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BATESVILLE

Bringing Progress to North Mississippi

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

September 24, 2019

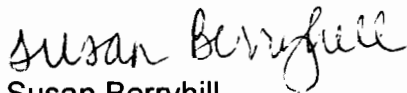
Office of State Auditor
P.O. Box 956
Jackson, Mississippi 39205-0956

RE: City of Batesville - Annual Municipal Audit

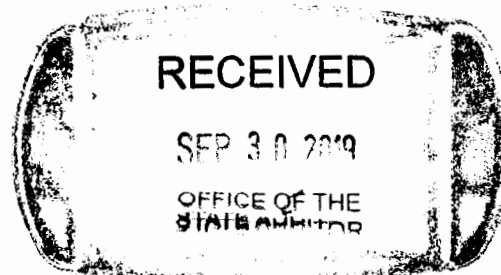
Accompanying this letter are two hard copies and one electronic copy of the annual audit of the City of Batesville, Mississippi for the fiscal year ended September 30, 2018. In connection with this audit, a separate management letter was written to the City. Enclosed you will find a copy of this management letter along with the audit reports.

Sincerely,

CITY OF BATESVILLE


Susan Berryhill
City Clerk

Enclosure



JONES & JONES
CERTIFIED PUBLIC ACCOUNTANTS
OF BOONEVILLE PA

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

September 5, 2019

To the Mayor and Board of Alderpersons
City of Batesville, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Batesville, Mississippi for the year ended September 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 22, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Batesville, Mississippi are described in Note A to the financial statements. The City early implemented Statement No. 84 of the Governmental Accounting Standards Board – Fiduciary Activities and adopted Statement No. 88 of the Governmental Accounting Standards Board – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. No other new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the City of Batesville, Mississippi during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities, business-type activities, general fund, tourism fund, gas fund, water and sewer fund, and nonmajor other governmental fund's financial statements were:

Management's estimate of the allowance for bad debts is based on historical loss levels and an analysis of collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

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September 19, 2019
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Management's estimate of the original and remaining lives and salvage values of fixed assets is based on management's knowledge of the condition of the fixed assets. We evaluated the key factors and assumptions used to develop the original and remaining lives and salvage values of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of deposits and investments in Note C to the financial statements discloses the amount of funds on hand and the collateralization on these deposits.

The disclosure of other postemployment benefits, defined benefit plan, and 125 cafeteria plan in Note G to the financial statements discloses the City's portion of the Public Employees Retirement System and the fact that the City has not determined the other postemployment benefit liability, which caused a qualified opinion on the financial statements of the governmental activities, the business-type activities, the water and sewer fund, the gas fund, and the civic center fund.

The disclosure of long term debt in Note H to the financial statements discloses the amount of debt owed by the City and the payment requirements of this debt.

The disclosure of commitments, contingencies, and uncertainties, and subsequent events in Note O to the financial statements discloses the litigation status, grant audit potential disallowances, and other items including commitments and subsequent events applicable to the City.

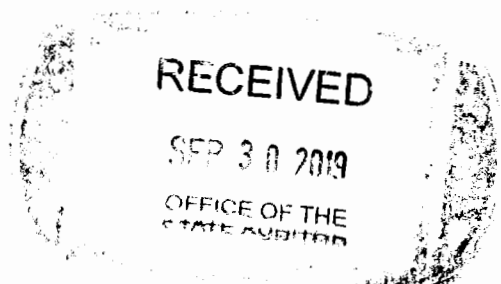
The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, management has a copy of our proposed adjusting journal entries (some of which were material either individually or in total) that were corrected by management and management has a copy of the insignificant uncorrected adjustments attached to your representation letter.



Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 5, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Batesville, Mississippi's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Batesville, Mississippi's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Schedule of City's Proportionate Share of the Net Pension Liability, Schedule of City's Contribution to Public Employees Retirement System of Mississippi, Budgetary Comparison Schedule – General Fund, Budgetary Comparison Schedule – Major Funds – Tourism Fund and Notes to Required Supplementary Information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

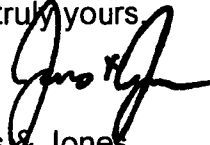
We were engaged to report on Nonmajor Governmental Funds – Combining Balance Sheets, Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances, and Schedule of Surety Bonds for Municipal Officials and Employees, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the

supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Mayor and Board of Alderpersons and management of City of Batesville, Mississippi and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jones & Jones", written over the typed name.

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

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

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

Mayor and Board of Alderpersons
City of Batesville, Mississippi

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Batesville, Mississippi as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Batesville, Mississippi's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

1. The Civic Center Fund is not making daily deposits. Failure to make daily deposits could cause revenues to be recorded in the wrong period. It could also place cash at risk for misappropriation. Occasionally, the Civic Center uses this cash on hand to make refunds of deposits, etc. All cash should be deposited and any refund issued by check.
2. The May 31, 2018 retirement report reported a difference in an employee's retirement wages of \$303.76 in gross wages, \$27.30 in employee contributions and \$108.57 in employer contributions. Since this is a computer-generated report, management should determine what caused this problem to prevent this from reoccurring.
3. The Board of Director minutes reflect various list of property that has been declared as surplus. The City has not had a surplus sale in a several years. We recommend the City dispose of its surplus equipment in a manner authorized by state law.
4. The Board of Alderman minutes authorized general fund petty cash of \$100 while the actual petty cash fund was established at \$200. Management should either return \$100 of the general fund petty cash to the general fund operating bank account or obtain Board of Alderman authority for a \$200 general fund petty cash fund.
5. The Park department should maintain complete records to document collections of concessions and services the park provides. Our review of the receipt book maintained for part of the year noted that spoiled receipts were not marked voided and all copies of six receipts were torn out of the receipt book and could not be located. We also noted that receipts were written out of order. The City should reconcile all collections to applications turned in. The City should consider getting cash registers for the concessions sold and balance concessions received to the cash register tape. The City should require three part prenumbered receipt books with one copy being given to participant, one copy maintained at park department, and one copy turned into City Hall when funds turned in.

6. Management, as part of their formal risk assessment and monitoring program, should periodically review the following steps to help prevent the occurrence of fraud.

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

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

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

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

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

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

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

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CITY CLERK

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

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

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

1. Entries made to unrelated accounts
2. Entries made to receivables or revenues at or near the close of a period
3. Entries made by persons whose responsibilities are not consistent with the accounts being adjusted

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

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

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

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

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

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

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

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

1. Indications of dissatisfaction with compensation, lack of promotion
2. Indications of gambling
3. Indications of drug use or excessive use of alcohol
4. Indications of financial distress
5. Indications of infidelity
6. Indications of serious illness
7. Indications of excessive nervousness
8. Indications of severe stress

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

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

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

Separate reports dated September 5, 2019, contain our communication of significant deficiencies or material weaknesses in the City's internal control. This letter does not affect our report dated September 5, 2019, on the financial statements of the City of Batesville, Mississippi.

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

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

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jones & Jones", written over the printed name.

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

September 5, 2019

CITY OF BATESVILLE, MISSISSIPPI**Basic Financial Statements****Table of Contents****September 30, 2018**

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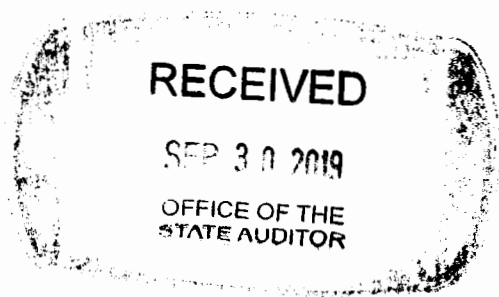
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CITY OF BATESVILLE, MISSISSIPPI
Basic Financial Statements
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September 30, 2018

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

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

Independent Auditors' Report

To the Mayor and Board of Alderpersons
City of Batesville, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Batesville, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

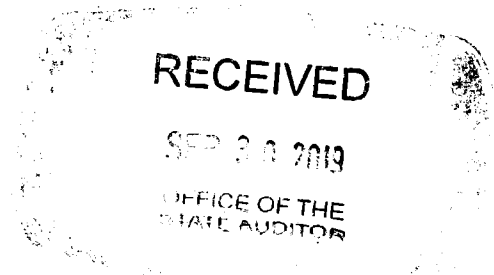
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and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

Auditor's Responsibility

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

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

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



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Summary of Opinions

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

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

Because the post employment benefits liability for allowing employees who retire from City service with 25 years and are age 55 being allowed to continue on the City's health insurance group plan upon retirement until eligible for Medicare, has not been determined or accrued, we were unable to form an opinion regarding the post employment benefits liability recorded in the accompanying Statement 1 – Statement of Net Position (Governmental Activities and Business-Type Activities) at September 30, 2018 and the amounts at which the related post employment benefit expenses is recorded in the accompanying Statement 2 – Statement of Activities (Governmental Activities and Business-Type Activities). The amount by which this departure would affect the liabilities, net position, and expenses of the Governmental Activities and Business-Type Activities has not been determined.

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

Because the post employment benefits liability for allowing employees who retire from City service with 25 years and are age 55 being allowed to continue on the City's health insurance group plan upon retirement until eligible for Medicare, has not been determined or accrued, we were unable to form an opinion regarding the post employment benefits liability recorded in the accompanying Statement 5 – Proprietary Fund Statement of Net Position at September 30, 2018 (Water and Sewer Fund, Gas Fund, and Civic Center Fund) and the amounts at which the related post employment benefit expense is recorded in the accompanying Statement 6 – Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position (Water and Sewer Fund, Gas Fund, and Civic Center Fund). The amount by which this departure would affect the liabilities, net position, and expenses of the Water and Sewer Fund, Gas Fund, and Civic Center Fund has not been determined.

Qualified Opinions

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, Water and Sewer Fund, Gas Fund, and Civic Center Fund paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities, Water and Sewer Fund, Gas Fund, and Civic Center Fund of the City of Batesville, Mississippi, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, the tourism fund, and the aggregate remaining fund information of the City of Batesville, Mississippi, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18, Schedule of City's proportionate share of the net pension liability (Schedule 1) on page 78, Schedule of City's contribution to Public Employee Retirement System of Mississippi (Schedule 2) on page 79, and budgetary comparison information (Schedules 3 and 4) on pages 80 through 85, and Notes to required supplementary information on pages 86 through 88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements (Schedules 2 and 3) and the schedule of surety bonds for municipal officials and employees (Schedule 4) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements (Schedules 2 and 3) and the schedule of surety bonds for municipal officials and employees (Schedule 4) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2019, on our consideration of the City of Batesville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Batesville, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Batesville, Mississippi's internal control over financial reporting and compliance.

Change in Accounting Principle

As described in Note V to the financial statements, effective October 1, 2017, the City adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities and GASB Statement No. 88 Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. Our opinion is not modified with respect to this matter.

Sincerely yours,



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

September 5, 2019

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CITY OF BATESVILLE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2018

As management of the City of Batesville, Mississippi, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$38,491,828 (net position).

The government's total net position increased by \$303,831 during the current fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,238,590, an increase of \$160,598 during the current fiscal year. The City reported an unassigned fund balance of \$561,179.

At the end of the current fiscal year, unassigned fund balance for the general fund had a balance of \$561,179 or 5.1 percent of total general fund expenditures.

The City had fixed asset net additions of \$2,114,737 during the current year. Of this amount \$1,395,777 occurred in the governmental activities and \$718,960 occurred in the business-type activities.

The City's total debt decreased by \$28,482 during the current fiscal year. This change resulted from new debt issued of \$616,846 and debt repayments net of amortization of \$645,328.

During the current fiscal year, the City's operating grants and contributions decreased \$3,994 (5.36 percent) mainly due to normal variance in grants received; capital grants and contributions decreased \$448,510 (79.14 percent) mainly due to prior year including a grant for the watershed project; property taxes increased \$234,185 (6.93 percent) mainly due to an increase in property taxes from 28.05 mills to 30.25 mills; charges for services increased \$845,157 (11.68 percent) mainly due to an increase in natural gas sales of \$783,632 due to a cooler winter; and total expenses decreased \$901,227 (4.56 percent) mainly due to a decrease in governmental activities capital outlays of \$1,178,790.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

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

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

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Overview of the Financial Statements – continued

Fund financial statements

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

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The City adopts an annual appropriated budget for its general fund and certain special revenue funds. Budgetary comparison schedules for the general fund and the tourism fund has been provided in the financial statements on pages 80 – 85 to demonstrate compliance with those budgets.

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

Proprietary funds

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

Overview of the Financial Statements – continued

Proprietary funds - continued

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

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

Fiduciary funds

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

The City does not operate any fiduciary funds.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 – 77 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to the schedule of City's proportionate share of the net pension liability, schedule of City's contributions to public employee retirement system of Mississippi, and budgetary comparison schedules for certain governmental funds referred to earlier. Required supplementary information can be found on pages 78 – 88 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 89 – 90 of this report.

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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Batesville, Mississippi, assets and deferred outflows of resources less liabilities and deferred inflows of resources netted to \$38,491,828 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (approximately 89.9 percent or \$34,594,447) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (approximately 13.8 percent or \$5,317,243) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position deficit is approximately 3.7 percent or \$1,419,862.

At the end of the current fiscal year, the City reported an unrestricted deficit net position in governmental activities of \$11,684,246 while all other categories of net position reported positive balances both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net position decreased by -\$303,831 during the current fiscal year. This increase was mainly due to the decrease in net position from the governmental activities of \$1,797,485 and the increase in business-type activities of \$2,101,316 as detailed on the City of Batesville, Mississippi's changes in net position presented on the following pages. See other detailed changes on the following pages.

Government-wide Financial Analysis - continued

City of Batesville, Mississippi's Net Position

| | Governmental Activities | | | | Business-Type Activities | | | | Total | | | |
|-----------------------------------|-------------------------|---------------|---------------------|----------|--------------------------|---------------|---------------------|----------|---------------|---------------|---------------------|----------|
| | 2018 | 2017 | Increase (Decrease) | % Change | 2018 | 2017 | Increase (Decrease) | % Change | 2018 | 2017 | Increase (Decrease) | % Change |
| Current and other assets | \$ 11,429,369 | \$ 11,562,681 | \$ (133,312) | -1.2% | \$ 15,365,091 | \$ 13,400,587 | \$ 1,964,504 | 14.7% | \$ 26,794,460 | \$ 24,963,268 | \$ 1,831,192 | 7.3% |
| Capital assets | 15,635,109 | 15,945,698 | (310,589) | -1.9% | 22,875,148 | 23,422,467 | (547,319) | -2.3% | 38,510,257 | 39,368,165 | (857,908) | -2.2% |
| Total assets | 27,064,478 | 27,508,379 | (443,901) | -1.6% | 38,240,239 | 36,823,054 | 1,417,185 | 3.8% | 65,304,717 | 64,331,433 | 973,284 | 1.5% |
| Deferred outflows of resources | 756,680 | 1,797,645 | (1,040,965) | -57.9% | 294,672 | 500,855 | (206,183) | -41.2% | 1,051,352 | 2,298,500 | (1,247,148) | -54.3% |
| Long-term liabilities outstanding | 13,602,120 | 13,806,389 | (204,269) | -1.5% | 7,033,350 | 7,858,979 | (825,629) | -10.5% | 20,635,470 | 21,665,368 | (1,029,898) | -4.8% |
| Other liabilities | 909,539 | 903,457 | 6,082 | 0.7% | 1,104,943 | 1,022,867 | 82,076 | 8.0% | 2,014,482 | 1,926,324 | 88,158 | 4.6% |
| Total liabilities | 14,511,659 | 14,709,846 | (198,187) | -1.3% | 8,138,293 | 8,881,846 | (743,553) | -8.4% | 22,649,952 | 23,591,692 | (941,740) | -4.0% |
| Deferred inflows of resources | 4,658,239 | 4,147,433 | 510,806 | 12.3% | 556,050 | 392,296 | 163,754 | 41.7% | 5,214,289 | 4,539,729 | 674,560 | 14.9% |
| Net position | | | | | | | | | | | | |
| Net investment in capital assets | 15,018,263 | 15,912,274 | (894,011) | -5.6% | 19,576,184 | 19,511,601 | 64,583 | 0.3% | 34,594,447 | 35,423,875 | (829,428) | -2.3% |
| Restricted | 5,317,243 | 5,399,820 | (82,577) | -1.5% | - | - | - | 0.0% | 5,317,243 | 5,399,820 | (82,577) | -1.5% |
| Unrestricted | (11,684,246) | (10,863,349) | (820,897) | 7.6% | 10,264,384 | 8,538,166 | 1,726,218 | 20.2% | (1,419,862) | (2,325,183) | 905,321 | -38.9% |
| Total Net Position | \$ 8,651,260 | \$ 10,448,745 | \$ (1,797,485) | -17.2% | \$ 29,840,568 | \$ 28,049,767 | \$ 1,790,801 | 6.4% | \$ 38,491,828 | \$ 38,498,512 | \$ (6,684) | 0.0% |

City of Batesville, Mississippi's Changes in Net Position

| | Governmental Activities | | | | Business-Type Activities | | | | Total | | | |
|---------------------------------------|-------------------------|---------------|---------------------|----------|--------------------------|--------------|---------------------|----------|---------------|---------------|---------------------|----------|
| | 2018 | 2017 | Increase (Decrease) | % Change | 2018 | 2017 | Increase (Decrease) | % Change | 2018 | 2017 | Increase (Decrease) | % Change |
| Revenue | | | | | | | | | | | | |
| Program Revenues | | | | | | | | | | | | |
| Charges for services | \$ 500,175 | \$ 590,764 | \$ (90,589) | -15.3% | \$ 7,583,190 | \$ 6,647,444 | \$ 935,746 | 14.1% | \$ 8,083,365 | \$ 7,238,208 | \$ 845,157 | 11.7% |
| Operating grants and contributions | 70,585 | 74,579 | (3,994) | -5.4% | - | - | - | 0.0% | 70,585 | 74,579 | (3,994) | -5.4% |
| Capital grants and contributions | 118,216 | 566,726 | (448,510) | -79.1% | - | - | - | 0.0% | 118,216 | 566,726 | (448,510) | -79.1% |
| General Revenues | | | | | | | | | | | | |
| Taxes | | | | | | | | | | | | |
| Property taxes and late fees | 3,373,770 | 3,137,329 | 236,441 | 7.5% | 237,846 | 240,102 | (2,256) | -0.9% | 3,611,616 | 3,377,431 | 234,185 | 6.9% |
| Road and bridge taxes | 380,034 | 389,837 | (9,803) | -2.5% | - | - | - | 0.0% | 380,034 | 389,837 | (9,803) | -2.5% |
| Sales tax and tourism tax | 5,801,876 | 5,799,566 | 2,310 | 0.0% | - | - | - | 0.0% | 5,801,876 | 5,799,566 | 2,310 | 0.0% |
| Franchise tax | 325,155 | 318,836 | 6,319 | 2.0% | - | - | - | 0.0% | 325,155 | 318,836 | 6,319 | 2.0% |
| In lieu taxes | 306,780 | 332,548 | (25,768) | -7.7% | - | - | - | 0.0% | 306,780 | 332,548 | (25,768) | -7.7% |
| Other taxes and state shared revenues | 188,513 | 199,244 | (10,731) | -5.4% | 8,796 | 8,745 | 51 | 0.6% | 197,309 | 207,989 | (10,680) | -5.1% |
| Investment income | 56,350 | 47,070 | 9,280 | 19.7% | 127,113 | 40,787 | 86,326 | 211.7% | 183,463 | 87,857 | 95,606 | 108.8% |
| Unrestricted grants and contributions | 1,500 | 2,243 | (743) | -33.1% | - | - | - | 0.0% | 1,500 | 2,243 | (743) | -33.1% |
| Other | 30,044 | 60,086 | (30,042) | -50.0% | - | - | - | 0.0% | 30,044 | 60,086 | (30,042) | -50.0% |
| Total revenue | \$ 11,152,998 | \$ 11,518,828 | \$ (365,830) | -3.2% | \$ 7,956,945 | \$ 6,937,078 | \$ 1,019,867 | 14.7% | \$ 19,109,943 | \$ 18,455,906 | \$ 654,037 | 3.5% |

