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CITY OF BROOKHAVEN, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

CITY OF BROOKHAVEN, MISSISSIPPI

Audited Financial Statements

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September 30, 2019

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CITY OF BROOKHAVEN
FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Aldermen
Brookhaven, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brookhaven, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Brookhaven, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brookhaven, Mississippi, as of September 30, 2019, 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, the Budgetary Comparison Schedule, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of the City's Contributions, and the corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brookhaven, Mississippi's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2022, on our consideration of the City of Brookhaven, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Brookhaven, 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 Brookhaven, Mississippi's internal control over financial reporting and compliance.



Lowery, Payn and Leggett, CPAs
Brookhaven, Mississippi
May 12, 2022

CITY OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF BROOKHAVEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Our discussion and analysis of Brookhaven's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2019. Readers should also review the basic financial statements and disclosures to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2019 by \$33,190,037 (net position); this amount represents a decrease of \$1,279,004, including prior period adjustments of \$487 from fiscal year 2019. Of this amount, the unrestricted net position showed a deficit balance of (\$9,746,522).
- Total assets increased \$2,617,678 from 2019.
- Total liabilities increased \$3,783,195 from 2019.
- The City had \$18,063,135 in total revenues. Property tax revenues account for \$4,911,017 or 27% of total revenues. Sales and tourism taxes account for \$6,043,831 or 33% of total revenues. Charges for services account for \$4,789,811 or 27% of total revenues. The remainder of revenue is from federal and state grants, franchise taxes, and other sources and accounts for \$2,318,476 or 13% of total revenues.
- The City had \$19,342,626 in total expenditures, which represents an increase of \$186,635 or 0.97% over the prior fiscal year. Expenditures of \$5,511,239 were offset by grants and charges for services. General revenues of \$12,551,896 were not adequate to provide for the remainder of the expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Brookhaven, Mississippi's basic financial statements, which are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements presented on pages 14 and 15 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing the government's net position changes 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.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues 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 government activities include general government, police administration, municipal court, fire administration, building inspection, city streets, traffic department, airport and cemetery. Business-type activities include water and sewer utilities and solid waste management. Fiduciary activities such as the Separate School District Fund are not included in the government-wide statements since these assets are not available to fund City programs.

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

**CITY OF BROOKHAVEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the 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 eight 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, which is considered to be a major fund. All other funds are considered non-major and are presented in a single column. The governmental fund financial statements are presented on pages 16 through 19.

The City adopts an annual budget. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with its budget on page 46.

Proprietary funds: The City maintains one type of proprietary fund – an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for water and sewer utilities and solid waste operations. The funds are primarily serviced through user fees.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are presented on pages 20 through 22.

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 resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City used eight fiduciary funds consisting of the special unemployment fund, health insurance fund, police comfort bears fund, depot restoration fund, separate school district tax fund, land redemption fund, accounts payable clearing fund, and payroll clearing fund. The combined fiduciary financial statements can be found on page 23.

Notes to the Financial Statements

The notes, presented on pages 24 through 44, provide additional narrative and tabular information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary control and pensions on pages 45 through 52.

**CITY OF BROOKHAVEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. As of September 30, 2019, the assets and deferred outflows of the City exceeded its liabilities and deferred outflows by \$33,190,037.

One of the largest portions of the City's net position, \$41,412,010 (125%), reflects its accumulation of funds to invest in capital assets (land, buildings, machinery and equipment, etc.). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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 because the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the City's net position for the fiscal years ended September 30, 2019 and 2018:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 7,977,472	7,884,609	5,074,642	4,609,532	13,052,114	12,494,141
Capital assets, net	33,196,020	33,014,888	20,780,108	18,783,245	53,976,128	51,798,133
Restricted assets	-	-	389,389	507,679	389,389	507,679
Total Assets	41,173,492	40,899,497	26,244,139	23,900,456	67,417,631	64,799,953
Deferred Outflows	397,984	284,535	33,006	34,788	430,990	319,323
Liabilities						
Current and other liabilities	1,023,488	1,162,909	1,244,591	1,273,266	2,268,079	2,436,175
Net pension liability	13,924,338	12,894,187	1,732,518	1,576,497	15,656,856	14,470,684
Long-term debt	2,161,844	2,002,061	9,934,731	7,329,395	12,096,575	9,331,456
Total Liabilities	17,109,670	16,059,157	12,911,840	10,179,158	30,021,510	26,238,315
Deferred Inflows	4,605,376	4,357,546	31,698	54,374	4,637,074	4,411,920
Net Position						
Net investments in capital assets	30,566,633	30,680,407	10,845,377	11,453,850	41,412,010	42,134,257
Restricted	1,061,453	412,819	463,096	1,054,535	1,524,549	1,467,354
Unrestricted	(11,771,656)	(10,325,897)	2,025,134	1,193,327	(9,746,522)	(9,132,570)
Total Net Position	\$ 19,856,430	20,767,329	13,333,607	13,701,712	33,190,037	34,469,041

The City's total assets increased \$2,617,678 during 2019 with governmental activities showing an increase of \$273,995 and business-type activities showing an increase of \$2,343,683.

The City's total liabilities increased \$3,783,195 during 2019 with governmental activities showing an increase of \$1,050,513 and business-type activities showing an increase of \$2,732,682.

The City's net position decreased \$1,279,004 for the year ended September 30, 2019.

