Original Amount	\$ 142,764	\$ 95,060	\$ 459,500	\$ 88,849
Unpaid Principal	\$ 97,535	\$ -	\$ 392,392	\$ 60,588
Interest Rate	2%	2%	3.78%	2.75%

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CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - LONG - TERM LIABILITIES (CONTINUED)

The annual requirement of the notes payable on note principal outstanding for governmental funds as of September 30, 2017 are as follows:

Year Ended			
<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 60,462	\$ 18,529	\$ 78,991
2019	62,360	16,519	78,879
2020	64,699	14,488	79,187
2021	54,088	12,401	66,489
2022	49,186	10,651	59,837
2023-2027	242,204	25,546	267,750
2028-2030	17,516	1,124	18,640
Total	<u>\$550,515</u>	<u>\$ 99,258</u>	<u>\$649,773</u>

Notes payable in Proprietary Fund

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

	<u>MS DEQ</u>	<u>CAP Loan</u>	<u>CAP Loan</u>	<u>CAP Loan</u>	<u>USDA</u>
Date of Note	10/1/2004	1/1/2009	1/1/2010	12/30/2013	4/4/2008
Maturity Date	5/1/2024	11/1/2029	12/1/2029	12/1/2035	9/4/2043
Original Amount	\$ 882,796	\$ 344,947	\$ 450,000	\$ 600,000	\$1,216,200
Unpaid Principal	\$ 282,081	\$ 210,467	\$ 292,772	\$ 558,113	\$1,031,877
Interest Rate	1.75%	2%	2%	3%	4.375%

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - LONG - TERM LIABILITIES (CONTINUED)

The annual requirements of the notes payable on note principal outstanding for the proprietary funds as of September 30, 2017, are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 135,825	\$ 75,173	\$ 210,998
2019	139,292	71,713	211,005
2020	142,718	68,054	210,772
2021	146,170	64,704	210,874
2022	149,942	60,919	210,861
2023-2027	564,877	253,095	817,972
2028-2032	458,641	208,727	667,368
2033-2037	382,459	91,824	474,283
2038-2041	255,386	23,196	278,582
Total	<u>\$2,375,310</u>	<u>\$ 917,405</u>	<u>\$3,292,715</u>

Obligations under Capital Lease

The City has entered into a lease agreement as lessee for financing the acquisition of a 2015 420F Caterpillar Backhoe at a cost of \$96,826. The lease is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2014 Caterpillar	2.1%	12/1/2014	11/1/2019	96,826	74,149
Total				<u>\$ 96,826</u>	<u>\$ 74,149</u>

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

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,576	\$ 1,653	\$ 10,229
2019	8,758	1,475	10,233
2020	56,815	1,491	58,306
Total	<u>\$ 74,149</u>	<u>\$ 4,619</u>	<u>\$ 78,768</u>

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the Library is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2017, was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The City's contributions to PERS for the fiscal years ending September 30, 2017, 2016 and 2015 were \$256,827, \$250,284 and \$226,100, respectively, which equaled the required contributions for each year.

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

At September 30, 2017, the City reported a liability of \$4,336,711 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on a projection of the library system's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The city's proportionate share used to calculate the June 30, 2017 net pension liability was .026088 percent, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2017, the City recognized pension expense of \$642,805. At September 30, 2017 the library system reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 56,494	\$ 31,644
Net difference between projected and actual earnings on pension plan investments	-	154,106
Changes of assumptions	248,889	5,381
City's contributions subsequent to the measurement date	<u>60,436</u>	<u>-</u>
Total	<u>\$ 365,819</u>	<u>\$ 191,131</u>

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$250,284 reported as deferred outflows of resources related to pensions resulting from city's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30, 2017	
2018	\$ 111,217
2019	92,445
2020	(5,641)
2020	<u>(83,769)</u>
	<u>\$ 114,252</u>

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

Inflation	3.00 percent
Salary increases	3.75-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