Government-wide Financial Analysis - continued

City of Batesville, Mississippi's Changes in Net Position

| | Governmental Activities | | | | Business-Type Activities | | | | Total | | | |
|----------------------------------------------------------------------------|-------------------------|--------------|------------------------|-------------|--------------------------|---------------|------------------------|-------------|--------------|---------------|------------------------|-------------|
| | 2018 | 2017 | Increase (Decrease) | % Change | 2018 | 2017 | Increase (Decrease) | % Change | 2018 | 2017 | Increase (Decrease) | % Change |
| | | | | | | | | | | | | |
| Expenses: | | | | | | | | | | | | |
| General government | \$ 1,216,026 | \$ 1,128,912 | \$ 87,114 | 7.7% | \$ - | \$ - | \$ - | 0.0% | \$ 1,216,026 | \$ 1,128,912 | \$ 87,114 | 7.7% |
| Public safety | 6,574,327 | 7,110,096 | (535,769) | -7.5% | - | - | - | 0.0% | 6,574,327 | 7,110,096 | (535,769) | -7.5% |
| Streets | 2,604,227 | 2,897,744 | (293,517) | -10.1% | - | - | - | 0.0% | 2,604,227 | 2,897,744 | (293,517) | -10.1% |
| Other | 1,751,224 | 1,917,032 | (165,808) | -8.6% | - | - | - | 0.0% | 1,751,224 | 1,917,032 | (165,808) | -8.6% |
| Interest | 4,018 | 13,941 | (9,923) | -71.2% | - | - | - | 0.0% | 4,018 | 13,941 | (9,923) | -71.2% |
| Water and Sewer | - | - | - | 0.0% | 3,449,332 | 3,416,257 | 33,075 | 1.0% | 3,449,332 | 3,416,257 | 33,075 | 1.0% |
| Natural Gas | - | - | - | 0.0% | 2,325,709 | 2,335,272 | (9,563) | -0.4% | 2,325,709 | 2,335,272 | (9,563) | -0.4% |
| Civic Center | - | - | - | 0.0% | 951,477 | 957,586 | (6,109) | -0.6% | 951,477 | 957,586 | (6,109) | -0.6% |
| Sanitation | - | - | - | 0.0% | 313,623 | 309,955 | 3,668 | 1.2% | 313,623 | 309,955 | 3,668 | 1.2% |
| Total expenses | 12,149,822 | 13,067,725 | (917,903) | -7.0% | 7,040,141 | 7,019,070 | 21,071 | 0.3% | 19,189,963 | 20,086,795 | (896,832) | -4.5% |
| Increase (decrease) in net assets before contributions and transfers | (996,824) | (1,548,897) | 552,073 | -35.6% | 919,804 | (81,992) | 998,796 | NA | (80,020) | (1,630,889) | 1,550,869 | -95.1% |
| Gain (loss) on disposition of capital assets | 73,339 | (24,255) | 97,594 | -402.4% | (346) | 381 | (727) | -190.8% | 72,993 | (23,874) | 96,867 | -405.7% |
| Transfers | (874,000) | (760,000) | (114,000) | 15.0% | 874,343 | 760,000 | 114,343 | 15.0% | 343 | - | 343 | 0.0% |
| Increase (decrease) in net position | (1,797,485) | (2,333,152) | 535,667 | 0.0% | 1,790,801 | 678,389 | 1,112,412 | 164.0% | (6,684) | (1,654,763) | 1,648,079 | -99.6% |
| Net position--beginning of year | 10,448,745 | 12,781,897 | (2,333,152) | -18.3% | 28,049,767 | 27,371,376 | 678,391 | 2.5% | 38,498,512 | 40,153,273 | (1,654,761) | -4.1% |
| Rounding | - | - | - | 0.0% | - | 2 | (2) | -100.0% | - | 2 | (2) | -100.0% |
| Net position--end of year | \$ 8,651,260 | \$10,448,745 | \$ (1,797,485) | -17.2% | \$ 29,840,568 | \$ 28,049,767 | \$ 1,790,801 | 6.4% | \$38,491,828 | \$ 38,498,512 | \$ (6,684) | 0.0% |

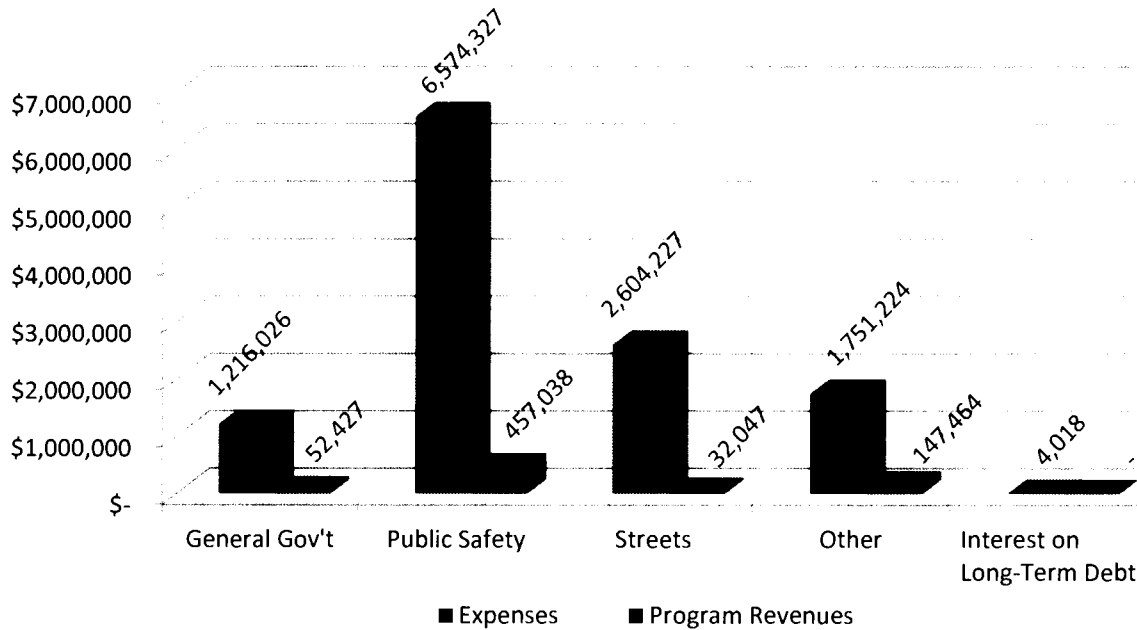
Governmental activities

Governmental activities, including transfers, decreased the City's net position by \$1,797,485 during the current year. By comparison, governmental activities including transfers reported a decrease in net position from the previous fiscal year of approximately \$2,333,152. Key elements of the changes are detailed above.

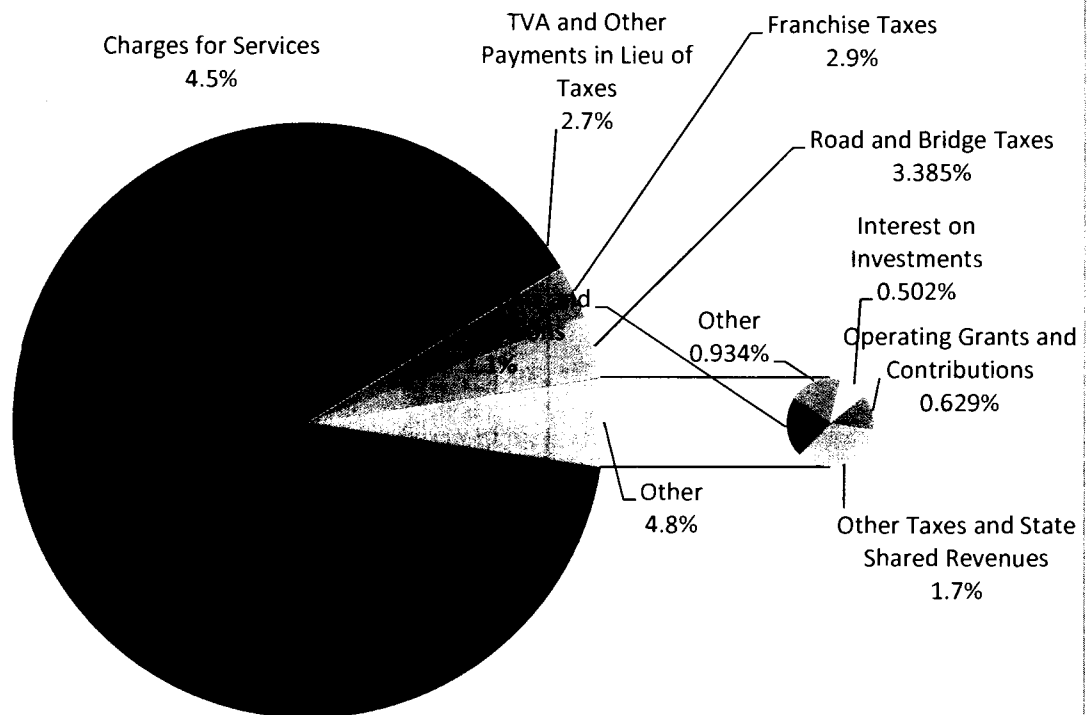
Government-wide Financial Analysis - continued

Governmental activities - continued

Expense and Program Revenues - Governmental Activities



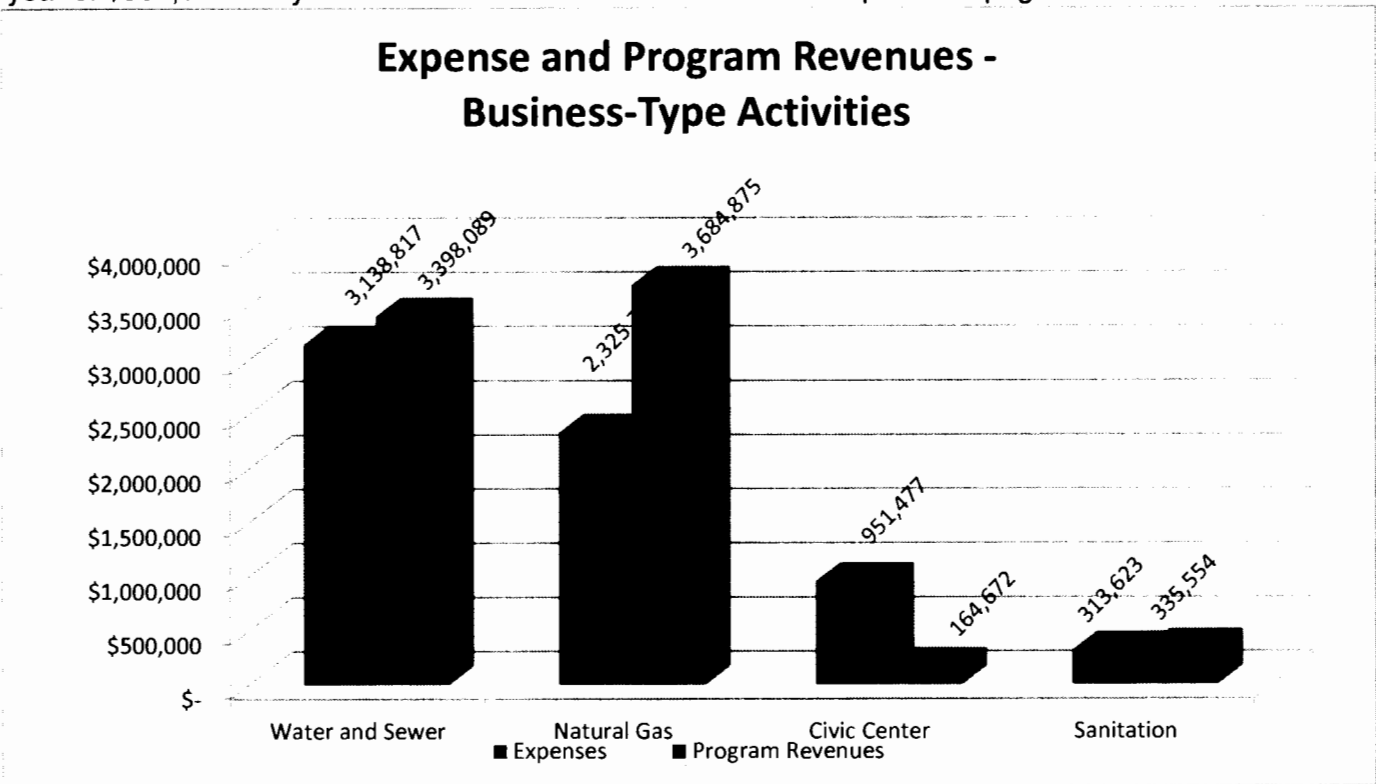
Revenues by Source - Governmental Activities



Government-wide Financial Analysis - continued

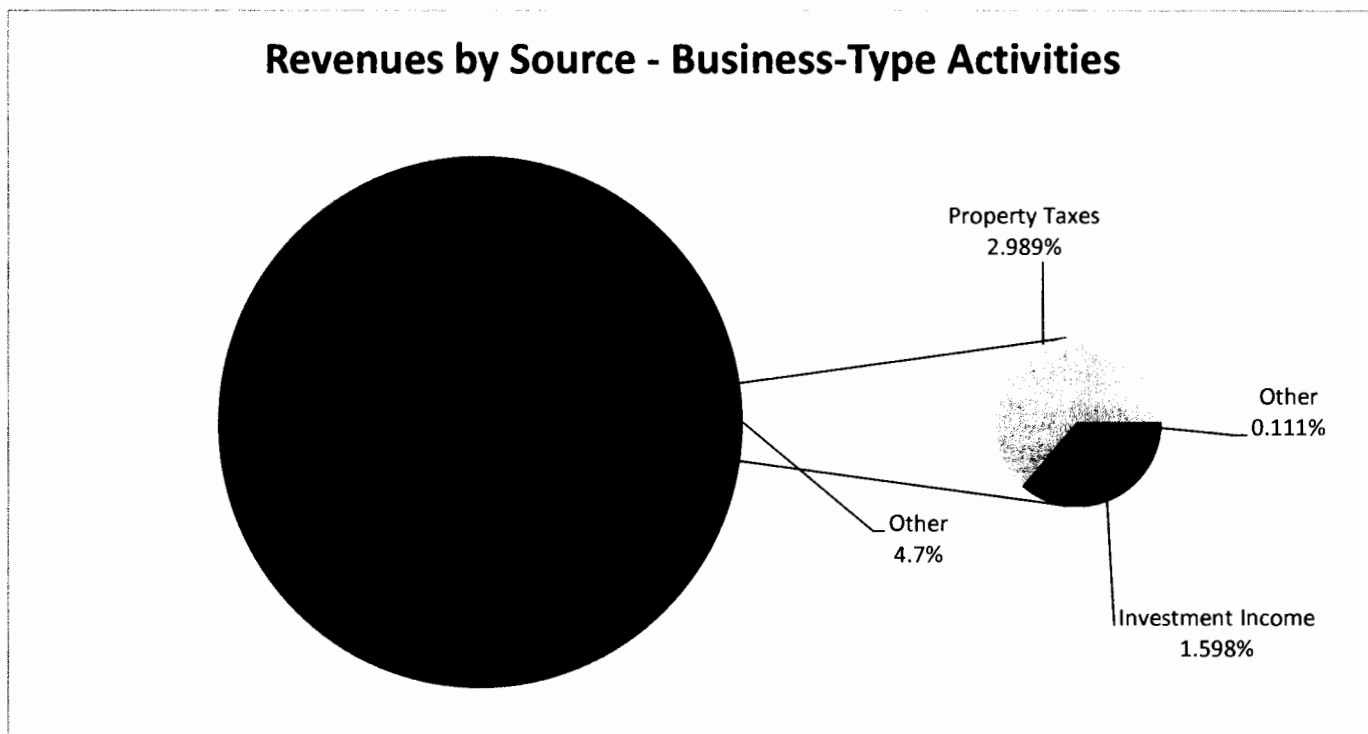
Business-type activities

Business-type activities reported an increase in the City's net position by \$2,101,316 during the current year. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$984,509. Key elements of this increase are detailed on previous pages.



Government-wide Financial Analysis - continued

Business-type activities - continued



Financial Analysis of the Government's Funds

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

Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,238,590, an increase of \$160,598 compared to the prior year. The City reported a balance of \$561,179 in unassigned fund balance.

The remainder of fund balance \$5,677,411 is either nonspendable, restricted by laws, regulations or by donor, committed by the Board of Alderpersons, or assigned by the Mayor, to indicate that it is not available for new spending or it can be spent only for specific items.

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Financial Analysis of the Government's Funds - continued

Governmental funds - continued

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was \$561,179, while total fund balance was \$2,488,766. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 5.1 percent of total general fund expenditures.

The fund balance of the City's general fund decreased by \$166,326 during the current fiscal year.

Proprietary funds

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

Unrestricted net position of the water and sewer system, gas system, civic center, and waste collection funds at the end of the year amounted to \$1,463,236, \$8,347,378, \$459,759, and \$(5,989), respectively. The water and sewer fund had a decrease in net position for the year of \$55,604, the gas fund had an increase in net position for the year of \$1,451,374, the civic center fund had an increase in net position for the year of \$463,103, and the waste collection fund had a decrease in net position for the year of \$68,070.

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

General Fund Budgetary Highlights

The City made the following amendments to its original budget: Expenditures - general government - personnel services \$37,925, general government - supplies \$(7,000), general government - capital outlay \$(30,925), city court - personnel services \$47,083, city court - other services and charges \$(30,000), city court - capital outlays \$(17,083), public safety - police - personnel services \$70,270, public safety - police - capital outlay \$(70,270), street - other charges and services \$245,400, street - capital outlay \$(245,400), public health and sanitation - personnel services \$12,752, public health and sanitation - capital outlays \$(12,752), library - personnel services \$16,100, library - capital outlay \$(16,100), police confiscated goods fund - supplies \$(2,000), police confiscated goods fund - transfer out \$2,000, code - personnel services \$63,987, code - other services and charges \$(33,987), code - capital outlay \$(30,000).

During the year, general fund revenues were less than the budgetary estimates and expenditures were less than the budgetary estimates, resulting in an actual increase in fund balance that was less than the final amended budget fund balance amount by \$1,027,520.

During the year, tourism fund revenues were less than the budgetary estimates and expenditures were less than the budgetary estimates, resulting in an actual increase in fund balance that was more than the final amended budget fund balance amount by \$982,243.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounted to \$38,510,257 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, infrastructure, improvements, machinery and equipment, and park facilities. Capital assets also include roads, highways, bridges, and other infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was approximately 2.2 percent (an approximate 1.9 percent decrease for governmental activities and an approximate 2.3 percent decrease for business-type activities).

Major capital asset additions are as follows:

| | | |
|-------------------------------------------------------------|----|---------|
| Court automotive, furniture and equipment | \$ | 2,300 |
| Code automotive, furniture and equipment | | 3,297 |
| Fire automotive, furniture and equipment | | 372,736 |
| Fire buildings and improvements | | 42,671 |
| Park and recreation equipment | | 29,694 |
| Park and recreation sidewalks, trails and concrete | | 92,728 |
| Park and recreation building and improvements | | 8,341 |
| Park and recreation land improvements | | 50,809 |
| Police automotive, furniture and equipment | | 563,259 |
| Police buildings and improvements | | 69,312 |
| Street automotive, furniture and equipment | | 12,915 |
| Street paving and overlays | | 127,415 |
| Supervision and finance automotive, furniture and equipment | | 2,300 |
| Supervision and finance buildings and improvements | | 18,000 |
| Gas automotive, furniture and equipment | | 4,390 |
| Gas building and improvements | | 6,000 |
| Gas distribution system | | 4,583 |
| Water and sewer automotive, furniture and equipment | | 3,525 |
| Water and sewer building and improvements | | 12,000 |
| Water and sewer distribution system | | 647,175 |
| Civic center building and improvements | | 38,337 |
| Civic center automotive, furniture and equipment | | 2,950 |

City of Batesville, Mississippi's Capital Assets - Net

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------|----------------------------|-----------------------------|----------------------|
| Land | \$ 1,885,415 | \$ 438,500 | \$ 2,323,915 |
| Infrastructure | 8,679,063 | - | 8,679,063 |
| Building and improvements | 3,174,925 | 7,121,899 | 10,296,824 |
| Natural gas system | - | 1,276,505 | 1,276,505 |
| Water and sewer system | - | 13,533,633 | 13,533,633 |
| Automotive, equipment and furnishings | 1,895,706 | 504,611 | 2,400,317 |
| Total | \$ 15,635,109 | \$ 22,875,148 | \$ 38,510,257 |

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Capital Asset and Debt Administration - continued

Capital assets - continued

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

Long-term debt

At the end of the current fiscal year, the City had total debt outstanding of \$3,915,810. Of this amount, \$2,100,000 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) or lease agreements subject to appropriations.