**CITY OF BROOKHAVEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Additional Information on Unrestricted Net Position

In connection with the standards on accounting and financial reporting for pensions, management presents the following additional information:

Pension Effect on Net Position, excluding Discretely Presented Component Units	
Total unrestricted net position (deficit)	\$ (9,746,522)
Less: unrestricted deficit in net position resulting from recognition of GASB 68 & 71	<u>15,679,375</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 5,932,853</u>

The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2019 and 2018:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program Revenues						
Charges for services	\$ 286,176	304,509	4,503,635	4,293,149	4,789,811	4,597,658
Grants and contributions	721,428	120,887	-	-	721,428	120,887
General Revenues						
Property taxes	4,911,017	4,508,661	-	39,425	4,911,017	4,548,086
Sales and tourism taxes	6,043,831	5,771,016	-	-	6,043,831	5,771,016
Other taxes and other income	1,649,898	1,310,752	(52,850)	173,466	1,597,048	1,484,218
Total Revenues	13,612,350	12,015,825	4,450,785	4,506,040	18,063,135	16,521,865
Program Expenses						
General government	2,678,074	1,998,093	-	-	2,678,074	1,998,093
Police administration	3,481,659	3,537,286	-	-	3,481,659	3,537,286
Municipal court	246,547	210,672	-	-	246,547	210,672
Fire administration	2,683,775	2,651,313	-	-	2,683,775	2,651,313
Building inspection	128,227	128,563	-	-	128,227	128,563
City streets	2,034,380	2,905,936	-	-	2,034,380	2,905,936
Traffic department	157,098	134,842	-	-	157,098	134,842
Airport	295,674	498,260	-	-	295,674	498,260
Cemetery	250,362	167,084	-	-	250,362	167,084
Interest on long-term debt	44,458	70,936	88,403	101,574	132,861	172,510
Support appropriations	1,402,943	1,346,981	-	-	1,402,943	1,346,981
Pension expense	1,120,052	1,217,638	169,637	148,875	1,289,689	1,366,513
Water and sewer	-	-	2,874,025	2,907,376	2,874,025	2,907,736
Solid waste	-	-	1,687,312	1,130,563	1,687,312	1,130,563
Total Expenses	14,523,249	14,867,604	4,819,378	4,288,388	19,342,627	19,155,992
Increase (Decrease) in Net Position	\$ (910,899)	(2,851,779)	(368,592)	217,652	(1,279,491)	(2,634,127)

The City's governmental activities continue to be funded by sources other than property taxes, which comprise 36% of the total revenues. The other major revenue sources were sales and tourism taxes (44%), charges for services (2%), and grants and contributions (5%). The major expense activities were general government, police administration, fire administration, city streets, and support appropriations, which comprise 18%, 24%, 18%, 14%, and 10%, of total expenses, respectively.

Business-type activities are accounted for similar to businesses and are primarily supported by user fees. The City makes every effort to keep these fees as low as possible.

**CITY OF BROOKHAVEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FUND FINANCIAL ANALYSIS

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

The focus of governmental fund reporting 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, unrestricted 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 the year ended, the City's governmental funds reported a combined fund balance of \$3,414,417, a decrease of \$45,904.

The only governmental fund that met the requirements for being reported as a major fund was the General Fund. All remaining governmental funds were combined and reported as other governmental funds.

Major Fund Budgeting Highlights

The City's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. One of the most significant budgeted funds is the General Fund.

During the course of 2019, the City amended its General Fund budget. All recommendations for budget changes come from the City Clerk and are presented to the Mayor and Board of Aldermen for ordinance enactment on the change. The City does not allow budget changes that modify line items with departments without board approval. With the General Fund supporting many of the major activities such as the police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over-spending by individual departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the City had \$53,976,128 invested in a broad range of capital assets, including police, fire, solid waste equipment, and highways and streets. This amount represents a net increase (including additions, deletions and adjustments) of \$2,177,995 or 4% over the prior year.

The following table illustrates the City's capital assets, net of accumulated depreciation, as of September 30, 2019 and 2018:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and land improvements	\$ 6,441,456	6,349,992	84,499	84,499	6,525,955	6,434,491
Construction in progress	465,280	57,202	7,337,130	4,774,470	7,802,410	4,831,672
Buildings	7,053,035	7,105,899	-	-	7,053,035	7,105,899
Improvements	16,041,787	15,888,900	-	-	16,041,787	15,888,900
Machinery and equipment	3,194,462	3,612,895	211,744	232,184	3,406,206	3,845,079
Plant and systems	-	-	13,146,735	13,692,092	13,146,735	13,692,092
Totals	\$ 33,196,020	33,014,888	20,780,108	18,783,245	53,976,128	51,798,133

More detailed information about the City's capital assets is presented in Note 9 of the Notes to the Financial Statements.

**CITY OF BROOKHAVEN, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Long-Term Debt

At the end of 2019, the City had \$13,055,775 in long-term debt. This amount represents a net increase of \$2,775,678 or 27% over the prior year. The following table illustrates the City's long-term debt as of September 30, 2019 and 2018:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 1,683,000	1,853,000	135,000	265,000	1,818,000	2,118,000
General obligation notes	600,000	-	-	-	600,000	-
Revenue bonds	-	-	2,120,000	2,220,000	2,120,000	2,220,000
Other loans	-	-	7,988,733	5,129,306	7,988,733	5,129,306
Capital leases	346,387	481,481	-	-	346,387	481,481
Accrued compensated absences	172,732	299,050	9,923	32,260	182,655	331,310
Totals	\$ 2,802,119	2,633,531	10,253,656	7,646,566	13,055,775	10,280,097

More detailed information about the City's long-term liabilities is presented in Note 11 of the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2019 budget, tax rates, and fees that will be charged for the business-type activities. The total property tax millage rate of 38.4 mills was assessed for the fiscal year 2019.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the City functions.

While it is unknown how long these conditions will last and what the complete financial effect will be to the City, to date, management of the City is continuing to evaluate the impact of the pandemic on the City's operations. Impacts felt by the pandemic have depressed the tax bases and other areas in which the City received revenue during fiscal year 2020 and to date through fiscal year 2021. As such, the City's financial position, operations and cash flows may have been negatively impacted for the fiscal years 2020 and 2021 and may hinder the City's ability to meet the needs of its constituents. Management has and will take the necessary actions to marginalize the disruption caused by the outbreak. The specific impact on the City's financial position, operations, and cash flows is not readily determinable as of the date of these financial statements; therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide the citizens, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the Mayor or City Clerk at 301 South First Street, Brookhaven, Mississippi, 39601 or P.O. Box 560, Brookhaven, Mississippi, 39602.