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

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

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CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27%	4.60%
International Equity	18	4.50
Emerging Markets Equity	4	4.75
Global	12	4.75
Fixed Income	18	0.75
Real Estate	10	3.50
Private Equity	8	5.10
Emerging Debt	2	2.25
Cash	1	0.00
Total	<u>100%</u>	

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

Sensitivity of the city's proportionate share of the net pension liability to changes in the discount rate. The following table presents the library system's net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the library system's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate (amounts in thousands):

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability	\$ 5,687,886	4,336,711	3,214,942

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 9 – RENTAL INCOME FROM OPERATING LEASES

The City leases certain office buildings on a fixed fee. Some of the rentals are on a month to month basis and are not included in the future rentals. Rental income for the year ended September 30, 2017 was \$60,391.

Minimum future rentals on non-cancelable operating leases in each of the next five years and thereafter as of September 30, 2017 are as follows:

2018	\$	6,150
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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 fiscal years.

NOTE 11 - RECONCILIATION OF BUDGETARY BASIS TO ACCRUAL

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

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

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

<u>General Fund:</u>	
Fund balance (budgetary basis)	\$2,079,616
Adjustment to GAAP basis:	
Accrued revenues	<u>20,373</u>
Fund balance (GAAP basis), Sept. 30	<u>\$2,099,989</u>

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 13 – TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses under the state 1989 Economic Development Reform Act. Under the Act, localities may grant property tax abatements of certain properties, except for school district taxes, finished goods and rolling stock, for the purpose of attracting or retaining businesses within their jurisdiction. The minimum fee allowable cannot be less than one-third (1/3) of the property tax levy, including ad valorem taxes for school district purposes. The maximum exemption period that can be sought is ten (10) years. The abatements may be granted to specific enterprises located within or promising to relocate to the City. Existing industries may seek ad valorem tax exemptions for any improvements or expansions made to their facilities.

For the fiscal year ended September 30, 2017, the City abated property taxes totaling \$268,847 under this program for four separate manufacturing enterprises.

NOTE 13 – SUBSEQUENT EVENTS

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

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CITY OF ELLISVILLE, MISSISSIPPI
REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ELLISVILLE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

SCHEDULE 1a

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Property taxes	\$ 866,126	\$ 866,126	\$ 834,188	\$ -	\$ (31,938)
Franchise and other taxes	-	-	301,743	-	301,743
License and permits	415,000	415,000	76,500	-	(338,500)
Intergovernmental revenues	1,281,144	1,000,000	1,029,478	(281,144)	29,478
Charges for services	240,000	240,000	236,078	-	(3,922)
Fines and forfeitures	470,000	470,000	440,793	-	(29,207)
Miscellaneous	290,000	100,000	250,844	(190,000)	150,844
TOTAL REVENUES	<u>3,562,270</u>	<u>3,091,126</u>	<u>3,169,624</u>	<u>(471,144)</u>	<u>78,498</u>
EXPENDITURES					
General government	558,242	563,554	475,036	(5,312)	88,518
Public safety	2,388,965	2,323,750	2,016,126	65,215	307,624
Public works	719,822	646,531	433,463	73,291	213,068
Health and welfare	240,000	240,000	189,777	-	50,223
Culture & recreation	88,000	90,000	79,791	(2,000)	10,209
Capital Outlay	-	-	210,554	-	(210,554)
Economic Development Authority	48,094	48,094	44,701	-	3,393
Debt service	73,146	73,146	87,120	-	(13,974)
TOTAL EXPENDITURES	<u>4,116,269</u>	<u>3,985,075</u>	<u>3,536,568</u>	<u>131,194</u>	<u>448,507</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(553,999)</u>	<u>(893,949)</u>	<u>(366,944)</u>	<u>(339,950)</u>	<u>527,005</u>
OTHER FINANCING SOURCES (USES)					
Transfers	200,000	200,000	-	-	(200,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
NET CHANGE IN FUND BALANCES	<u>(353,999)</u>	<u>(693,949)</u>	<u>(366,944)</u>	<u>(339,950)</u>	<u>327,005</u>
FUND BALANCE -BEGINNING	<u>1,742,869</u>	<u>1,653,878</u>	<u>2,446,560</u>	<u>(88,991)</u>	<u>792,682</u>
FUND BALANCE - ENDING	<u>\$ 1,388,870</u>	<u>\$ 959,929</u>	<u>\$ 2,079,616</u>	<u>\$ (428,941)</u>	<u>\$ 1,119,687</u>