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

| | Governmental Activities | Business-Type Activities | Total |
|--------------------------|------------------------------------|-------------------------------------|---------------------|
| General obligation bonds | \$ - | \$ 2,100,000 | \$ 2,100,000 |
| Lease agreements | 616,846 | - | 616,846 |
| Revenue bonds | - | 1,198,964 | 1,198,964 |
| Total | \$ 616,846 | \$ 3,298,964 | \$ 3,915,810 |

The City's total debt decreased by \$28,481 (approximately 0.7 percent) during the current fiscal year. There were new revenue bonds and other debt obligations totaling \$616,846 issued during the year.

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

State statute limits the amount of general obligation debt a governmental entity may issue to 15 percent of the assessed value of the taxable property within such City according to the last completed assessment for taxation. The margin for additional debt under the 15 percent debt limit is approximately \$11,231,162. Additional information on the City's long-term debt can be found in Note H on pages 64 - 69 of this report.

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Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2019 fiscal year:

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

Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, there was an unassigned fund balance in the general fund of \$561,179.

Requests for Information

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

CITY OF BATESVILLE, MISSISSIPPI
Statement of Net Position
September 30, 2018

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--------------------------------------------------------------------------|------------------------------------|-------------------------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,068,222 | \$ 13,281,322 | \$ 14,349,544 |
| Restricted cash and cash equivalents | 4,854,198 | 461,947 | 5,316,145 |
| Receivables (Net, where applicable, of allowances for uncollectibles) | | | |
| Property taxes (net of allowances of \$40,687) | 3,933,888 | 243,013 | 4,176,901 |
| Police fines (net of allowances of \$1,183,995) | 150,917 | - | 150,917 |
| Accounts (net of allowances of \$566,525) | - | 627,871 | 627,871 |
| Franchise fees (net of allowances of \$0) | 107,242 | - | 107,242 |
| Accrued interest (net of allowances of \$0) | 147 | - | 147 |
| Leases and loans receivable (net of allowances of \$503,644) | 297,315 | - | 297,315 |
| Prepaid items | 167,815 | 66,008 | 233,823 |
| Inventory | - | 373,229 | 373,229 |
| Due from other governments | 1,153,030 | 8,296 | 1,161,326 |
| Due (to) from other funds | (303,405) | 303,405 | - |
| Land and construction in progress | 1,885,415 | 438,500 | 2,323,915 |
| Other capital assets (net of accumulated depreciation) | <u>13,749,694</u> | <u>22,436,648</u> | <u>36,186,342</u> |
| Total Assets | <u>27,064,478</u> | <u>38,240,239</u> | <u>65,304,717</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows pertaining to pensions | <u>756,680</u> | <u>294,672</u> | <u>1,051,352</u> |
| Total Deferred Outflows of Resources | <u>756,680</u> | <u>294,672</u> | <u>1,051,352</u> |

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

CITY OF BATESVILLE, MISSISSIPPI

Statement of Net Position

September 30, 2018

| | Governmental Activities | Business-Type Activities | Total |
|-----------------------------------------------------------|----------------------------|-----------------------------|----------------------|
| LIABILITIES | | | |
| Accounts payable - operations | \$ 351,871 | \$ 493,865 | \$ 845,736 |
| Accounts payable - capital assets | 12,147 | - | 12,147 |
| Accrued interest | 3,452 | 17,466 | 20,918 |
| Accrued liabilities | 517,410 | 131,665 | 649,075 |
| Customer deposits | - | 461,947 | 461,947 |
| Liabilities payable from restricted assets: | | | |
| Accounts payable - operations | 18,380 | - | 18,380 |
| Builders compliance bonds and seized funds held | 6,279 | - | 6,279 |
| Long-term debt and capital leases | | | |
| Bonds and notes payable due within one year | - | 615,961 | 615,961 |
| Obligations under capital lease due within one year | 198,776 | - | 198,776 |
| Compensated absence due within one year | 30,672 | 633 | 31,305 |
| Net pension liability due in more than one year | 12,624,380 | 3,599,421 | 16,223,801 |
| Bonds and notes payable due in more than one year | - | 2,683,003 | 2,683,003 |
| Obligations under capital lease due in more than one year | 418,070 | - | 418,070 |
| Compensated absense due in more than one year | 330,222 | 134,332 | 464,554 |
| Total Liabilities | 14,511,659 | 8,138,293 | 22,649,952 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows pertaining to pensions | 886,555 | 309,277 | 1,195,832 |
| Deferred inflows pertaining to unavailable revenue | 3,771,684 | 246,773 | 4,018,457 |
| Total Deferred Inflows of Resources | 4,658,239 | 556,050 | 5,214,289 |
| NET POSITION | | | |
| Net investment in capital assets | 15,018,263 | 19,576,184 | 34,594,447 |
| Restricted for: | | | |
| Debt service - expendable | 83,527 | - | 83,527 |
| Library operations - expendable | 1,567,419 | - | 1,567,419 |
| Economic Development | 1,748,372 | - | 1,748,372 |
| Other -- expendable | 213,171 | - | 213,171 |
| Tourism Development - expendable | 1,644,659 | - | 1,644,659 |
| Unemployment | 60,095 | - | 60,095 |
| Unrestricted (deficit) | (11,684,246) | 10,264,384 | (1,419,862) |
| TOTAL NET POSITION | \$ 8,651,260 | \$ 29,840,568 | \$ 38,491,828 |

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

CITY OF BATESVILLE, MISSISSIPPI
Statement of Activities
For the fiscal year ended September 30, 2018

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|-------------------------------------------------------------|------------------|-------------------------|-------------------------------------|-----------------------------------|-------------------------------------------------|-----------------------------|----------------|
| | Expenses | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Governmental Activities: | | | | | | | |
| General government | \$ 1,216,026 | \$ 46,165 | \$ 6,262 | \$ - | \$ (1,163,599) | \$ - | \$ (1,163,599) |
| City court | 244,163 | 1,391 | - | - | (242,772) | - | (242,772) |
| Police | 4,366,770 | 363,566 | 21,722 | 6,145 | (3,975,337) | - | (3,975,337) |
| Fire | 2,207,557 | 154 | 42,601 | 22,850 | (2,141,952) | - | (2,141,952) |
| Streets | 2,604,227 | - | - | 32,047 | (2,572,180) | - | (2,572,180) |
| Public health and sanitation | 410,213 | 10,680 | - | - | (399,533) | - | (399,533) |
| Library | 313,090 | - | - | - | (313,090) | - | (313,090) |
| Parks and recreation | 397,852 | 15,919 | - | 29,625 | (352,308) | - | (352,308) |
| Code | 365,906 | 62,300 | - | 27,549 | (276,057) | - | (276,057) |
| Economic development | 20,000 | - | - | - | (20,000) | - | (20,000) |
| Interest on long term debt | 4,018 | - | - | - | (4,018) | - | (4,018) |
| Total Governmental Activities | 12,149,822 | 500,175 | 70,585 | 118,216 | (11,460,846) | - | (11,460,846) |
| Business-Type Activities: | | | | | | | |
| Water | 1,278,340 | 2,047,996 | - | - | - | 769,656 | 769,656 |
| Sewer | 2,170,992 | 1,350,093 | - | - | - | (820,899) | (820,899) |
| Gas | 2,325,709 | 3,684,875 | - | - | - | 1,359,166 | 1,359,166 |
| Civic center | 951,477 | 164,672 | - | - | - | (786,805) | (786,805) |
| Sanitation | 313,623 | 335,554 | - | - | - | 21,931 | 21,931 |
| Total Business-Type Activities | 7,040,141 | 7,583,190 | - | - | - | 543,049 | 543,049 |
| TOTAL PRIMARY GOVERNMENT | \$ 19,189,963 | \$ 8,083,365 | \$ 70,585 | \$ 118,216 | (11,460,846) | 543,049 | (10,917,797) |
| General Revenues | | | | | | | |
| Taxes | | | | | | | |
| Property taxes and late fees | | | | | 3,373,770 | 237,846 | 3,611,616 |
| Road and bridge taxes | | | | | 380,034 | - | 380,034 |
| Sales and tourism tax | | | | | 5,801,876 | - | 5,801,876 |
| Homestead | | | | | 114,570 | 8,796 | 123,366 |
| Franchise tax | | | | | 325,155 | - | 325,155 |
| TVA and other payments in lieu of taxes | | | | | 306,780 | - | 306,780 |
| Other taxes | | | | | 63,275 | - | 63,275 |
| Municipal aid and gasoline tax | | | | | 10,668 | - | 10,668 |
| Investment income | | | | | 56,350 | 127,113 | 183,463 |
| Reduction for uncollectable loans | | | | | (15,200) | - | (15,200) |
| Other | | | | | 45,244 | - | 45,244 |
| Grants and contributions not restricted to specific program | | | | | 1,500 | - | 1,500 |
| Gain (loss) on sale or retirement of capital assets | | | | | 73,339 | (346) | 72,993 |
| Transfers | | | | | (874,000) | 874,343 | 343 |
| Total | | | | | 9,663,361 | 1,247,752 | 10,911,113 |
| Change in Net Position | | | | | (1,797,485) | 1,790,801 | (6,684) |
| NET POSITION--BEGINNING | | | | | 10,448,745 | 28,049,767 | 38,498,512 |
| NET POSITION--ENDING | | | | | \$ 8,651,260 | \$ 29,840,568 | \$ 38,491,828 |

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

CITY OF BATESVILLE, STATE OF MISSISSIPPI
Governmental Funds
Balance Sheet
September 30, 2018

| | General Fund | Tourism Fund | Nonmajor Other Governmental Funds | Total Governmental Funds |
|----------------------------------------------------------------------------|-------------------------|-------------------------|------------------------------------------------------|-----------------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,068,222 | \$ - | \$ - | \$ 1,068,222 |
| Restricted cash and cash equivalents | 1,571,672 | 1,447,127 | 1,835,399 | 4,854,198 |
| Receivables (net of allowance for uncollectibles) | | | | |
| Taxes | 3,933,888 | - | - | 3,933,888 |
| Police fines | 150,917 | - | - | 150,917 |
| Interest | - | - | 147 | 147 |
| Franchise fees | 107,242 | - | - | 107,242 |
| Due from other funds | - | - | 7,325 | 7,325 |
| Due from other governments | 953,548 | 199,482 | - | 1,153,030 |
| Lease and loans receivable - net | 14,615 | - | 282,700 | 297,315 |
| Total assets | \$ 7,800,104 | \$1,646,609 | \$ 2,125,571 | \$ 11,572,284 |
| LIABILITIES | | | | |
| Accounts payable - operations | \$ 349,921 | \$ 1,950 | \$ 1 | \$ 351,872 |
| Accounts payable - fixed assets | 12,147 | - | - | 12,147 |
| Accrued liabilities | 517,410 | - | - | 517,410 |
| Compensated absences | 30,672 | - | - | 30,672 |
| Due to other funds | 310,730 | - | - | 310,730 |
| Liabilities payable from restricted assets | | | | |
| Accounts payable | - | - | 18,379 | 18,379 |
| Builders compliance bonds and seized funds held | 4,253 | - | 2,026 | 6,279 |
| Total liabilities | 1,225,133 | 1,950 | 20,406 | 1,247,489 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | 4,086,205 | - | - | 4,086,205 |
| Total deferred inflows of resources | 4,086,205 | - | - | 4,086,205 |
| FUND BALANCES | | | | |
| Nonspendable | 14,615 | - | - | 14,615 |
| Restricted | 1,567,419 | 1,644,659 | 2,105,165 | 5,317,243 |
| Committed | 248,582 | - | - | 248,582 |
| Assigned | 96,971 | - | - | 96,971 |
| Unassigned | 561,179 | - | - | 561,179 |
| Total fund balance | 2,488,766 | 1,644,659 | 2,105,165 | 6,238,590 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 7,800,104 | \$1,646,609 | \$ 2,125,571 | \$ 11,572,284 |

The accompanying notes are an integral part of this financial statement SEP 30 2019

CITY OF BATESVILLE, STATE OF MISSISSIPPI
Reconciliation of Fund Balances of Governmental Funds to the
Governmental Activities in the Statement of Net Position
September 30, 2018

| | |
|-------------------------------------|--------------|
| FUND BALANCES OF GOVERNMENTAL FUNDS | \$ 6,238,590 |
|-------------------------------------|--------------|

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

Capital assets used in governmental activities are not financial resources and; therefore, were not reported in the governmental funds. The capital assets were adjusted as follows:

| | |
|------------------------------------------------|--------------|
| Land improvements and construction in progress | 1,885,415 |
| Other capital assets | 41,823,936 |
| Less accumulated depreciation | (28,074,242) |

Some of the City's revenues will be collected after year end but will not be available soon enough to pay for the current period's expenditures and; therefore, are deferred in the governmental funds. The deferred revenues were adjusted as follows:

| | |
|--------------------------------------------|---------|
| Revenues - police fines | 76,189 |
| Revenues - lease-sale post office building | |
| Revenues - payments in lieu of tax | 193,672 |
| Revenues - property taxes | 5,307 |
| Revenues - grants | 39,352 |
| Revenues - franchise fees | 1 |

| | |
|--------------------------------------------------------------------------------------------------------------------------------|---------|
| The City's policy is to not recognize prepaid items as assets at the fund level; therefore they are not reported in the funds. | 167,815 |
|--------------------------------------------------------------------------------------------------------------------------------|---------|

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Interest payable on long-term debt did not require current financial resources; therefore, interest payable was not reported as a liability in the governmental funds. | (3,452) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

Long-term liabilities, including bonds payable, capital leases and compensated absences not due and payable in the current period and; therefore, are not reported in the governmental funds. The long-term liabilities were adjusted as follows:

| | |
|----------------------|-----------|
| Capital leases | (616,846) |
| Compensated absences | (330,222) |

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Net pension obligations are not due and payable in the current period and; therefore, are not reported in the governmental fund financial statements. | (12,624,380) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|

Deferred outflows and inflows of resources related to pensions are applicable to future periods and; therefore, are not reported in the governmental fund financial statements.

| | |
|------------------------------------------|-----------|
| Deferred outflows pertaining to pensions | 756,680 |
| Deferred inflows related to pensions | (886,555) |

| | |
|-----------------------------------------|--------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ 8,651,260 |
|-----------------------------------------|--------------|

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

CITY OF BATESVILLE, STATE OF MISSISSIPPI
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended September 30, 2018

| | <u>General</u> | <u>Tourism Fund</u> | <u>Nonmajor Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-----------------------------------------------------------|----------------|---------------------|------------------------------------------------------|-----------------------------------------|
| REVENUES | | | | |
| Advalorem taxes, penalties and interest | \$ 3,373,629 | \$ - | \$ - | \$ 3,373,629 |
| Road and bridge taxes | 380,034 | - | - | 380,034 |
| In lieu of taxes - General Electric | 113,108 | - | - | 113,108 |
| License, permits, and fees | 114,075 | - | - | 114,075 |
| Intergovernmental revenues: | | | | |
| Federal grants | 150,892 | - | - | 150,892 |
| State shared revenues: | | | | |
| Grants | 20,850 | - | - | 20,850 |
| Sales tax | 4,581,116 | - | - | 4,581,116 |
| Liquor privilege tax | 9,900 | - | - | 9,900 |
| Fire protection | 42,601 | - | - | 42,601 |
| Police academy training | 16,060 | - | - | 16,060 |
| Gasoline tax and municipal aid | 10,668 | - | - | 10,668 |
| Homestead reimbursement | 114,570 | - | - | 114,570 |
| In lieu of taxes - TVA | 193,146 | - | - | 193,146 |
| Tourism tax | - | 1,220,760 | - | 1,220,760 |
| Franchise taxes | 325,155 | - | - | 325,155 |
| Municipal court fines and bond fees | 156,607 | - | 40,245 | 196,852 |
| Cops in school charges | 220,447 | - | - | 220,447 |
| Parks and recreation | 20,209 | - | - | 20,209 |
| Fire department revenue - local | 154 | - | - | 154 |
| Interest income | 23,117 | 8,002 | 22,701 | 53,820 |
| Rents | 45,083 | - | 95,607 | 140,690 |
| Contributions and donations | 1,500 | - | - | 1,500 |
| Reduction for uncollectable loans | - | - | (15,200) | (15,200) |
| Other | 58,746 | - | 10 | 58,756 |
| Total revenues | 9,971,667 | 1,228,762 | 143,363 | 11,343,792 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 1,068,032 | 20,000 | 19,529 | 1,107,561 |
| City court | 216,858 | - | - | 216,858 |
| Police | 3,721,481 | - | 1,366 | 3,722,847 |
| Fire | 1,782,048 | - | - | 1,782,048 |
| Streets | 1,425,047 | - | - | 1,425,047 |
| Public health and sanitation | 369,372 | - | - | 369,372 |
| Library | 280,667 | - | - | 280,667 |
| Parks and recreation | 287,070 | - | - | 287,070 |
| Code | 310,703 | - | - | 310,703 |
| Economic development | - | 4,623 | - | 4,623 |
| Capital outlay | 1,492,854 | - | 1,468 | 1,494,322 |
| Debt Service | | | | |
| Principal retirement - general obligation | - | - | 33,425 | 33,425 |
| Interest and paying agent | - | - | 790 | 790 |
| Total expenditures | 10,954,132 | 24,623 | 56,578 | 11,035,333 |
| Excess (deficit) of revenues over (under) expenditures | \$ (982,465) | \$ 1,204,139 | \$ 86,785 | \$ 1,208,459 |

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

CITY OF BATESVILLE, STATE OF MISSISSIPPI
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the fiscal year ended September 30, 2018

| | <u>General</u> | <u>Tourism Fund</u> | <u>Nonmajor Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-----------------------------------------------------------------------------------------------|---------------------|-------------------------|------------------------------------------------------|-----------------------------------------|
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Proceeds from disposition of fixed assets | \$ 109,293 | \$ - | \$ - | \$ 109,293 |
| Proceeds from capital leases | 616,846 | - | - | 616,846 |
| Operating transfers in | 90,000 | - | - | 90,000 |
| Operating transfers out | <u>-</u> | <u>(964,000)</u> | <u>-</u> | <u>(964,000)</u> |
| Total other financing sources (uses) | <u>816,139</u> | <u>(964,000)</u> | <u>-</u> | <u>(147,861)</u> |
| Excess (deficit) of revenues and other sources over (under) expenditures and other uses | (166,326) | 240,139 | 86,785 | 160,598 |
| Fund balance - beginning | <u>2,655,092</u> | <u>1,404,520</u> | <u>2,018,380</u> | <u>6,077,992</u> |
| Fund balance - end of year | <u>\$ 2,488,766</u> | <u>\$ 1,644,659</u> | <u>\$ 2,105,165</u> | <u>\$ 6,238,590</u> |

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

CITY OF BATESVILLE, STATE OF MISSISSIPPI
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in
Fund Balances to the Governmental Activities in the Statement of Activities
For the fiscal year ended September 30, 2018

NET CHANGES IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ 160,598

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

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

| | |
|-----------------------------|-------------|
| Capital outlay | 1,395,777 |
| Basis of assets disposed of | (35,954) |
| Depreciation expense | (1,670,412) |