CITY OF BROOKHAVEN
BASIC FINANCIAL STATEMENTS

CITY OF BROOKHAVEN, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,199,811	\$ 4,206,024	\$ 7,405,835	\$ 389,838
Accounts receivable	-	561,675	561,675	-
Intergovernmental receivables	36,463	228,197	264,660	-
Taxes receivable	4,683,180	-	4,683,180	-
Other receivable	23,427	-	23,427	-
Inventories	34,591	78,746	113,337	-
Capital assets				
Land and other improvements	6,441,456	84,499	6,525,955	-
Construction in progress	465,280	7,337,130	7,802,410	-
Other capital assets, net	26,289,284	13,358,479	39,647,763	-
Restricted assets:				
Customer deposits	-	389,389	389,389	-
Total Assets	41,173,492	26,244,139	67,417,631	389,838
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows related to pensions	397,984	33,006	430,990	26,750
Total Deferred Outflows of Resources	397,984	33,006	430,990	26,750
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	352,434	273,226	625,660	11,698
Intergovernmental payables	27,056	227,962	255,018	-
Accrued interest expense	3,723	35,089	38,812	-
Payable from restricted assets				
Customer deposits	-	389,389	389,389	-
Long term liabilities - due within one year				
Bonds, capital leases, notes and contracts	467,543	309,002	776,545	-
Accrued compensated absences	172,732	9,923	182,655	127,981
Long term liabilities - due in more than one year:				
Bonds, capital leases, notes and contracts	2,161,844	9,934,731	12,096,575	-
Net pension liability	13,924,338	1,732,518	15,656,856	874,497
Total Liabilities	17,109,670	12,911,840	30,021,510	1,014,176
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows related to pensions	421,811	31,698	453,509	41,327
Property tax for future reporting period	4,183,565	-	4,183,565	-
Total Deferred Inflows of Resources	4,605,376	31,698	4,637,074	41,327
<u>NET POSITION</u>				
Net investment in capital assets	30,566,633	10,845,377	41,412,010	-
Restricted for debt services	789,797	305,097	1,094,894	-
Restricted for capital projects	271,656	157,999	429,655	-
Unrestricted	(11,771,656)	2,025,134	(9,746,522)	(638,915)
Total Net Position	\$ 19,856,430	\$ 13,333,607	\$ 33,190,037	\$ (638,915)

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

**CITY OF BROOKHAVEN, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating		Capital	Primary Government		
		Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Component Units
Primary Government							
Governmental activities:							
General government	\$ 2,678,074	\$ 1,642	\$ 47,310	\$ 674,118	\$ (1,955,004)	\$ (1,955,004)	
Police administration	3,481,659	47,619	-	-	(3,434,040)	(3,434,040)	
Municipal Court	246,547	-	-	-	(246,547)	(246,547)	
Fire administration	2,683,775	-	-	-	(2,683,775)	(2,683,775)	
Building inspection	128,227	-	-	-	(128,227)	(128,227)	
City streets	2,034,380	-	-	-	(2,034,380)	(2,034,380)	
Traffic department	157,098	-	-	-	(157,098)	(157,098)	
Airport	295,674	168,743	-	-	(126,931)	(126,931)	
Cemetery	250,362	68,172	-	-	(182,190)	(182,190)	
Interest on long term debt	44,458	-	-	-	(44,458)	(44,458)	
Support appropriations	1,402,943	-	-	-	(1,402,943)	(1,402,943)	
Pension expense	1,120,052	-	-	-	(1,120,052)	(1,120,052)	
Total governmental activities	14,523,249	286,176	47,310	674,118	(13,515,645)	(13,515,645)	
Business-type activities:							
Water and sewer	3,120,189	3,440,419	-	-		\$ 320,230	320,230
Solid waste	1,699,188	1,063,216	-	-		(635,972)	(635,972)
Total business-type activities	4,819,377	4,503,635	-	-		(315,742)	(315,742)
Total primary government	\$ 19,342,626	\$ 4,789,811	\$ 47,310	\$ 674,118	\$ (13,515,645)	\$ (315,742)	\$ (13,831,387)
Component units:							
Parks and Recreation Commission	\$ 1,258,991	\$ 256,481	\$ -	\$ -			\$ (1,002,510)
Brookhaven Tourism Council	118,973	-	-	-			(118,973)
Total component units	\$ 1,377,964	\$ 256,481	\$ -	\$ -			\$ (1,121,483)

General Revenues:

Property taxes	\$ 4,911,017	\$ -	\$ 4,911,017	\$ -
Sales and tourism taxes	6,043,831	-	6,043,831	-
Franchise taxes	482,499	-	482,499	-
Other taxes	43,923	-	43,923	-
Licenses and permits	93,801	-	93,801	-
Fines and forfeitures	77,488	-	77,488	-
Grand gulf	170,686	-	170,686	-
Fire protection	76,619	-	76,619	-
Homestead reimbursement	203,174	-	203,174	-
County support	20,444	-	20,444	-
Gain (loss) on disposal of capital assets	3	-	3	-
Interest income	48,349	68,776	117,125	237
Rental income	84,100	-	84,100	-
Other income	227,186	-	227,186	-
Transfers	121,626	(121,626)	-	984,212
Total general revenues and transfers	\$ 12,604,746	(52,850)	12,551,896	984,449
Change in net position	(910,899)	(368,592)	(1,279,491)	(137,034)
Net Position - beginning, as originally reported	20,767,329	13,701,712	34,469,041	350,758
Prior period adjustment	-	487	487	(852,639)
Net Position - beginning, as restated	20,767,329	13,702,199	34,469,528	(501,881)
Net Position, ending	\$ 19,856,430	\$ 13,333,607	\$ 33,190,037	\$ (638,915)