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

City of Ellisville, Mississippi

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

PERS

Last 10 Fiscal Years

	<u>2016</u>	<u>2016</u>
City's proportion of the net pension liability (asset)	0.0260%	0.0219%
City's proportionate share of the net pension liability (asset)	\$ 4,336,711	\$ 4,301,111
City's covered-employee payroll	\$ 1,589,104	\$ 1,435,556
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.64%	33.38%
Plan fiduciary net position as a percentage of the total pension liability	61%	57%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/16, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

City of Ellisville, Mississippi
Schedule of the City Contribution
PERS
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 256,827	\$ 250,284
Contributions in relation to the contractually required contribution	<u>\$ 256,827</u>	<u>\$ 250,284</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,630,645	\$ 1,589,104
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

Pension Schedules

(1) There were no changes in benefit terms.

(2) Changes of assumptions

- 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022.
 - The wage inflation assumption was reduced from 3.75% to 3.25%. o Pre-retirement mortality, withdrawal and disability retirement rates were also adjusted to more closely reflect actual experience.
 - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 2015
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

- (3) Changes in benefit provisions.
- 2016
 - Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

CITY OF ELLISVILLE, MISSISSIPPI
OTHER SUPPLEMENTARY INFORMATION

CITY OF ELLISVILLE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2017

Coverage with Old Republic Surety Company:

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

Coverage with Mississippi Municipal Bond Program:

Alderman	50,000 ea
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CITY OF ELLISVILLE, MISSISSIPPI
SCHEDULE OF INVESTMENTS – ALL FUNDS
SEPTEMBER 30, 2018

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other Information</u>	<u>Investment Cost/Value</u>
General Fund	Certificate of Deposit	0.35%	9/30/2018	Community Bank	\$ 23,640
General Fund	Certificate of Deposit	0.25%	9/30/2018	Community Bank	174,099
General Fund	Certificate of Deposit	0.35%	9/30/2018	Community Bank	437,375
General Fund	Certificate of Deposit	0.35%	9/30/2018	Community Bank	206,334
General Fund	Certificate of Deposit	0.35%	9/30/2018	Community Bank	52,313
General Fund	Certificate of Deposit	0.50%	9/30/2018	Community Bank	26,307
Total General					<u>920,068</u>
Proprietary Fund	Certificate of Deposit	0.25%	3/30/2018	Community Bank	458,035
Proprietary Fund	Certificate of Deposit	0.35%	9/30/2018	Community Bank	240,509
Total Proprietary					<u>698,544</u>
Total Investment					<u>\$1,618,612</u>

CITY OF ELLISVILLE, MISSISSIPPI
REPORTS ON COMPLIANCE AND INTERNAL CONTROL



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA
Julie M. Uher, CPA
Kari M. Blackledge, CPA

H. I. Holt, CPA
Founder (1915-1997)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Ellisville, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City of Ellisville, Mississippi's basic financial statements, and have issued our report thereon dated January 12, 2018.

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2017-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

City of Ellisville Mississippi's Response to Findings

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

Purpose of this Report

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

Holt & Associates, PLLC

Laurel, MS
January 12, 2018



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA
Julie M. Uher, CPA
Kari M. Blackledge, CPA

H. I. Holt, CPA
Founder (1915-1997)

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

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

We have audited the financial statements of the governmental activities, business-type activities and each major fund and the aggregate remaining fund information of the City of Ellisville, Mississippi as of and for the year ended September 30, 2017, and have issued our report thereon dated January 12, 2018. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

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

Holt & Associates, PLLC

Laurel, MS
January 12, 2018

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**CITY OF ELLISVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
FOR YEAR ENDED SEPTEMBER 30, 2017**

FINDING 2017-1

Finding:

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

Recommendation:

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

Response:

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