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| The repayment of long-term debt is reported as an expenditure when due in governmental funds, but as a reduction of principal outstanding in the statement of activities. | 33,425 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| The proceeds from a capital lease is reported as revenue when issued in governmental funds, but as an increase in capital lease outstanding in the statement of activities. | (616,846) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| The lease-sale of the post office building is reported as rent income in the governmental funds but recorded as principal and interest collections in the statement of activities. | (101,464) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| The payment of insurance, operating leases and maintenance agreements are reported as an expenditure in the governmental funds, but reported on the consumption basis in the statement of activities. | (15,497) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

Revenues in the statement of activities that are not available in governmental funds are not reported as revenue in governmental funds. Deferred revenues increased (decreased) by these amounts during the current year:

| | |
|------------------------------------|----------|
| Property taxes | 148 |
| Municipal court fines | (62,140) |
| Advalorem privilege tax | - |
| Payment in lieu of taxes | 526 |
| Other | - |
| Operating grants and contributions | 3,782 |
| Capital grant and contributions | (35,593) |

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

They are as follows:

| | |
|-------------------------|-----------|
| GASB 68 pension expense | (882,157) |
| Compensated absences | 31,549 |
| Interest expense | (3,227) |

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,797,485)

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

CITY OF BATESVILLE, MISSISSIPPI
Proprietary Fund
Statement of Net Position
September 30, 2018

| | Business-Type Activities--Enterprise Fund | | | | |
|-------------------------------------------------------------------|-------------------------------------------|--------------|----------------------|-------------------------------------------|---------------------------------|
| | Water and Sewer Fund | Gas Fund | Civic Center Fund | Nonmajor Fund Waste Collection Fund | Total Business-Type Funds |
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents - unrestricted | \$ 3,337,599 | \$ 8,909,775 | \$ 1,028,290 | \$ 5,656 | \$ 13,281,320 |
| Cash and cash equivalents - restricted | 215,331 | 246,616 | - | - | 461,947 |
| Receivables (net of allowance for uncollectibles) | | | | | |
| Accounts | 388,616 | 233,719 | - | 5,536 | 627,871 |
| Property and franchise tax | - | - | 243,013 | - | 243,013 |
| Inventory | 86,220 | 287,011 | - | - | 373,231 |
| Due from other funds | 185,680 | 271,318 | 23,513 | 25,762 | 506,273 |
| Prepaid items | 33,200 | 10,319 | 22,489 | - | 66,008 |
| | | | | | |
| Total current assets | 4,246,646 | 9,958,758 | 1,317,305 | 36,954 | 15,559,663 |
| Noncurrent Assets | | | | | |
| Restricted Assets | | | | | |
| Due from other governments - restricted | - | - | 8,296 | - | 8,296 |
| Nondepreciable land, improvements and construction in progress | 238,500 | 15,000 | 185,000 | - | 438,500 |
| Depreciable capital assets, net of accumulated depreciation | 13,956,821 | 1,435,231 | 7,044,596 | - | 22,436,648 |
| | | | | | |
| Total noncurrent assets | 14,195,321 | 1,450,231 | 7,237,892 | - | 22,883,444 |
| | | | | | |
| Total assets | 18,441,967 | 11,408,989 | 8,555,197 | 36,954 | 38,443,107 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows pertaining to pensions | 142,670 | 85,927 | 66,075 | - | 294,672 |
| | | | | | |
| Total deferred outflows of resources | 142,670 | 85,927 | 66,075 | - | 294,672 |

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

CITY OF BATESVILLE, MISSISSIPPI
Proprietary Fund
Statement of Net Position
September 30, 2018

| | Business-Type Activities--Enterprise Fund | | | | |
|--------------------------------------------------|-------------------------------------------|--------------|----------------------|-------------------------------------------|---------------------------------|
| | Water and Sewer Fund | Gas Fund | Civic Center Fund | Nonmajor Fund Waste Collection Fund | Total Business-Type Funds |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Accounts payable - operations | \$ 154,726 | \$ 259,259 | \$ 45,431 | \$ 34,449 | \$ 493,865 |
| Accrued interest | 1,543 | - | 15,923 | - | 17,466 |
| Accrued liabilities | 76,334 | 38,469 | 16,862 | - | 131,665 |
| Customer deposits payable from restricted assets | 215,331 | 246,616 | - | - | 461,947 |
| Compensated absences | 524 | - | 109 | - | 633 |
| Due to other funds | 46,878 | 147,496 | - | 8,494 | 202,868 |
| Current portion of long-term debt payable | 115,961 | - | 500,000 | - | 615,961 |
| Total current liabilities | 611,297 | 691,840 | 578,325 | 42,943 | 1,924,405 |
| Noncurrent Liabilities | | | | | |
| Net pension liability | 2,171,501 | 898,570 | 529,350 | - | 3,599,421 |
| Compensated absences | 72,145 | 44,143 | 18,044 | - | 134,332 |
| Long-term debt, net of current maturities | 1,083,003 | - | 1,600,000 | - | 2,683,003 |
| Total noncurrent liabilities | 3,326,649 | 942,713 | 2,147,394 | - | 6,416,756 |
| Total liabilities | 3,937,946 | 1,634,553 | 2,725,719 | 42,943 | 8,341,161 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | - | - | 246,773 | - | 246,773 |
| Deferred inflows pertaining to pensions | 187,098 | 62,754 | 59,425 | - | 309,277 |
| Total deferred inflows of resources | 187,098 | 62,754 | 306,198 | - | 556,050 |
| NET POSITION | | | | | |
| Net investment in capital assets | 12,996,357 | 1,450,231 | 5,129,596 | - | 19,576,184 |
| Unrestricted | 1,463,236 | 8,347,378 | 459,759 | (5,989) | 10,264,384 |
| Total net position | \$ 14,459,593 | \$ 9,797,609 | \$ 5,589,355 | \$ (5,989) | \$ 29,840,568 |

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

CITY OF BATESVILLE, MISSISSIPPI
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the fiscal year ended September 30, 2018

| | Business-Type Activities--Enterprise Fund | | | | |
|------------------------------------------------------------|--------------------------------------------------|---------------------|------------------------------|----------------------------------------------------|------------------------------------------|
| | Water and Sewer Fund | Gas Fund | Civic Center Fund | Nonmajor Fund Waste Collection Fund | Total Business-Type Funds |
| <u>OPERATING REVENUES</u> | | | | | |
| Charges for sales and services | | | | | |
| Water sales | \$ 1,931,310 | \$ - | \$ - | \$ - | \$ 1,931,310 |
| Sewer sales | 1,315,378 | - | - | - | 1,315,378 |
| Gas sales | - | 3,551,656 | - | - | 3,551,656 |
| Facility fees | - | - | 164,596 | - | 164,596 |
| Sanitation fees | - | - | - | 327,831 | 327,831 |
| Relocation charges - MDOT | - | 88,886 | - | - | 88,886 |
| Service charges and other | 143,854 | 44,333 | 75 | 7,723 | 195,985 |
| Total operating revenues | 3,390,542 | 3,684,875 | 164,671 | 335,554 | 7,575,642 |
| <u>OPERATING EXPENSES</u> | | | | | |
| Personnel services | 1,338,796 | 461,346 | 274,444 | - | 2,074,586 |
| Professional services | 284,392 | 75,105 | 42,825 | 313,624 | 715,946 |
| Supplies | 189,977 | 53,661 | 27,694 | - | 271,332 |
| Repairs | 138,826 | 29,271 | 50,184 | - | 218,281 |
| Operational | 575,800 | 89,937 | 259,414 | - | 925,151 |
| Purchase of gas for resale | - | 1,525,253 | - | - | 1,525,253 |
| Depreciation and amortization | 896,488 | 91,136 | 222,498 | - | 1,210,122 |
| Total operating expenses | 3,424,279 | 2,325,709 | 877,059 | 313,624 | 6,940,671 |
| Operating income (loss) | (33,737) | 1,359,166 | (712,388) | 21,930 | 634,971 |
| <u>NONOPERATING REVENUES (EXPENSES)</u> | | | | | |
| Property taxes | - | - | 237,846 | - | 237,846 |
| Homestead | - | - | 8,796 | - | 8,796 |
| Interest revenue | 34,688 | 91,865 | 564 | - | 127,117 |
| Interest expense and fiscal charges | (17,506) | - | (74,418) | - | (91,924) |
| Gain (loss) on sale of fixed assets | (39,049) | 343 | 38,703 | - | (3) |
| Total nonoperating revenues and expenses | (21,867) | 92,208 | 211,491 | - | 281,832 |
| Income (loss) before operating transfers and contributions | (55,604) | 1,451,374 | (500,897) | 21,930 | 916,803 |
| Operating transfers in | - | - | 964,000 | - | 964,000 |
| Operating transfers out | - | - | - | (90,000) | (90,000) |
| Changes in net position | (55,604) | 1,451,374 | 463,103 | (68,070) | 1,790,803 |
| Restated net position - beginning | 14,515,197 | 8,346,235 | 5,126,252 | 62,081 | 28,049,765 |
| Net position - ending | \$ 14,459,593 | \$ 9,797,609 | \$ 5,589,355 | \$ (5,989) | \$ 29,840,568 |

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

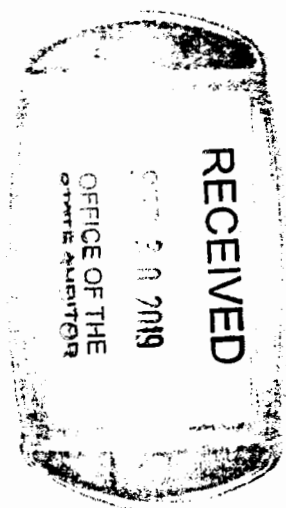
CITY OF BATESVILLE, MISSISSIPPI
Proprietary Fund
Statement of Cash Flows
For the fiscal year ended September 30, 2018

| | Business-Type Activities--Enterprise Fund | | | | |
|----------------------------------------------------------------------|--------------------------------------------------|---------------------|------------------------------|----------------------------------------------------|------------------------------------------|
| | Water and Sewer Fund | Gas Fund | Civic Center Fund | Nonmajor Fund Waste Collection Fund | Total Business-Type Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 3,395,627 | \$ 3,736,618 | \$ 151,676 | \$ 335,333 | \$ 7,619,254 |
| Receipts from MDOT for relocation of gas line | - | 151,173 | - | - | 151,173 |
| Other miscellaneous receipts | 1,007 | 3,582 | - | - | 4,589 |
| Payments to employees including fringe benefits | (1,110,571) | (458,418) | (261,276) | - | (1,830,265) |
| Payments to suppliers for goods and services | (1,138,568) | (1,676,749) | (365,865) | (304,799) | (3,485,981) |
| Net cash provided by operating activities | <u>1,147,495</u> | <u>1,756,206</u> | <u>(475,465)</u> | <u>30,534</u> | <u>2,458,770</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | |
| Operating transfers in | - | - | 964,000 | - | 964,000 |
| Operating transfers out | - | - | - | (90,000) | (90,000) |
| Net changes in due from other funds | (51,461) | 303,653 | (20,946) | 8,120 | 239,366 |
| Net changes in due to other funds | (92,953) | 49,651 | - | (18,384) | (61,686) |
| Net cash provided (used) by non-capital financing activities | <u>(144,414)</u> | <u>353,304</u> | <u>943,054</u> | <u>(100,264)</u> | <u>1,051,680</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Proceeds from capital grant | 30,000 | - | - | - | 30,000 |
| Proceeds from disposition of fixed assets | 16,866 | 343 | 38,703 | - | 55,912 |
| Taxes levied for debt services | - | - | 246,748 | - | 246,748 |
| Principal payments - revenue bonds | (126,901) | - | (485,000) | - | (611,901) |
| Payment on payables used to acquire fixed assets | (203,714) | - | (5,776) | - | (209,490) |
| Acquisition and construction of capital assets | (662,700) | (14,973) | (41,045) | - | (718,718) |
| Interest and fiscal charges paid | (17,506) | - | (78,096) | - | (95,602) |
| Net cash provided (used) by capital and related financing activities | <u>(963,955)</u> | <u>(14,630)</u> | <u>(324,466)</u> | <u>-</u> | <u>(1,303,051)</u> |

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

CITY OF BATESVILLE, MISSISSIPPI
Proprietary Fund
Statement of Cash Flows
For the fiscal year ended September 30, 2018

| | <u>Business-Type Activities--Enterprise Fund</u> | | | | <u>Total Business-Type Funds</u> |
|---------------------------------------------------------------|--------------------------------------------------|---------------------|------------------------------|----------------------------------------------------|------------------------------------------|
| | <u>Water and Sewer Fund</u> | <u>Gas Fund</u> | <u>Civic Center Fund</u> | <u>Nonmajor Fund Waste Collection Fund</u> | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest income | \$ 34,193 | \$ 91,865 | \$ 562 | \$ - | \$ 126,620 |
| Net cash provided (used) by investment activities | <u>34,193</u> | <u>91,865</u> | <u>562</u> | <u>-</u> | <u>126,620</u> |
| NON CASH TRANSACTIONS AFFECTING FINANCIAL POSITION | | | | | |
| Net effect of non cash transactions | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | 73,319 | 2,186,745 | 143,685 | (69,730) | 2,334,019 |
| Cash and cash equivalents, beginning of year | <u>3,479,611</u> | <u>6,969,646</u> | <u>884,605</u> | <u>75,386</u> | <u>11,409,248</u> |
| Cash and cash equivalents, end of year | <u>\$ 3,552,930</u> | <u>\$ 9,156,391</u> | <u>\$ 1,028,290</u> | <u>\$ 5,656</u> | <u>\$ 13,743,267</u> |



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

CITY OF BATESVILLE, MISSISSIPPI
Proprietary Fund
Statement of Cash Flows
For the fiscal year ended September 30, 2018

| | <u>Business-Type Activities--Enterprise Fund</u> | | | | <u>Total Business-Type Funds</u> |
|----------------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------------|------------------------------|----------------------------------------------------|------------------------------------------|
| | <u>Water and Sewer Fund</u> | <u>Gas Fund</u> | <u>Civic Center Fund</u> | <u>Nonmajor Fund Waste Collection Fund</u> | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | | |
| Operating income (loss) | \$ (33,737) | \$ 1,359,165 | \$ (712,388) | \$ 21,930 | \$ 634,970 |
| Adjustments to reconcile net income to net cash from operating activities: | | | | | |
| Depreciation | 896,488 | 91,136 | 222,498 | - | 1,210,122 |
| (Increase) decrease in accounts receivable | (10,716) | 50,645 | (1,100) | (220) | 38,609 |
| (Increase) decrease in intergovernmental receivables | - | 151,173 | - | - | 151,173 |
| (Increase) decrease in inventory | (9,168) | (14,027) | - | - | (23,195) |
| (Increase) decrease in deferred outflows pertaining to pensions | 158,165 | 43,833 | 4,185 | - | 206,183 |
| (Increase) decrease in prepaid items | (5,038) | (1,356) | (320) | - | (6,714) |
| Increase (decrease) in accounts payable - operations | 69,315 | 112,566 | 14,572 | 8,824 | 205,277 |
| Increase (decrease) in accrued liabilities - payroll and benefits | 43,785 | 20,459 | 10,119 | - | 74,363 |
| Increase (decrease) in accrued liabilities - other than payroll | (4,682) | (704) | - | - | (5,386) |
| Increase (decrease) in compensated absences | (2,494) | (3,008) | 208 | - | (5,294) |
| Increase (decrease) in pension liability | (108,533) | (92,582) | (7,319) | - | (208,434) |
| Increase (decrease) in deferred inflows pertaining to pensions | 137,302 | 34,226 | 5,975 | - | 177,503 |
| Increase (decrease) in unavailable revenue operations | - | - | (11,895) | - | (11,895) |
| Increase (decrease) in customer deposits | 16,808 | 4,680 | - | - | 21,488 |
| Total adjustments | <u>1,181,232</u> | <u>397,041</u> | <u>236,923</u> | <u>8,604</u> | <u>1,823,800</u> |
| Net cash provided (used) by operating activities | <u>\$ 1,147,495</u> | <u>\$ 1,756,206</u> | <u>\$ (475,465)</u> | <u>\$ 30,534</u> | <u>\$ 2,458,770</u> |

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

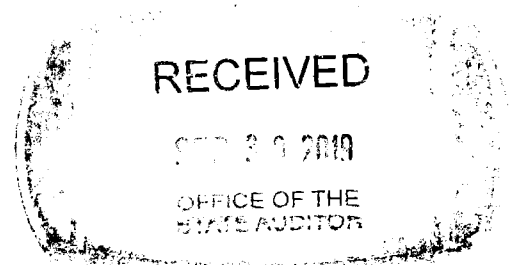
The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted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

1. Reporting Entity

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

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

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



CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Blended Component Unit

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

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

2. Government-Wide and Fund Financial Statements

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

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Government-Wide and Fund Financial Statements - continued

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

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

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

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

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Government-Wide and Fund Financial Statements - continued

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

3. Measurement Focus and Basis of Accounting

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

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

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus and Basis of Accounting - continued

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

The following major funds are used by the City:

Governmental Funds:

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

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

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

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

Proprietary Funds:

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

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus and Basis of Accounting - continued

Proprietary Funds - continued:

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

Non-Current Governmental Assets/Liabilities:

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

4. Statement of Cash Flows

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

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Statement of Cash Flows - continued

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

| | Water and Sewer | Gas | Civic Center |
|-----------------------------------------|---------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 3,337,599 | \$ 8,909,775 | \$ 1,028,290 |
| Restricted cash and cash equivalents | <u>215,331</u> | <u>246,616</u> | <u>-</u> |
| | <u>\$ 3,552,930</u> | <u>\$ 9,156,391</u> | <u>\$ 1,028,290</u> |

| | Waste Collection | Total |
|-----------------------------------------|---------------------|----------------------|
| Cash and cash equivalents | \$ 5,656 | \$ 13,281,320 |
| Restricted cash and cash equivalents | <u>-</u> | <u>461,947</u> |
| | <u>\$ 5,656</u> | <u>\$ 13,743,267</u> |

5. Receivables and Payables

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

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

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Inventories and Prepaid Items

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

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

7. Capital Assets

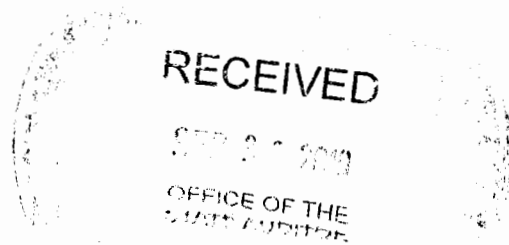
Property, plant and equipment purchased or acquired is recorded at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Capital assets are defined by the government as assets with an initial, individual cost of \$1,000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

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

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

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

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



**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Capitalization of Interest

In conformity with Financial Accounting Standards No. 34, Capitalization of Interest Cost, the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. Total interest, fiscal charges, and amortization of loan discount and deferred amount of refunding incurred in the enterprise funds was \$99,470. Interest costs, fiscal charges, and amortization of loan discount and deferred amount of refunding of \$91,924 were charged to expense. Interest costs, net of interest earned of \$7,546 were capitalized as fixed assets in the enterprise funds.