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

CITY OF BROOKHAVEN, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,109,106	\$ 1,090,705	\$ 3,199,811
Receivables:			
Sales tax	499,615	-	499,615
Property taxes	4,183,565	-	4,183,565
Due from other funds	36,463	-	36,463
Other	22,079	1,348	23,427
Inventories	34,591	-	34,591
Total Assets	<u>6,885,419</u>	<u>1,092,053</u>	<u>7,977,472</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	346,834	5,600	352,434
Due to other funds	2,056	25,000	27,056
Total Liabilities	<u>348,890</u>	<u>30,600</u>	<u>379,490</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	4,183,565	-	4,183,565
Total Deferred Inflows of Resources	<u>4,183,565</u>	<u>-</u>	<u>4,183,565</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	34,591	-	34,591
Restricted:			
Debt service	-	789,797	789,797
Committed:			
Capital Improvements	-	271,656	271,656
Unassigned	2,318,373	-	2,318,373
Total Fund Balances	<u>2,352,964</u>	<u>1,061,453</u>	<u>3,414,417</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,885,419</u>	<u>\$ 1,092,053</u>	<u>\$ 7,977,472</u>

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

**CITY OF BROOKHAVEN, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Total Fund Balance - Governmental Funds	\$ 3,414,417
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 are not reported in the funds, net of accumulated depreciation of \$25,119,067.	33,196,020
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund financial statements:	
Capital debt	(2,629,387)
Compensated absences	(172,732)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the governmental fund financial statements.	(3,723)
Net pension obligations are not due and payable in the current period and therefore are not reported in the governmental fund financial statements.	(13,924,338)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore are not reported in the governmental fund financial statements:	
Deferred outflows of resources related to pensions	397,984
Deferred inflows of resources related to pensions	(421,811)
Net Position of Governmental Activities	<u>\$ 19,856,430</u>

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

**CITY OF BROOKHAVEN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Taxes	\$ 4,558,075	\$ 352,942	\$ 4,911,017
License and permits	79,626	-	79,626
Intergovernmental:			
Federal grants	36,142	-	36,142
State of Mississippi:			
Grants	547,310	137,976	685,286
General sales tax	5,863,888	-	5,863,888
Tourism tax	179,943	-	179,943
Grand gulf	170,686	-	170,686
Liquor licenses	14,175	-	14,175
Gasoline tax	43,923	-	43,923
Fire protection	76,619	-	76,619
Homestead reimbursement	193,015	10,159	203,174
County sources	20,444	-	20,444
Charges for services:			
City clerk's office	1,642	-	1,642
Airport	168,743	-	168,743
School security	47,619	-	47,619
Cemetery	68,172	-	68,172
Franchise taxes	482,499	-	482,499
Fines and forfeitures	77,488	-	77,488
Rental income	84,100	-	84,100
Interest income	43,105	5,244	48,349
Other income	227,186	-	227,186
Total revenues	<u>\$ 12,984,400</u>	<u>\$ 506,321</u>	<u>\$ 13,490,721</u>
<u>EXPENDITURES</u>			
Current:			
General government	\$ 1,349,075	5,045	\$ 1,354,120
Police administration	3,390,900	-	3,390,900
Municipal court	251,746	-	251,746
Fire administration	2,652,968	-	2,652,968
Building inspection	125,169	-	125,169
City streets	1,988,157	-	1,988,157
Traffic department	159,915	-	159,915
Airport	172,580	-	172,580
Cemetery	250,259	-	250,259
Support appropriations	1,402,943	-	1,402,943
Debt service:			
Principal paid	-	718,000	718,000
Interest & fees paid	-	60,710	60,710
Bond issuance cost	-	28,002	28,002
Capital outlay	1,746,848	392,274	2,139,122
Total expenditures	<u>13,490,560</u>	<u>1,204,031</u>	<u>14,694,591</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>(506,160)</u>	<u>(697,710)</u>	<u>(1,203,870)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Lease principal payments	(135,095)	-	(135,095)
Proceeds from bonds	-	1,148,000	1,148,000
Proceeds from sale of assets	23,435	-	23,435
Transfers in (out)	(76,718)	198,344	121,626
Net other financing sources (uses)	<u>(188,378)</u>	<u>1,346,344</u>	<u>1,157,966</u>
Net change in fund balances	(694,538)	648,634	(45,904)
Fund Balance, beginning	<u>3,047,502</u>	<u>412,819</u>	<u>3,460,321</u>
Fund Balance, ending	<u>\$ 2,352,964</u>	<u>\$ 1,061,453</u>	<u>\$ 3,414,417</u>

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

CITY OF BROOKHAVEN, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net Changes in Fund Balances - Governmental Funds	\$ (45,904)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$2,139,122 exceeds depreciation expense of \$1,934,559.	204,563
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$1,148,000 exceeds debt payments of \$853,095.	(294,905)
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In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$3 and the proceeds from the sale of \$23,432 in the current period.	(23,432)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net position differs from the change in fund balances by a combination of the following items:

Change in compensated absences	126,318
Change in accrued interest on long-term debt	16,252

Items reported on the Statement of Activities relating to pensions are not reported in the governmental funds. These activities include:

Recognition of pension expense for the current year	(1,120,052)
Recognition of contributions made prior and subsequent to the measurement date	226,261

Change in Net Position of Governmental Activities	\$ (910,899)
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The notes to the financial statements are an integral part of this statement.

CITY OF BROOKHAVEN, MISSISSIPPI
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Water & Sewer Fund	Solid Waste Fund	Totals
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 2,985,860	\$ 1,609,553	\$ 4,595,413
Accounts receivable	561,675	-	561,675
Advances to other funds	120	228,077	228,197
Inventory	78,746	-	78,746
Total current assets	<u>3,626,401</u>	<u>1,837,630</u>	<u>5,464,031</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	7,421,629	-	7,421,629
Other capital assets, net	13,316,318	42,161	13,358,479
Total non-current assets	<u>20,737,947</u>	<u>42,161</u>	<u>20,780,108</u>
Total Assets	<u>24,364,348</u>	<u>1,879,791</u>	<u>26,244,139</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	30,696	2,310	33,006
Total Deferred Outflows of Resources	<u>30,696</u>	<u>2,310</u>	<u>33,006</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	184,177	89,049	273,226
Advances from other funds	227,962	-	227,962
Accrued interest payable	35,089	-	35,089
Capital debt:			
Current portion of notes payable	69,002	-	69,002
Current portion of bonds payable	240,000	-	240,000
Total current liabilities	<u>756,230</u>	<u>89,049</u>	<u>845,279</u>
Non-current liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	389,389	-	389,389
Net pension liability	1,611,242	121,276	1,732,518
Capital debt:			
Notes payable	7,919,731	-	7,919,731
Bonds payable	2,015,000	-	2,015,000
Non-capital debt:			
Compensated absences	8,667	1,256	9,923
Total non-current liabilities	<u>11,944,029</u>	<u>122,532</u>	<u>12,066,561</u>
Total Liabilities	<u>12,700,259</u>	<u>211,581</u>	<u>12,911,840</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to pensions	29,479	2,219	31,698
Total Deferred Inflows of Resources	<u>29,479</u>	<u>2,219</u>	<u>31,698</u>
<u>NET POSITION</u>			
Net investment in capital assets	10,494,214	42,161	10,536,375
Restricted for debt service	305,097	-	305,097
Restricted for capital projects	157,999	-	157,999
Unrestricted	707,996	1,626,140	2,334,136
Total Net Position	<u>\$ 11,665,306</u>	<u>\$ 1,668,301</u>	<u>\$ 13,333,607</u>