9. Compensated Absences

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

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

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

10. Long-Term Obligations

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Long-Term Obligations - continued

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

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

11. Payable from Restricted Assets

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

| | Water and Sewer | Gas |
|-------------------|--------------------|------------|
| Customer deposits | \$ 215,331 | \$ 246,616 |

12. Deferred Outflows/Inflows of Resources

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Deferred Outflows/Inflows of Resources - continued

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

13. Fund Equity/Net Position

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

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

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

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Deferred Outflows/Inflows of Resources - continued

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

13. Fund Equity/Net Position

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

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

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Fund Equity/Net Position - continued

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

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

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

| | <u>General Fund</u> | <u>Tourism Fund</u> | <u>Nonmajor Governmental Funds</u> |
|----------------------------------|---------------------|---------------------|--------------------------------------------|
| Fund Balances: | | | |
| Nonspendable: | | | |
| Notes and loans receivable - net | \$ 14,615 | \$ - | \$ - |
| Total - Nonspendable | <u>\$ 14,615</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund Balances: | | | |
| Restricted: | | | |
| Library operations | \$ 1,567,419 | \$ - | \$ - |
| Tourism | - | 1,644,659 | - |
| MBI tax levy | - | - | 18 |
| COFB confiscated | - | - | 61,562 |
| Fire protection | - | - | 81,018 |
| Economic development | - | - | 1,748,372 |
| Post office debt service | - | - | 83,527 |
| Risk reduction | - | - | 15,254 |
| Federal asset forfeiture | - | - | 55,319 |
| Unemployment | - | - | 60,095 |
| Total Restricted | <u>\$ 1,567,419</u> | <u>\$ 1,644,659</u> | <u>\$ 2,105,165</u> |

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**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Fund Equity/Net Position - continued

| | <u>General Fund</u> | <u>Tourism Fund</u> | <u>Nonmajor Governmental Funds</u> |
|----------------------------------|---------------------|---------------------|--------------------------------------------|
| Committed: | | | |
| Resurfacing list of roads | \$ 248,582 | \$ - | \$ - |
| Total Committed | <u>\$ 248,582</u> | <u>\$ -</u> | <u>\$ -</u> |
| Assigned: | | | |
| Subsequent year budget shortfall | \$ 96,971 | \$ - | \$ - |
| Total Assigned | <u>\$ 96,971</u> | <u>\$ -</u> | <u>\$ -</u> |

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

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

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

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

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

14. Use of Estimates

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Sales Tax

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

16. Pensions

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

17. Changes in Presentation

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

18. Subsequent Events

Subsequent events have been evaluated through September 5, 2019, which is the date the financial statements are available to be issued.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Batesville, Mississippi. The original General Fund budget expenditures were amended by increasing certain revenues by \$0 increasing certain expense categories by \$493,517, and decreasing certain expense categories by \$493,517 during the year ended September 30, 2018. There was no change to the major special revenue Tourism fund original budget revenue or expenditures.

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

The notes to required supplementary information budgetary reporting on pages 86 - 88 also provides additional budgetary information.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE C - DEPOSITS AND INVESTMENTS

At September 30, 2018, cash and investments included the following:

| <u>Account Balances</u> | | <u>Ownership of Funds</u> | |
|-------------------------|----------------------|---------------------------|----------------------|
| Petty cash/cash on hand | \$ 7,791 | Governmental Funds | \$ 5,922,420 |
| Demand deposits | <u>19,657,898</u> | Enterprise Funds | <u>13,743,269</u> |
| | <u>\$ 19,665,689</u> | | <u>\$ 19,665,689</u> |

Deposits

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. The pooled collateral is held in the pooled participant's name by The First American National Bank (Category 2 - Collateralized with securities held by the pledging financial institution's agent in the State Treasurer's name). The State Treasurer does not confirm this information with the City or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the pooling method, the potential exists for undercollateralization, and the risk may increase in periods of high cash flows. However, the State Treasurer for Mississippi enforces strict standards of financial stability for each depository that collateralizes under the Statewide Collateral Pool Program.

At September 30, 2018, the demand deposits held with various local financial institutions had carrying amounts totaling \$19,657,898 and bank balances totaling \$19,744,374 of which \$751,196 was covered by federal depository insurance and \$18,993,178 was covered by the Statewide Collateral Pool Program.

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

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CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

Investments

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

The City had no investments as of or during the year ended September 30, 2018.

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risks

Custodial credit risk is the risk that the City will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. To minimize this risk, the City's investment policy requires that all negotiable instruments shall be held in safekeeping in the trust department of a bank. The City had no investments in negotiable instruments during the year ended September 30, 2018.

Concentration of Credit Risks

The City of Batesville had no investments at September 30, 2018, but had demand deposits with more than 5% of the total in First South Bank, Renasant Bank and BancorpSouth Bank. These demand deposits represented approximately 81%, 12%, and 7%, respectively, of total demand deposits.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE D - PROPERTY TAX

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

Appraised values are established by Panola County, Mississippi at 100 percent of estimated market values. The City is required to adopt county tax rolls. The 2017 taxes are collected in December, 2017 and January, 2018. The 2017 taxes are levied to fund the 2017-2018 budget year. The assessed value upon which the 2017 taxes were based was \$127,162,584.

City property tax revenue is recorded in governmental funds as receivables and unavailable revenues at the time the tax attaches as an enforceable lien which includes the 2018 taxes intended to fund the 2018-2019 budget year of \$3,347,303. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year end. An allowance is provided for delinquent personal property taxes not expected to be collected in the future.

The 2018 taxes of \$3,347,303 are also included in unavailable revenue and not in current revenues in governmental activities because they are levied to fund the 2018-2019 budget year.

The City assessed a tax rate of 30.25 mills for both the 2017 and 2018 taxes.

NOTE E - RECEIVABLES

Receivables at September 30, 2018 for the government's individual major funds and nonmajor funds, internal service, business-type funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectable accounts, consist of the following:

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE E - RECEIVABLES - CONTINUED

| | General | Tourism | Water and Sewer System | Gas System | Civic Center | Nonmajor Funds | Total |
|------------------------------------|---------------------|-------------|------------------------------|-------------------|-------------------|-------------------|---------------------|
| Receivables: | | | | | | | |
| Taxes | \$ 3,971,982 | \$ - | \$ - | \$ - | \$ 245,606 | \$ - | \$ 4,217,588 |
| Police fines | 1,334,912 | - | - | - | - | - | 1,334,912 |
| Accounts | - | - | 591,918 | 572,672 | 819 | 28,987 | 1,194,396 |
| Franchise fees | 107,242 | - | - | - | - | - | 107,242 |
| Accrued interest | - | - | - | - | - | 147 | 147 |
| | | | | | | | |
| Gross receivables | 5,414,136 | - | 591,918 | 572,672 | 246,425 | 29,134 | 6,854,285 |
| Less: Allowance for uncollectables | (1,222,089) | - | (203,302) | (338,953) | (3,412) | (23,451) | (1,791,207) |
| | | | | | | | |
| Net receivables | <u>\$ 4,192,047</u> | <u>\$ -</u> | <u>\$ 388,616</u> | <u>\$ 233,719</u> | <u>\$ 243,013</u> | <u>\$ 5,683</u> | <u>\$ 5,063,078</u> |

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE E - RECEIVABLES - CONTINUED

Lease and Loan Receivable

Home loans: The City received grant money to be used to upgrade certain citizens homes. By the terms of the agreements, the annual payment on the loan is forgiven as long as the recipient lives in the home. Summaries of the loans at September 30, 2018 are:

| | <u>Loan Balance</u> |
|----------------------------------|-------------------------|
| Loan #1 | \$ 15,010 |
| Loan #2 | 21,051 |
| Loan #3 | <u>11,279</u> |
| | 47,340 |
| Less allowance for uncollectable | <u>(32,725)</u> |
| | <u>\$ 14,615</u> |

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

| <u>Years ending Sept 30</u> | |
|-----------------------------|------------------|
| 2019 | \$ 2,505 |
| 2020 | 2,505 |
| 2021 | 2,505 |
| 2022 | 2,505 |
| 2023 | 2,505 |
| Thereafter | <u>34,815</u> |
| | <u>\$ 47,340</u> |

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE E - RECEIVABLES - CONTINUED

Lease and Loan Receivable - continued

Economic development loans: The grant proceeds of previous CDBG programs are being used to promote industrial growth by making loans to local concerns. All loan repayments will continue to be restricted to the Economic Development Program. Summaries of the loans at September 30, 2018 are:

| | Original <u>Term</u> | <u>Due Date</u> | Interest <u>Rate</u> | Loan <u>Balance</u> |
|----------------------------------------|-------------------------|-----------------|-------------------------|------------------------|
| Loan #1 | 10 years | 2011 | 3.00% | \$ 109,799 |
| Loan #2 | 5 years | 2012 | 3.00% | 41,129 |
| Loan #3 | 10 years | 2019 | 3.00% | 414,590 |
| Loan #4 | 10 years | 2022 | 3.00% | 15,200 |
| Loan #5 | 10 years | 2022 | 3.00% | 171,412 |
| Loan #8 | 1 year | 2017 | 1.00% | <u>1,489</u> |
| | | | | \$ 753,619 |
| Less allowance for uncollectable loans | | | | <u>(470,919)</u> |
| | | | | <u>\$ 282,700</u> |

The estimated loans receivable are due as follows:

| <u>Years ending Sept 30</u> | |
|-----------------------------|-------------------|
| Delinquent | \$ 444,787 |
| 2019 | 33,439 |
| 2020 | 61,981 |
| 2021 | 35,328 |
| 2022 | 36,315 |
| 2023 | 37,331 |
| Thereafter | <u>104,438</u> |
| | <u>\$ 753,619</u> |

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**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE E - RECEIVABLES - CONTINUED

Lease and Loan Receivable - continued

Economic development loans - continued:

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

The following is a summary of information pertaining to impaired loans at September 30, 2018:

| | |
|----------------------------------------------|-------------------|
| Impaired loans without a valuation allowance | \$ 109,799 |
| Impaired loans with a valuation allowance | <u>470,919</u> |
| Total impaired loans | <u>\$ 580,718</u> |
| Average investment in impaired loans | <u>\$ 581,693</u> |
| Interest income recognized on impaired loans | <u>\$ 562</u> |

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

Changes in the allowance for loan losses were as follows:

| | Home Loans | Economic Development Loans |
|------------------------------|------------------|----------------------------------|
| Balance at beginning of year | \$ (49,845) | \$ 455,719 |
| Reserve for loan loss | - | 15,200 |
| Adjustments for home loans | <u>82,570</u> | <u>-</u> |
| Balance at end of year | <u>\$ 32,725</u> | <u>\$ 470,919</u> |

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

| | Balance September 30, 2017 | Additions | Retirements | Transfers and Other Adjustments | Balance September 30, 2018 |
|----------------------------------------------------|----------------------------------|----------------------------|---------------------------|---------------------------------------|----------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 1,834,606 | \$ 50,809 | \$ - | \$ - | \$ 1,885,415 |
| Construction in progress | 445,509 | - | - | (445,509) | - |
| Total capital assets not being depreciated | <u>2,280,115</u> | <u>50,809</u> | <u>-</u> | <u>(445,509)</u> | <u>1,885,415</u> |
| Capital assets being depreciated | | | | | |
| Building and improvements | 6,795,236 | 138,323 | (741) | - | 6,932,818 |
| Automotive, equipment and fixtures | 6,793,010 | 986,502 | (224,633) | 13,537 | 7,568,416 |
| Infrastructure | 26,657,050 | 220,143 | - | 445,509 | 27,322,702 |
| Total capital assets being depreciated | <u>40,245,296</u> | <u>1,344,968</u> | <u>(225,374)</u> | <u>459,046</u> | <u>41,823,936</u> |
| Less accumulated depreciation for | | | | | |
| Buildings | 3,596,714 | 161,920 | (741) | - | 3,757,893 |
| Automotive, equipment and fixtures | 5,377,666 | 470,186 | (188,679) | 13,537 | 5,672,710 |
| Infrastructure | 17,605,333 | 1,038,306 | - | - | 18,643,639 |
| Total accumulated depreciation | <u>26,579,713</u> | <u>1,670,412</u> | <u>(189,420)</u> | <u>13,537</u> | <u>28,074,242</u> |
| Total capital assets being depreciated, net | <u>13,665,583</u> | <u>(325,444)</u> | <u>(35,954)</u> | <u>445,509</u> | <u>13,749,694</u> |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET | <u>\$ 15,945,698</u> | <u>\$ (274,635)</u> | <u>\$ (35,954)</u> | <u>\$ -</u> | <u>\$ 15,635,109</u> |

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CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE F - CAPITAL ASSETS - CONTINUED

| | Balance September 30, 2017 | Additions | Retirements | Transfers and Other Adjustments | Balance September 30, 2018 |
|---------------------------------------------------|----------------------------------|---------------------|--------------------|---------------------------------------|----------------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | | |
| WATER AND SEWER SYSTEM | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 238,500 | \$ - | \$ - | \$ - | \$ 238,500 |
| Construction in progress | 403,973 | - | - | (403,973) | - |
| Total capital assets not being depreciated | 642,473 | - | - | (403,973) | 238,500 |
| Capital assets being depreciated | | | | | |
| Building | 259,133 | 12,000 | - | - | 271,133 |
| Automotive, equipment and fixtures | 1,816,449 | 3,525 | (67,881) | - | 1,752,093 |
| Water and sewer system | 30,315,389 | 647,175 | (88,358) | 403,973 | 31,278,179 |
| Total capital assets being depreciated | 32,390,971 | 662,700 | (156,239) | 403,973 | 33,301,405 |
| Less accumulated depreciation for | | | | | |
| Buildings | 173,624 | 8,219 | - | - | 181,843 |
| Automotive, equipment and fixtures | 1,399,470 | 86,606 | (67,881) | - | 1,418,195 |
| Water and sewer system | 16,975,326 | 801,663 | (32,443) | - | 17,744,546 |
| Total accumulated depreciation | 18,548,420 | 896,488 | (100,324) | - | 19,344,584 |
| Total capital assets being depreciated, net | 13,842,551 | (233,788) | (55,915) | 403,973 | 13,956,821 |
| WATER AND SEWER SYSTEM CAPITAL ASSETS, NET | \$ 14,485,024 | \$ (233,788) | \$ (55,915) | \$ - | \$ 14,195,321 |

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE F - CAPITAL ASSETS - CONTINUED

| | Balance September 30, 2017 | Additions | Retirements | Transfers and Other Adjustments | Balance September 30, 2018 |
|---------------------------------------------|----------------------------------|------------------------|-----------------|---------------------------------------|----------------------------------|
| BUSINESS-TYPE ACTIVITIES - CONTINUED | | | | | |
| GAS SYSTEM | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 15,000 | \$ - | \$ - | \$ - | \$ 15,000 |
| Construction in progress | - | - | - | - | - |
| Total capital assets not being depreciated | <u>15,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,000</u> |
| Capital assets being depreciated | | | | | |
| Building | 91,723 | 6,000 | (741) | - | 96,982 |
| Automotive, equipment and fixtures | 559,633 | 4,390 | (71,458) | 8,141 | 500,706 |
| Gas system | <u>3,139,325</u> | <u>4,583</u> | <u>-</u> | <u>-</u> | <u>3,143,908</u> |
| Total capital assets being depreciated | <u>3,790,681</u> | <u>14,973</u> | <u>(72,199)</u> | <u>8,141</u> | <u>3,741,596</u> |
| Less accumulated depreciation for | | | | | |
| Buildings | 48,014 | 3,523 | (741) | - | 50,796 |
| Automotive, equipment and fixtures | 430,047 | 21,436 | (71,458) | 8,141 | 388,166 |
| Gas system | <u>1,801,226</u> | <u>66,177</u> | <u>-</u> | <u>-</u> | <u>1,867,403</u> |
| Total accumulated depreciation | <u>2,279,287</u> | <u>91,136</u> | <u>(72,199)</u> | <u>8,141</u> | <u>2,306,365</u> |
| Total capital assets being depreciated, net | <u>1,511,394</u> | <u>(76,163)</u> | <u>-</u> | <u>-</u> | <u>1,435,231</u> |
| GAS SYSTEM CAPITAL ASSETS, NET | <u>\$ 1,526,394</u> | <u>\$ (76,163)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,450,231</u> |

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE F - CAPITAL ASSETS - CONTINUED

| | Balance September 30, 2017 | Additions | Retirements | Transfers and Other Adjustments | Balance September 30, 2018 |
|---------------------------------------------|----------------------------------|-----------------------|--------------------|---------------------------------------|----------------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | | |
| CIVIC CENTER | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 185,000 | \$ - | \$ - | \$ - | \$ 185,000 |
| Total capital assets not being depreciated | <u>185,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>185,000</u> |
| Capital assets being depreciated | | | | | |
| Building | 10,395,079 | 38,337 | - | - | 10,433,416 |
| Automotive, equipment and fixtures | 579,403 | 2,950 | (34,217) | 39,491 | 587,627 |
| Total capital assets being depreciated | <u>10,974,482</u> | <u>41,287</u> | <u>(34,217)</u> | <u>39,491</u> | <u>11,021,043</u> |
| Less accumulated depreciation for | | | | | |
| Buildings | 3,235,643 | 211,350 | - | - | 3,446,993 |
| Automotive, equipment and fixtures | 512,790 | 11,148 | (33,975) | 39,491 | 529,454 |
| Total accumulated depreciation | <u>3,748,433</u> | <u>222,498</u> | <u>(33,975)</u> | <u>39,491</u> | <u>3,976,447</u> |
| Total capital assets being depreciated, net | <u>7,226,049</u> | <u>(181,211)</u> | <u>(242)</u> | <u>-</u> | <u>7,044,596</u> |
| CIVIC CENTER CAPITAL ASSETS, NET | <u>\$ 7,411,049</u> | <u>\$ (181,211)</u> | <u>\$ (242)</u> | <u>\$ -</u> | <u>\$ 7,229,596</u> |
| BUSINESS-TYPE CAPITAL ASSETS - NET | <u>\$ 24,793,646</u> | <u>\$ (1,862,341)</u> | <u>\$ (56,157)</u> | <u>\$ -</u> | <u>\$ 22,875,148</u> |

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE F - CAPITAL ASSETS - CONTINUED

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

Governmental Activities

| | |
|------------------------------|---------------|
| General government | \$ 47,756 |
| City court | 5,252 |
| Police | 172,492 |
| Fire | 216,689 |
| Streets | 1,080,495 |
| Public health and sanitation | 6,365 |
| Library | 32,445 |
| Parks and recreation | 87,151 |
| Code | <u>21,767</u> |

Total Depreciation Expense - Governmental Activities \$ 1,670,412

Business-Type Activities

| | |
|-----------------|----------------|
| Water and sewer | \$ 896,488 |
| Gas | 91,136 |
| Civic center | <u>222,498</u> |

Total Depreciation Expense - Business-Type Activities \$ 1,210,122

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

Other Postemployment Benefits

The City allows retired employees who have completed 25 years of service with the City of Batesville and are age 55 or older to remain on the City's health care insurance coverage until the former employee becomes eligible for Medicare. All other terminated or retired employees are allowed under COBRA to continue on the City's health care insurance coverage for a period of 18 months (36 months if on Medicare). This continuation of coverage is paid entirely by the retired employee. At September 30, 2018, the City had 3 retired employees participating in their health care insurance coverage.

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

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**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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

Defined Benefit Pension Plan

General Information about the Pension Plan

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

The PERS plan financial report is included in the Comprehensive Annual Financial Report of the Public Employees' Retirement System available at www.PERS.ms.gov.

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

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less (the actuarial reduction for less than 30 years or below age 65 apply only to those who became members on or after July 1, 2011). Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership services (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not eligible to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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

Defined Benefit Pension Plan - continued

General Information about the Pension Plan - continued

Contributions. PERS members are required to contribute 9% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The rate prior to June 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. City of Batesville, Mississippi contributions (employer share only) to PERS for the years ended September 30, 2018, 2017, and 2016 were \$971,814, \$1,018,766, and \$976,670, respectively, equal 100% of the required contributions for each year.

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

At September 30, 2018, the City reported a liability of \$16,223,801 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participation entities actuarially determined. At June 30, 2018, the City's proportion was 0.097540%, which was a decrease of 0.005841%, from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$2,029,223. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience | \$ 71,124 | \$ 68,391 |
| Net difference between projected and actual earnings on pension plan investments | - | 322,507 |
| Changes of assumptions | 9,572 | 8,960 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 747,397 | 795,974 |
| City contributions subsequent to the measurement date | <u>223,259</u> | <u>-</u> |
| | <u>\$ 1,051,352</u> | <u>\$ 1,195,832</u> |

\$223,259 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019.