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

CITY OF BROOKHAVEN, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Water & Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>
<u>OPERATING REVENUES</u>			
Charges for services:			
Water and sewer charges	3,416,278	\$ -	\$ 3,416,278
Garbage, compost and rubbish fees	-	1,063,216	1,063,216
Tap fees and construction fees	24,141	-	24,141
Total operating revenues	<u>3,440,419</u>	<u>1,063,216</u>	<u>4,503,635</u>
<u>OPERATING EXPENSES</u>			
Personnel services	806,163	419,994	1,226,157
Contractual services	822,742	1,200,399	2,023,141
Consumable supplies	624,222	39,219	663,441
Depreciation expense	603,039	10,562	613,601
Pension expense	157,761	11,876	169,637
Bad debt expense	17,859	17,138	34,997
Total operating expenses	<u>3,031,786</u>	<u>1,699,188</u>	<u>4,730,974</u>
 Operating income (loss)	 <u>408,633</u>	 <u>(635,972)</u>	 <u>(227,339)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	38,898	29,878	68,776
Interest expense	(88,403)	-	(88,403)
Operating transfers	(121,626)	-	(121,626)
Total non-operating revenue (expenses)	<u>(171,131)</u>	<u>29,878</u>	<u>(141,253)</u>
 Change in net position	 237,502	 (606,094)	 (368,592)
Total net position beginning	11,427,317	2,274,395	13,701,712
Prior period adjustment	487	-	487
 Total net position ending	 <u>11,665,306</u>	 <u>\$ 1,668,301</u>	 <u>\$ 13,333,607</u>

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

CITY OF BROOKHAVEN, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Water & Sewer Fund	Solid Waste Fund	Totals
<u>Cash flows from operating activities:</u>			
Cash received from customers and users	\$ 3,278,109	\$ 1,063,216	\$ 4,341,325
Payments to suppliers for goods and services	(1,576,079)	(1,200,700)	(2,776,779)
Payments to employees and professional contractors for services	(695,772)	(417,595)	(1,113,367)
Net cash provided (used) by operating activities	<u>1,006,258</u>	<u>(555,079)</u>	<u>451,179</u>
<u>Cash flows from non-capital financing activities:</u>			
Operating transfers, net	(121,626)	-	(121,626)
Interfund loans	(11,293)	11,058	(235)
Net cash provided by non-capital financing activities	<u>(132,919)</u>	<u>11,058</u>	<u>(121,861)</u>
<u>Cash flows from capital and related financing activities:</u>			
Acquisition and construction of capital assets	(2,610,464)	-	(2,610,464)
Additions to long-term debt	2,914,338	-	2,914,338
Principal payments on long-term debt	(284,911)	-	(284,911)
Interest paid on bonds, loans and capital leases	(103,287)	-	(103,287)
Net cash provided (used) by capital and related financing activities	<u>(84,324)</u>	<u>-</u>	<u>(84,324)</u>
<u>Cash flows from investing activities:</u>			
Interest on deposits	38,898	29,878	68,776
Net cash provided (used) by investing activities	<u>38,898</u>	<u>29,878</u>	<u>68,776</u>
Net increase (decrease) in cash and cash equivalents	827,913	(514,143)	313,770
Cash and cash equivalents, October 1	2,157,947	2,123,696	4,281,643
Cash and cash equivalents, September 30	<u>2,985,860</u>	<u>1,609,553</u>	<u>4,595,413</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>			
Operating income (loss)	408,633	(635,972)	(227,339)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	603,039	10,562	613,601
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(44,020)	-	(44,020)
(Increase) decrease in deferred outflows of resources	1,657	125	1,782
Increase (decrease) in accounts payable and accrued expenses	46,505	67,932	114,437
Increase (decrease) in customer deposits	(118,290)	-	(118,290)
Increase (decrease) in compensated absences	(15,277)	(7,060)	(22,337)
Increase (decrease) in pension liability	145,100	10,921	156,021
Increase (decrease) in deferred inflows of resources	(21,089)	(1,587)	(22,676)
Total adjustments	597,625	80,893	678,518
Net cash provided by operating activities	<u>\$ 1,006,258</u>	<u>\$ (555,079)</u>	<u>\$ 451,179</u>

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

CITY OF BROOKHAVEN, MISSISSIPPI
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2019
and
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

STATEMENT OF FIDUCIARY NET POSITION

	Employee Benefits	Private Purpose Trust	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 588,882	\$ 2,957	\$ 51,375
Intergovernmental receivables	-	-	2,056
Total Assets	<u>588,882</u>	<u>2,957</u>	<u>53,431</u>
LIABILITIES			
Intergovernmental payables	-	-	11,698
Payable to separate school district	-	-	22,810
Total Liabilities	<u>-</u>	<u>-</u>	<u>34,508</u>
NET POSITION			
Held in trust for:			
Individuals, organizations and other governments	<u>\$ 588,882</u>	<u>\$ 2,957</u>	<u>\$ 18,923</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	Employee Benefits	Private Purpose Trust
ADDITIONS		
Contributions:		
Gifts, bequests and endowments	\$ 8,932	\$ -
Investment income:		
Interest and dividends	8,583	42
Total Additions	<u>17,515</u>	<u>42</u>
CHANGES IN NET POSITION	17,515	42
Net Position - Beginning	571,367	2,915
Net Position - Ending	<u>588,882</u>	<u>2,957</u>

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

CITY OF BROOKHAVEN
NOTES TO THE FINANCIAL STATEMENTS

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Brookhaven, Mississippi (the "City") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The City, located in Lincoln County, Mississippi, was incorporated in 1859 and operates under a City Board form of government, with a Mayor and seven Aldermen serving as the governing body. Elected officials include the Mayor, seven Aldermen, Police Chief, and City Clerk. The present term of these elected officials expired on June 30, 2021, and a new board has since been elected. Services provided by the City include: Public Safety – Police and Fire, Highways and Streets, Sanitation, Health and Social Services, Culture and Recreation, Public Improvements, Planning and Zoning, and General Administrative Services. The primary sources of revenues are property taxes, sales taxes, and utility billings. For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the City's governing board. A public school system is available to the residents of the City but is not under the jurisdiction of the City government. As required by GAAP, various criteria are applied in order to determine any component units that should be reported as part of the City. Such criteria include management oversight responsibility by the elected officials such as decision-making authority, accountability to the City, legal and financial responsibility, and inter-agency relationships. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

Included in the reporting entity:

City of Brookhaven Parks and Recreation Commission

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

Brookhaven Tourism Promotion Council

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

Excluded from the reporting entity:

Brookhaven Separate School District

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

Brookhaven-Lincoln County Economic Development Alliance

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

B. Government-Wide and Fund Financial Statements

In March 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 1. Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements

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

The statement of net position presents the financial condition of the governmental activities and business-type activities of the City at year-end. The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred inflows, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary funds. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

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

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting and generally includes the reclassification and elimination of internal activity. However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available within 30 days. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

Major revenue sources for governmental activities susceptible to accrual include: sales and use taxes, tourism taxes, property taxes, franchise taxes, and intergovernmental revenues. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods and services and include administrative expenses and depreciation of capital assets. Other revenues are classified as non-operating in the financial statements.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

GASB Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements.

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 1. Summary of Significant Accounting Policies (continued)

The City reports the following major government funds:

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

The City reports the following major enterprise funds:

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

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

The agency funds account for the assets held by the City in a fiduciary capacity.

Governmental Fund Types

Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources (other than for debt service or major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

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

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

Proprietary Fund Types

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

Fiduciary Fund Type

Agency Funds – These funds account for various taxes, deposits and other monies collected or held by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

Private Purpose Trusts – These funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments.

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Equity

Cash and Investments

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

Inventories

Inventories in the governmental funds consist of expendable supplies held for consumption. These inventories are valued at cost, which approximates market, using the first-in, first-out ("FIFO") basis. The costs of these governmental fund type inventories are recorded as expenditures when purchased. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used.

Receivables

Enterprise Receivables

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

Property Taxes Receivable

Taxes are levied annually on December 1 and are due for payment without penalty and interest by February 1. The majority of property tax payments are received from January through April. Over time, substantially all property taxes are collected.

Sales Tax Receivable

Sales and tourism tax receivable represents taxes that are received within 30 days from the Mississippi Department of Revenue.

Capital Assets, Depreciation, and Amortization

Capital asset acquisitions and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. To the extent to which capital assets, other than infrastructure, costs have been estimated, the methods of estimation are not readily available. The City generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. Donated capital assets are recorded at estimated fair market value at the time of donation. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets acquired or constructed for proprietary fund operations are capitalized at cost in the respective funds in which they are utilized. Interest cost incurred during the construction of proprietary fund capital assets is capitalized as part of the cost of construction. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land.

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 1. Summary of Significant Accounting Policies (continued)

The following schedule details those thresholds and estimated useful lives:

Asset Classification	Capitalization Thresholds	Estimated Useful Life
Land	No minimum	N/A
Infrastructure	No minimum	20-50 years
Building	\$50,000	20-40 years
Improvements other than buildings	25,000	20 years
Mobile equipment and machinery	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital lease	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable and accrued compensated absences.

Long-term debt of governmental funds is not reported in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for long-term debt in the proprietary funds report the liability as it is incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of 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.

Deferred outflows related to pensions – This amount represents the City’s proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates. See Note 7 for additional details.

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

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Deferred inflows related to pensions – This amount represents the City’s proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates. See Note 7 for additional details.

Deferred revenue – interest on capital leases/unavailable revenue – lease payments – When an asset is recorded in the financial statements, but the revenue is not available, the government should report a deferred inflow of resources until the revenue becomes available.

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 1. Summary of Significant Accounting Policies (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi ("PERS") and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, 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.

Net Position

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, reports equity as "Net Position" rather than "Net Assets." Net position is classified in three categories:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.

Restricted net position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted net position.

The net position balance of \$33,190,037 at September 30, 2019, includes \$41,412,010 net investment in capital assets, \$1,094,894 restricted for debt services, \$429,655 restricted for capital projects, and an unrestricted deficit amount of (\$9,746,522).

Compensated Absences

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

E. Use of Estimates

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

F. Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 1. Summary of Significant Accounting Policies (continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before they can be recognized.

G. Uncollectible Receivables

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

H. Property Taxes

Taxes are levied at the City board meeting prior to September 15th. Real property taxes attach as an enforceable lien on property as of January 1st of the current year, and personal property taxes become a lien on March 1st of the current year. Taxes on both real and personal property, however, are due on or before February 1st of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Delinquent taxes are considered fully collectible; therefore, no allowance for uncollectible taxes is provided. The Lincoln County Tax Collector bills and collects taxes for the City, and in turn, remits City and City Separate School District property taxes collected to the City. The City then forwards the City Separate School District taxes to the School District. The millage rate for the City for the 2018 tax roll was 38.40 mills as: 36.40 mills for the General Fund and 2.00 mills for the debt service fund.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

I. Encumbrances

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

J. Inter-fund Loans

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

K. Restricted Assets

Restricted assets are portions of fund balances that are legally segregated for a specific future use or are not available for current operations. The following is a description of fund reserves used by the City:

Restricted for debt service – An account that represents the fund balance for the debt service fund resources which are legally restricted for payment of general long-term debt principal and interest amounts maturing in future years.