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**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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

Defined Benefit Pension Plan - continued

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

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

| Year ended Sept 30 | Deferred Outflows of Resources | Deferred Inflows of Resources | Net |
|--------------------|--------------------------------------|-------------------------------------|---------------------|
| 2019 | \$ 653,563 | \$ (179,128) | \$ 474,435 |
| 2020 | 160,199 | (327,294) | (167,095) |
| 2021 | 14,331 | (616,450) | (602,119) |
| 2022 | - | (72,960) | (72,960) |
| | <u>\$ 828,093</u> | <u>\$ (1,195,832)</u> | <u>\$ (367,739)</u> |

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods 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 male rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

Defined Benefit Pension Plan - continued

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class at June 30, 2018 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|-----------------------------------------------|
| US Broad | 27.00% | 4.60% |
| International Equity | 18.00% | 4.50% |
| Emerging Markets | 4.00% | 4.75% |
| Global | 12.00% | 4.75% |
| Fixed Income | 18.00% | 0.75% |
| Real Assets | 10.00% | 3.50% |
| Private Equity | 8.00% | 5.10% |
| Emerging Debt | 2.00% | 2.25% |
| Cash | <u>1.00%</u> | 0.00% |
| Total | <u>100.00%</u> | |

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current contribution rate. 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 City's proportionate share of the net pension liability of the cost sharing plan, calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

| | 1% Decrease <u>(6.75%)</u> | Current Rate <u>(7.75%)</u> | 1% Increase <u>(8.75%)</u> |
|------------------------------------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| City's proportionate share of the net pension liability | \$ 2,436,209 | \$ 16,223,801 | \$ 11,953,203 |

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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

Defined Benefit Pension Plan - continued

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued 2018 PERS Comprehensive Annual Report on the PERS website, www.pers.ms.gov, for collective calculations and note disclosures. The City's portion of the plan's net position has been determined on the same basis used by the plan.

Changes of Assumptions

Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over the average of the expected remaining service life of active and inactive members. In 2018 there were no changes of assumptions.

Payables to the Pension Plan

At September 30, 2018, the City reported a payable of \$118,000 for the outstanding amount of employer and employee contributions to the pension plan for the required amount due for the month ended September 30, 2018.

Section 125 Cafeteria Reduction Plan and Deferred Compensation

Section 125 Cafeteria reduction plan expense for employees included in the accompanying financial statements totaled \$160,533.

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

Deferred compensation for employees included in the accompanying financial statements totaled \$110,507.

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**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE H - LONG-TERM AND SHORT-TERM DEBT

General Long-Term Debt

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

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

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

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

The margin for additional debt under the above debt limits as of September 30, 2018 is approximately:

| <u>15% Limit</u> | <u>20% Limit</u> |
|------------------|------------------|
| \$ 15,762,602 | \$ 21,716,802 |

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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

General long-term debt balances and transactions for the year ended September 30, 2018 are as follows:

GOVERNMENTAL ACTIVITIES

| | <u>Final Maturity Date</u> | <u>Interest Rate</u> | <u>Beginning Balance 10/1/2017</u> | <u>Additions</u> | <u>Repayments</u> | <u>Ending Balance 9/30/2018</u> | <u>Amounts Due Within One Year</u> |
|--------------------------------------------------------|------------------------------------|--------------------------|--------------------------------------------|-------------------|-------------------|-----------------------------------------|--------------------------------------------|
| Notes From Direct Borrowings and Direct Placements: | | | | | | | |
| Blended Component Unit | | | | | | | |
| First Security Bank | 11/1/2017 | 8.50% | \$ 33,425 | \$ - | \$ 33,425 | \$ - | \$ - |
| Total other debt | | | 33,425 | - | 33,425 | - | - |
| Lease Obligations Payable | | | | | | | |
| BancorpSouth Equipment Finance | 8/1/2021 | 3.35% | - | 616,846 | - | 616,846 | 98,776 |
| Total lease obligations payable | | | - | 616,846 | - | 616,846 | 98,776 |
| Net Pension Liability | --- | --- | 13,377,576 | - | 753,196 | 12,624,380 | - |
| Compensated Absences | --- | --- | 395,388 | - | 34,494 | 360,894 | 30,672 |
| TOTAL GOVERNMENTAL ACTIVITIES | | | <u>\$ 13,806,389</u> | <u>\$ 616,846</u> | <u>\$ 821,115</u> | <u>\$ 13,602,120</u> | <u>\$ 129,448</u> |

The Bancorpsouth Equipment Finance capital lease is collateralized by 121 Motorola APX radios and 2 Motorolo MCC7500 radio dispatch consoles.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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

GOVERNMENTAL ACTIVITIES - continued

The principal and interest requirements of the above general obligation debt and other debt payable at September 30, 2018 are as follows:

| Years Ending Sept. 30, | Lease Obligations Payable | | |
|---------------------------|---------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2019 | \$ 198,776 | \$ 20,985 | \$ 219,761 |
| 2020 | 205,539 | 14,222 | 219,761 |
| 2021 | 212,531 | 7,230 | 219,761 |
| 2022 | - | - | - |
| 2023 | - | - | - |
| 2024 - 2028 | - | - | - |
| Total | <u>\$ 616,846</u> | <u>\$ 42,437</u> | <u>\$ 659,283</u> |

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

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

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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

BUSINESS-TYPE ACTIVITIES

| | <u>Final Maturity Date</u> | <u>Interest Rate</u> | <u>Beginning Balance 10/1/2017</u> | <u>Additions</u> | <u>Repayments</u> | <u>Ending Balance 9/30/2018</u> | <u>Amounts Due Within One Year</u> |
|-------------------------------------|------------------------------------|--------------------------|--------------------------------------------|------------------|-------------------|-----------------------------------------|--------------------------------------------|
| <u>Water and Sewer Fund:</u> | | | | | | | |
| Notes From Direct Borrowings and | | | | | | | |
| Direct Placements: | | | | | | | |
| State of Mississippi | 9/1/2019 | 3.00% | \$ 24,545 | \$ - | \$ 13,528 | \$ 11,017 | \$ - |
| State of Mississippi | 3/1/2020 | 3.00% | 62,104 | - | 24,686 | 37,418 | 25,437 |
| State of Mississippi | 3/1/2022 | 3.00% | 54,954 | - | 11,793 | 43,161 | 12,151 |
| State of Mississippi | 5/1/2023 | 2.00% | 95,005 | - | 16,134 | 78,871 | 16,459 |
| SRF loan - auto meters | 3/1/2034 | 1.95% | 751,824 | - | 39,011 | 712,813 | 39,779 |
| SRF loan GF/Covenant Crossing | 8/1/2027 | 1.75% | 337,434 | - | 21,750 | 315,684 | 22,135 |
| Total other debt | | | <u>1,325,866</u> | <u>-</u> | <u>126,902</u> | <u>1,198,964</u> | <u>115,961</u> |
| Net Pension Liability | --- | --- | <u>2,280,034</u> | <u>-</u> | <u>108,533</u> | <u>2,171,501</u> | <u>-</u> |
| Compensated absences | --- | --- | <u>75,163</u> | <u>-</u> | <u>2,494</u> | <u>72,669</u> | <u>524</u> |
| Total water and sewer fund | | | <u>3,681,063</u> | <u>-</u> | <u>237,929</u> | <u>3,443,134</u> | <u>116,485</u> |
| <u>Gas Fund</u> | | | | | | | |
| Net Pension Liability | --- | --- | <u>991,152</u> | <u>-</u> | <u>92,582</u> | <u>898,570</u> | <u>-</u> |
| Compensated Absences | --- | --- | <u>47,151</u> | <u>-</u> | <u>3,008</u> | <u>44,143</u> | <u>-</u> |
| Total gas fund | | | <u>\$ 1,038,303</u> | <u>\$ -</u> | <u>\$ 95,590</u> | <u>\$ 942,713</u> | <u>\$ -</u> |

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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

BUSINESS-TYPE ACTIVITIES - Continued

| | <u>Final Maturity Date</u> | <u>Interest Rate</u> | <u>Beginning Balance 10/1/2017</u> | <u>Additions</u> | <u>Repayments</u> | <u>Ending Balance 9/30/2018</u> | <u>Amounts Due Within One Year</u> |
|-------------------------------------------|------------------------------------|--------------------------|--------------------------------------------|------------------|-------------------|-----------------------------------------|--------------------------------------------|
| <u>Civic Center Fund</u> | | | | | | | |
| General Obligation Bonds | | | | | | | |
| General Obligation Bonds - Series 2010 | 7/1/2022 | 2% to 2.50% | \$ 2,585,000 | \$ - | \$ 485,000 | \$ 2,100,000 | \$ 500,000 |
| Total general obligation debt | | | 2,585,000 | - | 485,000 | 2,100,000 | 500,000 |
| Net Pension Liability | --- | --- | 536,669 | - | 7,319 | 529,350 | - |
| Compensated absences | --- | --- | 17,945 | 208 | - | 18,153 | 109 |
| Total civic center fund | | | 3,139,614 | 208 | 492,319 | 2,647,503 | 500,109 |
| TOTAL BUSINESS TYPE ACTIVITIES | | | \$ 7,858,980 | \$ 208 | \$ 825,838 | \$ 7,033,350 | \$ 616,594 |

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CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

BUSINESS-TYPE ACTIVITIES - continued

The principal and interest requirements of the above revenue bonds and lease obligations payable at September 30, 2018 are as follows:

| Years Ending Sept. 30 | General Obligation Bonds | | | Other Debt | | |
|--------------------------|--------------------------|-------------------|---------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2019 | \$ 500,000 | \$ 63,000 | \$ 563,000 | \$ 126,977 | \$ 22,550 | \$ 149,527 |
| 2020 | 515,000 | 48,000 | 563,000 | 104,379 | 19,798 | 124,177 |
| 2021 | 535,000 | 32,550 | 567,550 | 128,393 | 18,153 | 146,546 |
| 2022 | 550,000 | 16,500 | 566,500 | 65,500 | 15,306 | 80,806 |
| 2023 | - | - | - | 66,741 | 14,065 | 80,806 |
| 2024 - 2028 | - | - | - | 353,168 | 50,865 | 404,033 |
| 2029 - 2033 | - | - | - | 327,293 | 17,195 | 344,488 |
| 2034 - 2038 | - | - | - | 26,513 | 151 | 26,664 |
| Total | <u>\$ 2,100,000</u> | <u>\$ 160,050</u> | <u>\$ 2,260,050</u> | <u>\$ 1,198,964</u> | <u>\$ 158,083</u> | <u>\$ 1,357,047</u> |

| Years Ending Sept. 30 | Total | | |
|--------------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2019 | \$ 626,977 | \$ 85,550 | \$ 712,527 |
| 2020 | 619,379 | 67,798 | 687,177 |
| 2021 | 663,393 | 50,703 | 714,096 |
| 2022 | 615,500 | 31,806 | 647,306 |
| 2023 | 66,741 | 14,065 | 80,806 |
| 2024 - 2028 | 353,168 | 50,865 | 404,033 |
| 2029 - 2033 | 327,293 | 17,195 | 344,488 |
| 2034 - 2038 | 26,513 | 151 | 26,664 |
| Total | <u>\$ 3,298,964</u> | <u>\$ 318,133</u> | <u>\$ 3,617,097</u> |

Specific years for payment of compensated absences and net pension liability are not determinable and are not included in the table above. All Enterprise Fund debt is paid by the fund incurring the debt. The State of Mississippi debt is secured by the sales tax revenue and/or homestead exemption. The general obligation debt is secured by the full faith and credit of the City. The City has assessed 2 mills for retirement of the Civic Center debt.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE I - COMPONENTS OF RESTRICTED ASSETS

| | General Fund Cash | Sewer System Fund Cash | Gas System Fund Cash | Other Funds Cash | Total |
|------------------------------------|----------------------|---------------------------|-------------------------|---------------------|---------------------|
| Customer deposits | \$ - | \$ 215,331 | \$ 246,616 | \$ - | \$ 461,947 |
| Capital additions | - | - | - | 199,925 | 199,925 |
| Library operations | 1,567,419 | - | - | - | 1,567,419 |
| Building compliance bond | 4,253 | - | - | - | 4,253 |
| Unemployment | - | - | - | 60,095 | 60,095 |
| Debt service | - | - | - | 76,202 | 76,202 |
| Excess tax collection and other | - | - | - | 31,900 | 31,900 |
| Tourism | - | - | - | 1,447,127 | 1,447,127 |
| Economic development | - | - | - | 1,467,277 | 1,467,277 |
| Total | <u>\$ 1,571,672</u> | <u>\$ 215,331</u> | <u>\$ 246,616</u> | <u>\$ 3,282,526</u> | <u>\$ 5,316,145</u> |

NOTE J - INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisition, or maintaining debt service on a routine basis. The excess funds in the waste collection fund of \$90,000 were transferred to the general fund. Tourism funds totaling \$964,000 were transferred to the civic center fund to fund operations. Gas system funds of \$250,202 were loaned to the general fund. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

| Fund | Interfund Receivables | Interfund Payables |
|-------------------------------------------|--------------------------|-----------------------|
| General Fund | \$ - | \$ 310,730 |
| Nonmajor Funds - Other Governmental Funds | 7,325 | - |
| Water and Sewer System Fund | 185,680 | 46,878 |
| Gas System Fund | 271,318 | 147,496 |
| Civic Center Fund | 23,513 | - |
| Nonmajor Business-Type Funds | 25,762 | 8,494 |
| | <u>\$ 513,598</u> | <u>\$ 513,598</u> |

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE J - INTERFUND TRANSACTIONS - CONTINUED

Transfers between funds during the year were as follows:

| | Transfers in | Transfers out |
|--------------------------------|-----------------|------------------|
| Major Governmental Funds: | | |
| General Fund | \$ 90,000 | \$ - |
| Tourism Fund | - | 964,000 |
| | <hr/> | <hr/> |
| Total Major Governmental Funds | \$ 90,000 | \$ 964,000 |
| Major Enterprise Funds | | |
| Civic Center Fund | 964,000 | \$ - |
| | <hr/> | <hr/> |
| Total Major Enterprise Funds | \$ 964,000 | \$ - |
| Nonmajor Enterprise Funds | - | 90,000 |
| | <hr/> | <hr/> |
| Total Nonmajor Funds | \$ - | \$ 90,000 |
| | <hr/> | <hr/> |
| Total all funds | \$ 1,054,000 | \$ 1,054,000 |

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

NOTE K - LEASES

Capital Leases

The City has entered into various capital lease agreements for capital assets under which they will become the property of the City when all terms of the lease agreement are met. The following schedules present the future minimum lease payments as of September 30, 2018.

Governmental Activities

| | |
|--------------------------------------------|-------------------------------------------------------------------------------|
| | 121 Motorola APX radios and 2 Motorola MCC7500 radio dispatch consoles. |
| Minimum lease payments | |
| Year Ending September 30, | |
| 2019 | \$ 219,761 |
| 2020 | 219,761 |
| 2021 | 219,761 |
| | <hr/> |
| | 659,283 |
| Less: amounts representing interest | (42,437) |
| | <hr/> |
| Present value of minimum lease payments | \$ 616,846 |

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE L - LEASES - CONTINUED

Capital Leases - continued

See Note H for interest rates used to compute amounts representing interest and other information pertaining to capital lease transactions.

Capital assets and related accumulated amortization under capital leases are as follows:

| | |
|--------------------------------|-------------------------------------------------------------------------------|
| | 121 Motorola APX radios and 2 Motorola MCC7500 radio dispatch consoles. |
| | <hr/> |
| Capital asset discounted cost | \$ 616,846 |
| Less: accumulated amortization | <u>(20,989)</u> |
| Total | <u>\$ 595,857</u> |

Amortization of leased equipment under capital assets is included with depreciation.

Operating Lease

The City periodically leases various equipment on monthly, annual, or as needed basis. Rental expenses for the year ended September 30, 2018, was as follows:

| | |
|----------------------|------------------|
| General Fund | \$ 40,011 |
| Water and Sewer Fund | 3,624 |
| Gas Fund | <u>3,624</u> |
| | <u>\$ 47,259</u> |

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CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

The City did not comply with all the requirements of the State Department of Audit or grant and loan requirements as set forth in the Municipal Compliance Questionnaire and grant and loan contracts. The results of our tests disclosed the instances of noncompliance listed in the schedule of findings and responses on pages 97 - 106. The ultimate resolution of these findings cannot presently be determined. Accordingly, no provision for any liability, if any, that may result has been recognized in the accompanying financial statements.

NOTE M - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

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

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

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

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

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

The individual Enterprise Funds have the following net working capital (deficit) (current assets less current liabilities) at September 30, 2018:

| | |
|-------------------------|----------------------|
| Water and Sewer System | \$ 3,635,349 |
| Gas System | 9,266,918 |
| Civic Center | 738,980 |
| Waste Collection System | <u>(5,989)</u> |
| Total | <u>\$ 13,635,258</u> |

Enterprise Funds operate in the City of Batesville, Mississippi geographic area. Their revenues are subject to the economic conditions of Batesville, Mississippi. At September 30, 2018, the Gas System Fund had extended credit to customers totaling \$233,719 and to others totaling \$0. Gas System Fund receivables are secured by customer deposits totaling \$246,616. No other collateral has been obtained.

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE M - SEGMENT INFORMATION FOR ENTERPRISE FUNDS - CONTINUED

At September 30, 2018, the Combined Water and Sewer System Fund had extended credit to customers totaling \$388,616 and to others totaling \$0. Combined Water and Sewer System Fund receivables are secured by customer deposits totaling \$215,331. No other collateral has been obtained.

At September 30, 2018, the Civic Center Fund Fund had extended credit to customers totaling \$0. The Civic Center Fund receivables are not secured.

At September 30, 2018, the Nonmajor Enterprise Fund had extended credit to customers totaling \$5,536. The Nonmajor Enterprise Fund receivables are not secured.

Gas System Fund accounts payable - operations consist mainly of \$225,774 for natural gas purchases and \$13,005 for professional fees. The Combined Water and Sewer System Fund accounts payable - operations consist mainly of \$35,774 for repairs and supplies, \$27,163 for professional fees and \$50,940 for insurance and electricity. The Civic Center Fund accounts payable operations consist mainly of \$8,675 for professional fees and \$30,465 for insurance and utilities. The Nonmajor Enterprise Fund accounts payable - operations consist mainly of \$31,325 for contract waste collection.

NOTE N - RELATED PARTY TRANSACTIONS

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

NOTE O - COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Litigation

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

CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE O - COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES - CONTINUED

Grant Audit

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

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

Subsequent Events

On August 6, 2019 the City hired professionals to pursue issuance of direct borrowings and direct placements of \$8,000,000 for water and sewer expenditures. They will also pursue issuance of General obligation bonds not to exceed \$5,400,000 for constructing, improving or paving streets, sidewalks, driveways, parkways, walkways of public parking facilities, and purchasing land and buildings etc. In addition they will pursue issuance of General obligation REDA bonds not to exceed \$2,600,000 for acquiring, constructing, developing, and operating a state of art workforce development center for Northwest Community College District.

NOTE P - ECONOMIC DEPENDENCE

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

NOTE Q - RISK MANAGEMENT - CLAIMS AND JUDGMENTS

Significant losses are covered by commercial insurance for all major programs except unemployment. The City has segregated cash and reserved \$60,095 for the potential future unemployment. There were no material claims or unemployment charges to these funds during the current year or the three previous years. It is at least reasonably possible that management's estimate of no liability in excess of insurance coverage or unemployment reserve could change in the near term.

NOTE R - NET POSITION

The government-wide statement of net position reports \$5,317,243 of restricted net position, of which \$0 is restricted by enabling legislation.

**CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE S - NET INVESTMENT IN CAPITAL ASSETS

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

| | Governmental Activities | Business-Type Activities |
|--------------------------------------------------------|----------------------------|-----------------------------|
| Land and construction in progress | \$ 1,885,415 | \$ 438,500 |
| Other capital assets (net of accumulated depreciation) | 13,749,694 | 22,436,648 |
| Less bonds and notes payable | - | (3,298,964) |
| Less obligations under capital leases payable | <u>(616,846)</u> | <u>-</u> |
| Net investment in capital asset | <u>\$ 15,018,263</u> | <u>\$ 19,576,184</u> |

NOTE T - TAX ABATEMENTS

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

For the year ended September 30, 2018, the City abated property taxes totaling \$638,041 under this program to induce companies to add additional production facilities or by acquiring equipment to be used in its facilities and thereby inducing the company to remain in operation at the facility located in the City of Batesville. These tax abatements include the following agreements that each exceed 10% of the total amount abated:

A 100% property tax abatement to a local industry for purchasing equipment and/or adding to facilities placed in service at the facility during 2013, with a cost or value of \$21,250,762 beginning for the 2013 tax roll for 10 years. The abatement amounted to \$89,412 during the year ended September 30, 2018.

A 100% property tax abatement to a local industry for purchasing equipment and/or adding to facilities placed in service at the facility during 2012, with a cost or value of \$20,226,409 beginning for the 2012 tax roll for 10 years. The abatement amounted to \$91,771 during the year ended September 30, 2018.

A 100% property tax abatement to a local industry for purchasing equipment and/or adding to facilities placed in service at the facility during 2011, with a cost or value of \$14,165,000 beginning for the 2011 tax roll for 10 years. The abatement amounted to \$64,274 during the year ended September 30, 2018.

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CITY OF BATESVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE U - EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' unrestricted (deficit) net positions amount of (\$11,684,246) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pension in the amount of \$173,718 resulted from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$582,962 balance of deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years. The \$886,555 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next four years.

The business type activities' unrestricted net positions amount of \$10,264,384 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pension in the amount of \$49,541 resulted from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$245,131 balance of deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years. The \$309,277 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next four years.

NOTE V - IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING AUDITING STANDARDS SERIES

Effective October 1, 2017, the City early implemented GASB Statement No. 84 of the Governmental Accounting Board - Fiduciary Activities. Implementation of this standard had no effect on beginning net position or beginning fund balance. The City has a payroll clearing account that will have cash and an offsetting liability for payroll taxes owed at year end. Since the payroll clearing fund does not qualify as a fiduciary fund under GASB Statement No. 84, the portion of the cash and related liabilities in the payroll clearing fund is now recorded as cash and a liability on the applicable fund that the cash and the payroll liability belonged to.

Effective October 1, 2017 the City implemented GASB Statement No. 88 of the Governmental Accounting Standards Board - Certain Disclosures Related To Debt, including Direct Borrowings and Direct Placements. Implementation of this standard had no effect on beginning net position or beginning fund balance. This standard changed the note disclosures in Note H - Long-Term and Short-Term Debt.

CITY OF BATESVILLE, MISSISSIPPI
Schedules of Required Supplementary Information

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

Public Employee Retirement System of Mississippi
Last 10 Fiscal Years*
For the fiscal year ended September 30, 2018

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| City's proportion of the net pension liability (asset) | 0.089505% | 0.086490% | 0.009563% | 0.010338% | 0.097540% |
| City's proportionate share of the net pension liability (asset) | \$ 10,864,268 | \$ 13,369,648 | \$ 17,081,906 | \$ 17,185,431 | \$ 16,223,801 |
| City's covered payroll | \$ 5,439,789 | \$ 5,641,028 | \$ 6,201,078 | \$ 6,468,355 | \$ 6,170,247 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 199.72% | 237.01% | 275.47% | 265.68% | 262.94% |
| Plan fiduciary net position as a percentage of the total pension liability | 67.21% | 61.70% | 57.47% | 61.49% | 62.54% |

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

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

Schedule 2

CITY OF BATESVILLE, MISSISSIPPI
Schedules of Required Supplementary Information

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

Last 10 Fiscal Years*
For the fiscal year ended September 30, 2018

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|-----------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Statutorily required contribution | \$ 856,768 | \$ 888,463 | \$ 976,670 | \$ 1,018,766 | \$ 971,814 |
| Contributions in relation to the statutorily required contribution | <u>(856,768)</u> | <u>(888,463)</u> | <u>(976,670)</u> | <u>(1,018,766)</u> | <u>(971,814)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 5,439,789 | \$ 5,641,028 | \$ 6,201,078 | \$ 6,468,355 | \$ 6,170,247 |
| Contributions as a percentage of covered payroll | 15.75% | 15.75% | 15.75% | 15.75% | 15.75% |

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

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

Schedule 3

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | | <u>Variance with</u> | |
|------------------------------------------|-------------------------|---------------|-----------------------|-----------------------------------------------|------------------------------------------|-------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | <u>Actual on Budgetary Total</u> | <u>Final Budget Positive (Negative)</u> |
| REVENUES | | | | | | |
| Ad valorem taxes, penalties and interest | \$ 3,430,000 | \$ 3,430,000 | \$ 3,373,629 | \$ (15) | \$ 3,373,614 | \$ (56,386) |
| Road and bridge taxes | 390,000 | 390,000 | 380,034 | (2,338) | 377,696 | (12,304) |
| In lieu of taxes - General Electric | - | - | 113,108 | - | 113,108 | 113,108 |
| License, permits, and fees | 178,200 | 178,200 | 114,075 | - | 114,075 | (64,125) |
| Intergovernmental revenues: | | | | | | |
| Federal grants | 669,000 | 669,000 | 150,892 | 392,578 | 543,470 | (125,530) |
| State shared revenues: | | | | | | |
| Grants | - | - | 20,850 | - | 20,850 | 20,850 |
| Sales tax | 4,000,000 | 4,000,000 | 4,581,116 | 6,845 | 4,587,961 | 587,961 |
| Liquor privilege tax | - | - | 9,900 | 1,127 | 11,027 | 11,027 |
| Fire protection | 47,000 | 47,000 | 42,601 | - | 42,601 | (4,399) |
| Police academy training | - | - | 16,060 | - | 16,060 | 16,060 |
| Gasoline tax and municipal aid | 10,000 | 10,000 | 10,668 | - | 10,668 | 668 |
| Homestead reimbursement | 130,000 | 130,000 | 114,570 | - | 114,570 | (15,430) |
| In lieu of taxes - TVA | 406,000 | 406,000 | 193,146 | - | 193,146 | (212,854) |
| Franchise taxes | 327,500 | 327,500 | 325,155 | 761 | 325,916 | (1,584) |
| Municipal court fines and bond fees | 37,500 | 37,500 | 156,607 | (5,280) | 151,327 | 113,827 |
| Cops in school charges | - | - | 220,447 | (1,892) | 218,555 | 218,555 |
| Parks and recreation | 20,000 | 20,000 | 20,209 | - | 20,209 | 209 |
| Fire department revenue - local | - | - | 154 | - | 154 | 154 |
| Interest income | 35,000 | 35,000 | 23,117 | - | 23,117 | (11,883) |
| Rents | 257,400 | 257,400 | 45,083 | - | 45,083 | (212,317) |
| Contributions and donations | - | - | 1,500 | - | 1,500 | 1,500 |
| Other | 65,000 | 65,000 | 58,746 | (1,102) | 57,644 | (7,356) |
| Total revenues | \$ 10,002,600 | \$ 10,002,600 | \$ 9,971,667 | \$ 390,684 | \$ 10,362,351 | \$ 359,751 |

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

Schedule 3

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | | <u>Variance with</u> | |
|-------------------------------|-------------------------|--------------|-----------------------|-----------------------------------------------|-------------------------------------------------|--------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | <u>Final Budget Positive (Negative)</u> | |
| <u>EXPENDITURES</u> | | | | | | |
| General Government | | | | | | |
| Personnel services | \$ 527,075 | \$ 565,000 | \$ 544,357 | \$ - | \$ 544,357 | \$ 20,643 |
| Supplies | 28,000 | 21,000 | 7,469 | (800) | 6,669 | 14,331 |
| Other services and charges | 628,100 | 628,100 | 516,206 | (15,503) | 500,703 | 127,397 |
| Capital outlay | 60,000 | 29,075 | 20,770 | - | 20,770 | 8,305 |
| Total | 1,243,175 | 1,243,175 | 1,088,802 | (16,303) | 1,072,499 | 170,676 |
| City Court | | | | | | |
| Personnel services | 142,917 | 190,000 | 167,838 | - | 167,838 | 22,162 |
| Supplies | 9,100 | 9,100 | 2,370 | (124) | 2,246 | 6,854 |
| Other services and charges | 99,400 | 69,400 | 46,650 | (4,447) | 42,203 | 27,197 |
| Capital outlay | 27,000 | 9,917 | 2,334 | - | 2,334 | 7,583 |
| Total | 278,417 | 278,417 | 219,192 | (4,571) | 214,621 | 63,796 |
| Public Safety - Police | | | | | | |
| Personnel services | 3,179,730 | 3,250,000 | 3,029,428 | (13,508) | 3,015,920 | 234,080 |
| Supplies | 215,200 | 215,200 | 152,894 | (120) | 152,774 | 62,426 |
| Other services and charges | 1,039,700 | 1,039,700 | 539,159 | (25,004) | 514,155 | 525,545 |
| Capital outlay | 582,980 | 512,710 | 696,237 | (376,449) | 319,788 | 192,922 |
| Total | \$ 5,017,610 | \$ 5,017,610 | \$ 4,417,718 | \$ (415,081) | \$ 4,002,637 | \$ 1,014,973 |

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

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Schedule 3

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2018

| | Budgeted Amounts | | Actual Amounts | | Variance with | |
|------------------------------|------------------|--------------|----------------|--------------------------------------|---------------------------------|----------------------------------------|
| | Original | Final | Actual | Adjustments to Budgetary Basis | Actual on Budgetary Total | Final Budget Positive (Negative) |
| EXPENDITURES - continued | | | | | | |
| Public Safety - Fire | | | | | | |
| Personnel services | \$ 1,649,230 | \$ 1,649,230 | \$ 1,499,175 | \$ 3,480 | \$ 1,502,655 | \$ 146,575 |
| Supplies | 62,000 | 62,000 | 39,407 | (473) | 38,934 | 23,066 |
| Other services and charges | 372,600 | 372,600 | 243,466 | (15,391) | 228,075 | 144,525 |
| Capital outlay | 415,000 | 415,000 | 434,347 | (265,536) | 168,811 | 246,189 |
| Total | 2,498,830 | 2,498,830 | 2,216,395 | (277,920) | 1,938,475 | 560,355 |
| Street | | | | | | |
| Personnel services | 905,132 | 905,132 | 763,669 | 8,788 | 772,457 | 132,675 |
| Supplies | 152,000 | 152,000 | 79,915 | (1,484) | 78,431 | 73,569 |
| Other services and charges | 369,600 | 615,000 | 581,463 | (6,943) | 574,520 | 40,480 |
| Capital outlay | 435,000 | 189,600 | 143,515 | (25) | 143,490 | 46,110 |
| Total | 1,861,732 | 1,861,732 | 1,568,562 | 336 | 1,568,898 | 292,834 |
| Public Health and Sanitation | | | | | | |
| Personnel services | 272,248 | 285,000 | 256,809 | 5,583 | 262,392 | 22,608 |
| Supplies | 65,000 | 65,000 | 54,357 | (172) | 54,185 | 10,815 |
| Other services and charges | 152,100 | 152,100 | 58,206 | (5,538) | 52,668 | 99,432 |
| Capital outlay | 150,000 | 137,248 | 411 | - | 411 | 136,837 |
| Total | \$ 639,348 | \$ 639,348 | \$ 369,783 | \$ (127) | \$ 369,656 | \$ 269,692 |

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

Schedule 3

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | | <u>Variance with Final Budget Positive (Negative)</u> |
|----------------------------------------|-------------------------|--------------|-----------------------|-----------------------------------------------|-------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | |
| <u>EXPENDITURES - continued</u> | | | | | |
| Library | | | | | |
| Personnel services | \$ 133,900 | \$ 150,000 | \$ 130,400 | \$ - | \$ 19,600 |
| Supplies | 8,500 | 8,500 | 2,223 | - | 6,277 |
| Other services and charges | 190,700 | 190,700 | 148,044 | (802) | 43,458 |
| Capital outlay | 49,000 | 32,900 | 203 | - | 32,697 |
| Total | 382,100 | 382,100 | 280,870 | (802) | 102,032 |
| Park and Recreation | | | | | |
| Personnel services | 240,031 | 240,031 | 173,619 | - | 66,412 |
| Supplies | 69,000 | 69,000 | 37,533 | (706) | 32,173 |
| Other services and charges | 226,100 | 226,100 | 75,918 | (8,941) | 159,123 |
| Capital outlay | 790,000 | 790,000 | 191,316 | (745) | 599,429 |
| Total | 1,325,131 | 1,325,131 | 478,386 | (10,392) | 857,137 |
| Code | | | | | |
| Personnel services | 216,013 | 280,000 | 254,979 | (1,398) | 26,419 |
| Supplies | 14,000 | 14,000 | 4,607 | - | 9,393 |
| Other services and charges | 118,300 | 84,313 | 51,117 | (3,685) | 36,881 |
| Capital outlay | 40,000 | 10,000 | 3,721 | (3,297) | 9,576 |
| Total | \$ 388,313 | \$ 388,313 | \$ 314,424 | \$ (8,380) | \$ 82,269 |

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

Schedule 3

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the fiscal year ended September 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | | <u>Variance with</u> | |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------|-----------------------|-----------------------------------------------|------------------------------------------|-------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | <u>Actual on Budgetary Total</u> | <u>Final Budget Positive (Negative)</u> |
| <u>EXPENDITURES - continued</u> | | | | | | |
| Total expenditures | \$ 13,634,656 | \$ 13,634,656 | \$ 10,954,132 | \$ (733,240) | \$ 10,220,892 | \$ 3,413,764 |
| Excess (deficit) of revenues over (under) expenditures | (3,632,056) | (3,632,056) | (982,465) | 1,123,924 | 141,459 | 3,773,515 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | | |
| Proceeds from capital lease | - | - | 616,846 | (616,846) | - | - |
| Non-revenue receipts | 20,000 | 20,000 | 109,293 | - | 109,293 | 89,293 |
| Operating transfers in | 4,980,328 | 4,980,328 | 90,000 | - | 90,000 | (4,890,328) |
| Total other financing sources (uses) | 5,000,328 | 5,000,328 | 816,139 | (616,846) | 199,293 | (4,801,035) |
| Excess (deficit) of revenues and other financing sources over (under) expenditures and sources over (under) expenditures and other uses | 1,368,272 | 1,368,272 | (166,326) | 507,078 | 340,752 | (1,027,520) |
| Fund balances - beginning of year | 2,655,092 | 2,655,092 | 2,655,092 | - | 2,655,092 | - |
| Fund balances - end of year | \$ 4,023,364 | \$ 4,023,364 | \$ 2,488,766 | \$ 507,078 | \$ 2,995,844 | \$ (1,027,520) |

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

CITY OF BATESVILLE, MISSISSIPPI
Required Supplementary Information
Budgetary Comparison Schedule
Tourism Fund
For the fiscal year ended September 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | | <u>Variance with Final Budget Positive (Negative)</u> |
|------------------------------------------------------------------------------------------------------|-------------------------|--------------------|-----------------------|-----------------------------------------------|-------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Adjustments to Budgetary Basis</u> | <u>Actual on Budgetary Total</u> |
| <u>REVENUES</u> | | | | | |
| Tourism tax | \$ 1,320,550 | \$ 1,320,550 | \$ 1,220,760 | \$ 153 | \$ 1,220,913 |
| Interest income | - | - | 8,002 | - | 8,002 |
| Total revenues | <u>1,320,550</u> | <u>1,320,550</u> | <u>1,228,762</u> | <u>153</u> | <u>1,228,915</u> |
| <u>EXPENDITURES</u> | | | | | |
| Tourism expenses | 100,000 | 100,000 | 20,000 | - | 20,000 |
| Other services and charges | <u>7,500</u> | <u>7,500</u> | <u>4,623</u> | <u>(1,951)</u> | <u>2,672</u> |
| Total expenditures | <u>107,500</u> | <u>107,500</u> | <u>24,623</u> | <u>(1,951)</u> | <u>22,672</u> |
| Excess (deficit) of revenues over (under) expenditures | <u>1,213,050</u> | <u>1,213,050</u> | <u>1,204,139</u> | <u>2,104</u> | <u>1,206,243</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | |
| Operating transfers out | <u>(1,953,050)</u> | <u>(1,953,050)</u> | <u>(964,000)</u> | - | <u>(964,000)</u> |
| Total other financing sources (uses) | <u>(1,953,050)</u> | <u>(1,953,050)</u> | <u>(964,000)</u> | - | <u>(964,000)</u> |
| Excess (deficit) of revenues and other financing sources over (under) expenditures and other uses | <u>(740,000)</u> | <u>(740,000)</u> | <u>240,139</u> | <u>2,104</u> | <u>242,243</u> |
| Fund balances - beginning of year | <u>1,404,520</u> | <u>1,404,520</u> | <u>1,404,520</u> | - | <u>1,404,520</u> |
| Fund balances - end of year | <u>\$ 664,520</u> | <u>\$ 664,520</u> | <u>\$ 1,644,659</u> | <u>\$ 2,104</u> | <u>\$ 1,646,763</u> |

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

CITY OF BATESVILLE, MISSISSIPPI
Notes to Required Supplementary Information
For the fiscal year ended September 30, 2018

NOTE 1 - PENSION SCHEDULES

- A. *Changes in benefit provisions.* Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.
- B. *Changes in assumptions.* Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over the average of the expected remaining service life of active and inactive members. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years.

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

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

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

- C. *Changes in size or composition of the population covered by the benefit terms.* None were identified during the periods presented in the required supplementary information.

CITY OF BATESVILLE, MISSISSIPPI
Notes to Required Supplementary Information
For the fiscal year ended September 30, 2018

- D. *Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

| | |
|-------------------------------|---------------------------------------------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level percentages of payroll, open |
| Remaining amortization period | 36.6 years |
| Asset valuation method | 5-year smoothed market |
| Price inflation | 3.00 percent |
| Salary increase | 3.75 percent to 19.00 percent, including inflation |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

NOTE 2 - BUDGETARY INFORMATION

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

CITY OF BATESVILLE, MISSISSIPPI
Notes to Required Supplementary Information
For the fiscal year ended September 30, 2018

NOTE 2 - BUDGETARY INFORMATION - CONTINUED

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

| Revenues | <u>General Fund</u> | <u>Tourism Fund</u> |
|-------------------------------------------------------------------------------|-----------------------|---------------------|
| Deferred revenues | \$ (120,211) | \$ - |
| Receivables | 562,808 | 153 |
| Payables | <u>(51,913)</u> | <u>-</u> |
| Total | <u>390,684</u> | <u>153</u> |
| Expenditures | | |
| Accounts payable paid after 30 days | (119,339) | (1,951) |
| Vacation accrual paid after 30 days | 2,945 | - |
| Fixed assets acquired by capital leases not chargable to budget until paid | <u>(616,846)</u> | <u>-</u> |
| Total | <u>(733,240)</u> | <u>(1,951)</u> |
| Other Financing Sources (Uses) | | |
| Proceeds from capital lease not applicable to budget | <u>(616,846)</u> | <u>-</u> |
| Total | <u>(616,846)</u> | <u>-</u> |
| Net difference in budgetary basis and actual | <u>\$ 507,078</u> | <u>\$ 2,104</u> |

- D. The General Fund budgetary comparison schedule has an excess of revenues over expenditures of \$340,752 and the Tourism Fund has an excess of revenues over expenditures of \$242,243.