Restricted for capital projects – An account that represents the fund balance for the capital project fund resources which have been designated by the board for payment of construction projects.

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 2. Prior Period Adjustments

A summary of significant equity adjustments is as follows:

Statement of Activities	
Business-Type Activities:	
To correct interfund payables	487
Total Business-Type Activities	<u>487</u>
 Total Statement of Activities	 \$ <u>487</u>
 Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	
Water and Sewer Fund:	
To correct interfund payables	\$ 487
Total Water and Sewer Fund	<u>487</u>
 Total Proprietary Funds	 \$ <u>487</u>

City of Brookhaven Component Unit: Parks and Recreation Commission

As a result of adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current fiscal year, a significant prior period equity adjustment was recorded in Parks and Recreation to recognize previously unrecorded net pension liability and deferred inflows and outflows of resources related to pensions which resulted in a decrease in unrestricted net position of \$852,639.

Note 3. Budget Policy

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

- A. Prior to August 1st, the City Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
- B. Public notice is given of the City's budget meetings being open to the public. Public hearings are conducted at City Hall to obtain taxpayer comments.
- C. Prior to September 15th, the budget is legally enacted through adoption by the Mayor and Board of Aldermen.
- D. The budget is formally revised during the year and properly amended by the Mayor and Board of Aldermen.
- E. Budgetary comparisons are employed by management as a management control device during the year for all funds.
- F. Appropriations lapse at the end of each fiscal year.

Mississippi laws require that municipalities budget revenue and expenditures 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 that the "budget-to-actual" statements be prepared according to budgetary laws and the statement of revenues, expenditures and fund balance be prepared according to the modified accrual basis (GAAP). The major reconciling items between the budgetary and GAAP presentations are presented on the "budget to actual" statements.

Note 4. Cash and Cash Equivalents

The City's deposits with financial institutions were \$9,168,475 on September 30, 2019. The carrying amount of the City's deposits was \$7,035,379. All cash and checking accounts are with financial institutions insured by the Federal Deposit Insurance Company ("FDIC"), which insures the account for \$250,000. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. See Note 1.K. describing restricted assets.

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 4. Cash and Cash Equivalents (continued)

Custodial Credit Risk – The remaining \$8,918,474 of the collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC.

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

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

Note 5. Inter-fund Receivable and Payable Balances

The following summarizes funds payable to various funds at September 30, 2019:

Due From	Due To	Amount
Other Governmental Funds	General Fund	\$ 25,000
Fiduciary Funds	General Fund	11,463
Water and Sewer Fund	Solid Waste Fund	227,962
General Fund	Fiduciary Funds	2,056
Fiduciary Funds	Solid Waste Fund	115
Fiduciary Funds	Water and Sewer Fund	120
		<u>\$ 266,716</u>

Note 6. Unemployment Compensation Fund

The City has elected to establish a revolving fund for unemployment compensation which is to be maintained in the amount of two percent of the first \$14,000 of employee wages paid in the preceding calendar year. The Unemployment Compensation Fund had a balance of \$45,375 and was over-funded by \$23,335 at September 30, 2019.

Note 7. Defined Benefit Pension Plan

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan – Public Employees Retirement System

General Information about the Pension Plan

Plan Description

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

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 7. Defined Benefit Pension Plan (continued)

Benefits Provided

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

Contributions

At September 30, 2019, PERS members were required to contribute 9.00 percent of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2019 was 17.40 percent of annual covered payroll. This rate increased as of July 1, 2019 from 15.75 percent. The City's contributions (employer share only) to PERS for the fiscal years ending September 30, 2019, 2018 and 2017 were \$892,710, \$851,074, and \$806,316, respectively, equal to the required contribution for each year.

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

At September 30, 2019, the City reported a liability of \$15,656,856 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share 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 projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2019 net pension liability was 0.089 percent, which was based on a measurement date of June 30, 2019. This was an increase of 0.002 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the City recognized pension expense of \$1,289,689. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,053	\$ 15,742
Net difference between projected and actual earnings on investments	-	163,560
Changes in assumptions or other inputs	153,343	-
Changes in proportion percentage	7,823	274,207
Contributions subsequent to the measurement date	260,771	-
Total	<u>\$ 430,990</u>	<u>\$ 453,509</u>

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 7. Defined Benefit Pension Plan (continued)

At September 30, 2019, the City reported \$430,990 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability during the 2019 fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2019 related to pensions will be recognized as pension expense as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Amount</u>
2020	\$ (29,759)
2021	(298,671)
2022	(26,342)
2023	71,482
Total	<u>\$ (283,290)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112 percent of male rates from ages 18 to 75 scaled down to 105 percent for ages 80 to 119. For females, 85 percent of the female rates from ages 18 to 65 scaled up to 102 percent for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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 returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27%	4.90%
International Equity	22%	4.75%
Global Equity	12%	5.00%
Fixed Income	20%	1.50%
Real Estate	10%	4.00%
Private Equity	8%	6.25%
Cash	1%	0.25%
	<u>100%</u>	

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 7. Defined Benefit Pension Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability at September 30, 2019 was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00 percent) and that employer contributions will be made at the former employer contribution rate (15.75 percent) through June 30, 2019 and at the current employer contribution rate (17.40 percent) thereafter. 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 the 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 presents the City's proportionate share of the net pension liability as of September 30, 2019, calculated using the discount rate of 7.75 percent as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

2019	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 20,581,480	15,656,856	11,592,021

Pension Plan Fiduciary Net Position

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

City of Brookhaven Component Unit: Parks and Recreation Commission

Plan Description

Parks and Recreation contributes to PERS.