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CITY OF BATESVILLE, MISSISSIPPI
Nonmajor Governmental Funds
Combining Balance Sheets
September 30, 2018

| | MBI Tax Levy Reserve Fund | COFB Confiscated Fund | Fire Grant Fund | Economic Development Revolving Fund | Post Office Debt Service Fund | Risk Reduction Fund | Federal Asset Forfeiture Fund | Unemployment Compensation Fund | Total Nonmajor Governmental Funds |
|---------------------------------------------------|---------------------------------|-----------------------------|-----------------------|----------------------------------------------|----------------------------------------|---------------------------|----------------------------------------|--------------------------------------|--------------------------------------------|
| ASSETS | | | | | | | | | |
| Restricted cash and cash equivalents | \$ 16,645 | \$ 63,588 | \$ 81,018 | \$ 1,467,277 | \$ 76,202 | \$ 15,255 | \$ 55,319 | \$ 60,095 | \$ 1,835,399 |
| Receivables (net of allowance for uncollectibles) | | | | | | | | | |
| Interest | - | - | - | 147 | - | - | - | - | 147 |
| Due (to) from other governmental funds | - | - | - | - | 7,325 | - | - | - | 7,325 |
| Notes and loans receivable - net | - | - | - | 282,700 | - | - | - | - | 282,700 |
| Total assets | <u>\$ 16,645</u> | <u>\$ 63,588</u> | <u>\$ 81,018</u> | <u>\$ 1,750,124</u> | <u>\$ 83,527</u> | <u>\$ 15,255</u> | <u>\$ 55,319</u> | <u>\$ 60,095</u> | <u>\$ 2,125,571</u> |
| LIABILITIES | | | | | | | | | |
| Accounts payable - operations | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1 | \$ - | \$ - | \$ 1 |
| Accounts payable | 16,627 | - | - | 1,752 | - | - | - | - | 18,379 |
| Builders compliance bonds and seized funds held | - | 2,026 | - | - | - | - | - | - | 2,026 |
| Total liabilities | <u>16,627</u> | <u>2,026</u> | <u>-</u> | <u>1,752</u> | <u>-</u> | <u>1</u> | <u>-</u> | <u>-</u> | <u>20,406</u> |
| FUND BALANCES | | | | | | | | | |
| Restricted | <u>18</u> | <u>61,562</u> | <u>81,018</u> | <u>1,748,372</u> | <u>83,527</u> | <u>15,254</u> | <u>55,319</u> | <u>60,095</u> | <u>2,105,165</u> |
| Total fund balance | <u>18</u> | <u>61,562</u> | <u>81,018</u> | <u>1,748,372</u> | <u>83,527</u> | <u>15,254</u> | <u>55,319</u> | <u>60,095</u> | <u>2,105,165</u> |
| Total liabilities and fund balances | <u>\$ 16,645</u> | <u>\$ 63,588</u> | <u>\$ 81,018</u> | <u>\$ 1,750,124</u> | <u>\$ 83,527</u> | <u>\$ 15,255</u> | <u>\$ 55,319</u> | <u>\$ 60,095</u> | <u>\$ 2,125,571</u> |

CITY OF BATESVILLE, MISSISSIPPI
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended September 30, 2018

| | MBI Tax Levy Reserve Fund | COFB Confiscated Fund | Fire Grant Fund | Economic Development Revolving Fund | Post Office Debt Service Fund | Risk Reduction Fund | Federal Asset Forfeiture Fund | Unemployment Compensation Fund | Total Nonmajor Governmental Funds |
|-----------------------------------------------------------------------------------------------|---------------------------------|-----------------------------|-----------------------|----------------------------------------------|----------------------------------------|---------------------------|----------------------------------------|--------------------------------------|--------------------------------------------|
| REVENUES | | | | | | | | | |
| Municipal court fines and bond fees | \$ - | \$ 13,006 | \$ - | \$ - | \$ - | \$ - | \$ 27,239 | \$ - | \$ 40,245 |
| Interest income | 6 | 32 | 44 | 21,957 | - | 5 | 22 | 634 | 22,700 |
| Rents | - | - | - | - | 95,607 | - | - | - | 95,607 |
| Reduction for uncollectable loans | - | - | - | (15,200) | - | - | - | - | (15,200) |
| Other | - | - | - | - | 10 | - | - | - | 10 |
| Total revenues | 6 | 13,038 | 44 | 6,757 | 95,617 | 5 | 27,261 | 634 | 143,362 |
| EXPENDITURES | | | | | | | | | |
| Current | | | | | | | | | |
| General government | - | - | - | 10,380 | 9,149 | - | - | - | 19,529 |
| Police | - | 1,366 | - | - | - | - | - | - | 1,366 |
| Capital outlay | - | 1,468 | - | - | - | - | - | - | 1,468 |
| Debt Service | | | | | | | | | |
| Principal retirement - general obligation | - | - | - | - | 33,425 | - | - | - | 33,425 |
| Interest and paying agent | - | - | - | - | 790 | - | - | - | 790 |
| Total expenditures | - | 2,834 | - | 10,380 | 43,364 | - | - | - | 56,578 |
| Excess (deficit) of revenues over (under) expenditures | 6 | 10,204 | 44 | (3,623) | 52,253 | 5 | 27,261 | 634 | 86,784 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Excess (deficit) of revenues and other sources over (under) expenditures and other uses | 6 | 10,204 | 44 | (3,623) | 52,253 | 5 | 27,261 | 634 | 86,784 |
| Fund balance - beginning | 12 | 51,358 | 80,974 | 1,751,995 | 31,274 | 15,249 | 28,058 | 59,461 | 2,018,381 |
| Fund balance - end of year | \$ 18 | \$ 61,562 | \$ 81,018 | \$ 1,748,372 | \$ 83,527 | \$ 15,254 | \$ 55,319 | \$ 60,095 | \$ 2,105,165 |

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials and Employees
September 30, 2018

| <u>Name</u> | <u>Position</u> | <u>Amount</u> | <u>Insurance Company</u> | <u>Expiration Date</u> |
|------------------------------|--------------------------|---------------|--------------------------|------------------------|
| Jerry Autrey | Mayor | \$ 50,000 | Liberty Mutual | 7/1/2021 |
| Teddy Morrow | Alderman at large | 100,000 | Liberty Mutual | 7/1/2021 |
| Bill Dugger | Alderman | 100,000 | Liberty Mutual | 7/1/2021 |
| Bobby Walton Jr | Alderman | 100,000 | Liberty Mutual | 7/1/2021 |
| Stan Harrison | Alderman | 100,000 | Liberty Mutual | 7/1/2021 |
| Dennis Land | Alderman | 100,000 | Liberty Mutual | 7/1/2021 |
| James McCloud | Chief of Police | 50,000 | Liberty Mutual | 2/7/2019 |
| Susan Berryhill | City Clerk | 50,000 | Liberty Mutual | 7/1/2021 |
| Embry Moody | Payroll | 50,000 | Liberty Mutual | 7/1/2021 |
| Miranda Gail Lance | Bookkeeper | 50,000 | Liberty Mutual | 5/15/2021 |
| Shonna Weaver | Assistant City Clerk | 50,000 | Liberty Mutual | 5/15/2022 |
| Angela Austin | Administrative assistant | 50,000 | Liberty Mutual | 5/15/2022 |
| Martha G Holland | Ticket sales | 50,000 | Liberty Mutual | 5/15/2022 |
| Employee theft each employee | Various | 50,000 | Travelers | 5/9/2019 |

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

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

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

To the Mayor and Board of Alderpersons
City of Batesville, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Batesville, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Batesville, Mississippi's basic financial statements and have issued our report thereon dated September 5, 2019.

The report on Governmental Activities and Business-Type Activities was qualified because the post employment benefits liability for allowing employees who retire from City service with 25 years and are age 55 being allowed to continue on the City's health insurance group plan upon retirement until eligible for Medicare, has not been determined or accrued. We were unable to form an opinion regarding the post employment benefits liability recorded in the accompanying Statement 1 – Statement of Net Position (Governmental Activities and Business-Type Activities) at September 30, 2018 and the amounts at which the related post employment benefit expenses is recorded in the accompanying Statement 2 – Statement of Activities (Governmental Activities and Business-Type Activities). The amount by which this departure would affect the liabilities, net position, and expenses of the Governmental Activities and Business-Type Activities has not been determined.

The report on Water and Sewer Fund, Gas Fund, and Civic Center Fund was qualified because the post employment benefits liability for allowing employees who retire from City service with 25 years and are age 55 being allowed to continue on the City's health insurance group plan upon retirement until eligible for Medicare, has not been determined or accrued. We were unable to form an opinion regarding the post employment benefits liability recorded in the accompanying Statement 5 – Proprietary Fund Statement of Net Position at September 30, 2018 (Water and Sewer Fund, Gas Fund, and Civic Center Fund) and the amounts at which the related post employment benefit expense is recorded in the accompanying Statement 6 – Proprietary Fund Statement of Revenues, Expense and Changes in Fund Net Position (Water and Sewer Fund, Gas Fund, and Civic Center Fund). The amount by which this departure would affect the liabilities, net position, and expenses of the Water and Sewer Fund, Gas Fund, and Civic Center Fund has not been determined.

Except as discussed in the preceding paragraphs, we conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. They are labeled as items 2018-001, 2018-002, and 2018-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. It is labeled as item 2018-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Batesville, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, 2018-012, and 2018-013.

We noted certain other matters that we reported to management of City of Batesville, Mississippi, in a separate letter dated September 5, 2019.

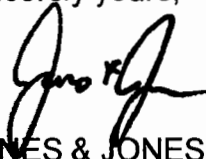
City of Batesville, Mississippi's Response to Findings

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

Purpose of this Report

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

Sincerely yours,



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

September 5, 2019

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

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

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

Honorable Mayor and Board of Alderpersons
City of Batesville, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Batesville, Mississippi, as of and for the year ended September 30, 2018, which collectively comprise the City of Batesville, Mississippi's basic financial statements and have issued our report thereon dated September 5, 2019.

The report on Governmental Activities and Business-Type Activities was qualified because the post employment benefits liability for allowing employees who retire from City service with 25 years and are age 55 being allowed to continue on the City's health insurance group plan upon retirement until eligible for Medicare, has not been determined or accrued. We were unable to form an opinion regarding the post employment benefits liability recorded in the accompanying Statement 1 – Statement of Net Position (Governmental Activities and Business-Type Activities) at September 30, 2018 and the amounts at which the related post employment benefit expenses is recorded in the accompanying Statement 2 – Statement of Activities (Governmental Activities and Business-Type Activities). The amount by which this departure would affect the liabilities, net position, and expenses of the Governmental Activities and Business-Type Activities has not been determined.

The report on Water and Sewer Fund, Gas Fund, and Civic Center Fund was qualified because the post employment benefits liability for allowing employees who retire from City service with 25 years and are age 55 being allowed to continue on the City's health insurance group plan upon retirement until eligible for Medicare, has not been determined or accrued. We were unable to form an opinion regarding the post employment benefits liability recorded in the accompanying Statement 5 – Proprietary Fund Statement of Net Position at September 30, 2018 (Water and Sewer Fund, Gas Fund, and Civic Center Fund) and the amounts at which the related post employment benefit expenses is recorded in the accompanying Statement 6 – Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position (Water and Sewer Fund, Gas Fund, and Civic Center Fund). The amount by which this departure would affect the liabilities, net position, and expenses of the Water and Sewer Fund, Gas Fund, and Civic Center Fund has not been determined.

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Compliance

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

The results of those procedures and our audit of the financial statements disclosed material instances of noncompliance with state laws and regulations and which is described in the accompanying schedule of findings and responses as items 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, 2018-012, and 2018-013.

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

City of Batesville, Mississippi's Response to Findings

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

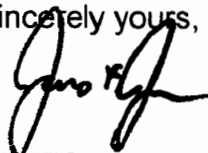
Purpose of this Report

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

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

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

Sincerely yours,



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

September 5, 2019

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Material Weaknesses

2018-001. Outsourcing Financial Statements and Related Notes, and Supplementary Information Preparation

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

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

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

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

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

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

2018-002. Segregation of Duties

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

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

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

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

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

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Material Weaknesses - continued

2018-002. Segregation of Duties - continued

Response: We concur with the recommendation.

2018-003. Violation of Laws and Regulations

Condition: As discussed in finding numbers 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, 2018-012, and 2017-013, there were violations of State of Mississippi laws and regulations.

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

Cause: See cause in finding numbers 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, 2018-012, and 2017-013,

Effect: The City did not comply with certain requirements. See additional information in finding numbers 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, 2018-012, and 2017-013,

Recommendation: See recommendation in finding numbers 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, 2018-012, and 2017-013. Controls should be put in place to prevent noncompliance.

Response: We will install procedures to prevent noncompliance.

Significant Deficiencies

2018-004. Unaccounted for Natural Gas and Water

Condition: Tennessee Gas Pipeline Company metered natural gas to the City of 400,036 MCF. The City's records reflect gas sold of 381,196 MCF. This is a difference of 18,840 MCF or 4.710%. The City records indicate the City pumped 57,748,100 gallons of water but billed only 39,802,700 gallons of water. This is a difference of 179,454 gallons or 31.075%.

Criteria: Internal controls should be in place to require comparison of the volume of natural gas sold to the volume of natural gas purchased and volume of water pumped to water sold and investigate differences.

Cause: The City had not fully established such a policy.

Effect: The City could have significant undetected leaks in its natural gas lines or water lines or the meters could be reading incorrectly. The City had unaccounted for natural gas of 4.710% and unaccounted for water of 31.075%.

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CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

Significant Deficiencies - continued

2018-004. Unaccounted for Natural Gas and Water - continued

Recommendation: We recommend the City establish a policy to maintain formal records of natural gas volume sold compared to natural gas volume purchased and water pumped and water sold and investigate unaccounted differences. The City should require a review of all zero read meters when it is determined there should have been usage.

Response: Our new natural gas department head is now monitoring this and there has been improvement compared to the prior year. We will implement the same procedures for our water department. We are now reviewing zero read meters to determine if there is a reason for a zero read.

Compliance and Other Matters and Compliance with State Laws and Regulations

2018-005. Tax Abatement

Condition: Tax abatements were not properly completed.

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

Cause: The final step was omitted.

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

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

Response: We have consulted with our attorney and will be making the above correction to our minutes to correct this oversight.

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CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

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

2018-006. City Vehicles Not Properly Identified

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

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

Cause: This was an apparent oversight.

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

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

Response: We have placed the name of the City on the back of the above mentioned vehicle.

2018-007. Purchase Law Violations

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

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

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

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

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

2018-007. Purchase Law Violations – continued

Effect: On November 29, 2017 the City received a quote of \$9,657 and on December 13, 2017 the City received a second quote of \$10,032 for purchase of police wireless communication equipment. The City did not purchase until March, 2018 after these quotes had expired. On March 8, 2018 the City obtained a quote for \$9,657 but did not obtain a new second quote. Therefore, the purchase law was not complied with.

Recommendation: We recommend the City obtain the required two quotes for purchases over \$5,000 but less than \$50,000.

Response: We will make sure we have two unexpired quotes for all purchases exceeding \$5,000 but less than \$50,000.

2018-008. Transfers Between Funds Not Approved by the Board of Alderpersons

Condition: The City transferred \$90,000 from the Sanitation Fund to the General Fund that was not approved by the Board of Alderpersons. The City transferred \$964,000 from the Tourism Fund to the Civic Center Fund that was not approved by the Board of Alderpersons. There were various inter-fund loans totaling \$250,202 that had not been approved by the Board of Alderpersons.

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

Cause: The City was not aware of this requirement.

Effect: The City made transfers and loans that were not authorized by the Board of Alderpersons. Any unapproved distributions from enterprise funds could be questioned by the Public Service Commission.

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

Response: We will get Board of Alderpersons approval for all future transfers. We will repay the outstanding loans as soon as possible.

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CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

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

2018-009. Retirement Eligibility

Condition: The City is admitting all new employees, except volunteer firefighters, to the Public Employee Retirement System even though they do not meet the minimum eligibility requirements.

Criteria: The Public Employee Retirement System of Mississippi (PERS) membership eligibility overview states that anyone or whose employment is not expected to exceed four and one half months (unless he or she is also employed full time with another PERS-covered agency in a PERS-eligible position) is not eligible for PERS membership. In addition, anyone who does not work at least 20 hours per week or a total of 80 hours per month is not eligible for PERS membership.

Cause: The payroll clerk was not paying attention to the PERS membership requirement.

Effect: The City has admitted employees to PERS that are not eligible for admission.

Recommendation: We recommend that the City determine who is not eligible for PERS membership and consult with PERS for the ultimate resolution. The City should also admit employees to PERS only when eligibility requirements are met.

Response: We are now admitting employees to PERS when they meet the eligibility requirements.

2018-010. Firemen Swap Time

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

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

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

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

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

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

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CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS - CONTINUED

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

2018-011. Budget

Condition: Expenditures exceeded the budget in various categories.

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

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

| | |
|----------------------------|-----------|
| Gas System Fund – supplies | \$108,915 |
|----------------------------|-----------|

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

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

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

2018-012. Utility Department On Call Time

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

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

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

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

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

Response: We stopped paying on call time not worked during June 2018.

CITY OF BATESVILLE, MISSISSIPPI
Schedule of Findings and Responses
For the fiscal year ended September 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENT - CONTINUED

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

2017-013. Water Rates

Condition: The City is charging a water association Tariff ID 215CON a minimum bill of \$7.13 when approved rates provides for a \$194.30 minimum bill. During the period January 1, 2012 to September 30, 2017, the City billed water users outside the City limits not exceeding one mile a monthly \$7.13 minimum bill for the first 2,000 gallons and \$4.94 per each additional 1,000 gallons. The approved water rate was \$7.42 minimum bill for first 2,000 gallons and \$5.14 per each additional 1,000 gallons.

Criteria: The November 11, 2011 and the April 3, 2018 Board of Alderperson's minutes established a minimum bill of \$194.30 for the first 100,000 gallons of water used by a water association.

Cause: The amounts entered into the utility billing system were incorrect for Tariff ID 215CON.

Effect: The water association was undercharged \$187.17 per month. The water association and customers outside the City limits not exceeding one mile was not recomputed and billed to correct rates for the prior billing error.

Recommendation: We recommend the City correct the billing rate for Tariff ID 215CON. We recommend the City determine the amounts undercharged and bill each user.

Response: We begin charging the approved rate during the current year for customers outside the City limits up to one mile. The water association subsequent to year end has asked that their meter be locked and services turned off.

CITY OF BATESVILLE, MISSISSIPPI
Results of Prior Year Findings
For the fiscal year ended September 30, 2018

Financial Statement Findings

| Finding Number | Finding Title | Status |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| 2017-001 | Outsourcing Financial Statements and Related Notes, and Supplementary Information Preparation (original finding 2015-001) | Repeated - see current year finding 2018-001 |
| 2017-002 | Segregation of Duties (original finding 2016-003) | Repeated - see current year finding 2018-002 |
| 2017-003 | Violation of Laws and Regulations (original finding 2016-005) | Repeated - see current year finding 2018-003 |
| 2017-004 | Unaccounted for Natural Gas (original finding 2017-004) | Repeated - see current year finding 2018-004 |
| 2017-005 | Tax abatement (original finding 2017-005) | Repeated - see current year finding 2018-005 |
| 2017-006 | City Vehicles Not Properly Identified (original finding 2017-006) | Repeated - see current year finding 2018-006 |
| 2016-007 | Purchase Law Violations (original finding 2016-016) | Repeated - see current year finding 2018-007 |
| 2017-008 | Transfers Between Funds Not Approved by the Board of Alderpersons (original finding 2016-008) | Repeated - see current year finding 2018-008 |
| 2017-009 | City Assessed Ad-Valorem Taxes Not Allocated to Proper Category (original finding 2016-009) | Corrected |
| 2017-010 | City Payroll Overtime and Retirement Eligibility (original finding 2016-010) | Repeated - see current year finding 2018-009 |
| 2017-011 | Firemen Swap Time (original finding 2016-011) | Repeated - see current year finding 2018-010 |
| 2017-012 | Budget (original finding 2014-005) | Repeated - see current year finding 2018-011 |
| 2017-013 | Utility Department On Call Time (original finding 2016-013) | Repeated - see current year finding 2018-012 |
| 2017-014 | Water Rates (original finding 2016-014) | Repeated - see current year finding 2018-013 |

CITY OF BATESVILLE, MISSISSIPPI
Results of Prior Year Findings
For the fiscal year ended September 30, 2018

Federal Award Findings and Questioned Costs

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