Contributions

The Commission's contributions (employer share only) to PERS for the years ending September 30, 2019, 2018 and 2017 were \$56,283, \$49,153, and \$48,286, respectively, equal to the required contribution for each year.

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

At September 30, 2019, the Commission reported a liability of \$874,497 for its proportionate share of the net pension liability. At June 30, 2019, the Commission's proportion was 0.00497 percent.

For the year ended September 30, 2019, the Commission recognized pension expense of \$54,111. At September 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 507	\$ 2,421
Net difference between projected and actual earnings on investments	-	7,731
Changes in assumptions or other inputs	8,567	-
Changes in proportion percentage	-	31,175
Contributions subsequent to the measurement date	17,676	-
Total	<u>\$ 26,750</u>	<u>\$ 41,327</u>

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 7. Defined Benefit Pension Plan (continued)

Contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2020.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability as of September 30, 2019, calculated using the discount rate of 7.75 percent as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

2019	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Commission's proportionate share of the net pension liability	\$ 1,149,557	874,497	647,460

Note 8. Fund Balance

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classification used by the City:

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

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

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

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

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 9. Capital Assets

Capital asset activity for governmental activities for the year ended September 30, 2019 was as follows:

Governmental Activities	Balance September 30, 2018	Increases	Decreases	Adjustments	Balance September 30, 2019
Capital assets not being depreciated					
Land & land improvements	\$ 6,349,992	\$ 91,464	\$ -	\$ -	\$ 6,441,456
Construction in progress	57,202	605,503	(197,425)	-	465,280
Total capital assets not being depreciated	6,407,194	696,967	(197,425)	-	6,906,736
Capital assets being depreciated					
Buildings	9,289,706	5,499	-	339,185	9,634,390
Improvements	32,244,932	1,352,282	-	-	33,597,214
Machinery & equipment	8,261,169	281,799	(27,036)	(339,185)	8,176,747
Total capital assets being depreciated at historical cost	49,795,807	1,639,580	(27,036)	-	51,408,351
Less accumulated depreciation for					
Buildings	(2,183,807)	(248,582)	-	(148,966)	(2,581,355)
Improvements	(16,356,032)	(1,199,395)	-	-	(17,555,427)
Machinery & equipment	(4,648,274)	(486,582)	3,605	148,966	(4,982,285)
Total accumulated depreciation	(23,188,113)	(1,934,559)	3,605	-	(25,119,067)
Capital assets being depreciated	26,607,694	(294,979)	(23,431)	-	26,289,284
Total capital assets, net	\$ 33,014,888	\$ 401,988	\$ (220,856)	\$ -	\$ 33,196,020

Depreciation expense for governmental activities was charged to City functions as follows:

Governmental Activities	Amount
General government	\$ 1,449,167
Street department	77,114
Fire department	106,860
Police department	175,721
Airport	123,503
Cemetery	2,194
Total governmental activities depreciation expense	\$ 1,934,559

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 9. Capital Assets (continued)

Capital asset activity for business-type activities for the year ended September 30, 2019 was as follows:

Business-Type Activities	Balance September 30, 2018	Increases	Decreases	Balance September 30, 2019
Capital assets not being depreciated				
Land & land improvements	\$ 84,499	\$ -	\$ -	\$ 84,499
Construction in progress	4,774,470	2,562,660	-	7,337,130
Total capital assets not being depreciated	4,858,969	2,562,660	-	7,421,629
Capital assets being depreciated				
Plant & systems	26,473,264	-	-	26,473,264
Machinery & equipment	2,268,925	47,804	-	2,316,729
Total capital assets being depreciated at historical cost	28,742,189	47,804	-	28,789,993
Less accumulated depreciation for				
Plant & systems	(12,781,172)	(545,357)	-	(13,326,529)
Machinery & equipment	(2,036,741)	(68,244)	-	(2,104,985)
Total accumulated depreciation	(14,817,913)	(613,601)	-	(15,431,514)
Capital assets being depreciated	13,924,276	(565,797)	-	13,358,479
Total capital assets, net	\$ 18,783,245	\$ 1,996,863	\$ -	\$ 20,780,108

Depreciation expense for business-type activities was charged to City functions as follows:

Business-Type Activities	Amount
Water and sewer	\$ 603,039
Solid waste	10,562
Total business-type activities depreciation expense	\$ 613,601

At September 30, 2019, the City had outstanding construction commitments relating to construction in progress of approximately \$700,000.

Note 10. Capital Leases

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2019:

Classes of Property	Amount
Machinery and Equipment	\$ 858,469
Less: Accumulated Depreciation	(419,478)
Leased Property Under Capital Leases	\$ 438,991

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 10. Capital Leases (continued)

The following is a schedule by years of the total payments due as of September 30, 2019:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2020	\$ 139,543	\$ 13,017
2021	127,108	7,052
2022	39,056	3,315
2023	40,680	1,691
Totals	\$ 346,387	\$ 25,075

Note 11. Long-Term Debt

The City's long-term debt consists of general obligation bonds, revenue bonds, capital leases and compensated absences. General obligation bonds are direct obligations and are backed by the full faith and credit of the City. The City also incurs debt in the form of various notes payable which are to be repaid through daily operations. Accrued compensated absences expire at year end and are classified as current liabilities.

The City is subject to a general statutory debt limitation 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 the 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 evidences 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, exceed 20 percent of the assessed value of the taxable property within such City.

In arriving at the limitations set forth, bonds issued for school purposes, bonds payable exclusively from the revenues of any municipally-owned utility, general obligation industrial bonds issued under provisions of Sections 57-1-1 to 57-1-51, Mississippi Code of 1972, Annotated, Revised 1989 and special assessment improvements 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, 2019, is approximately:

15% Limit	20% Limit
15,826,550	21,908,067

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 11. Long-Term Debt (continued)

Debt outstanding as of September 30, 2019, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
G.O. Note, Series 2019	\$ 600,000	2.97%	May 2024
G.O. Refunding Bonds, Series 2019	548,000	2.50 – 3.00%	June 2025
G.O. Refunding Bonds, Series 2017	1,135,000	2.18%	December 2026
Total General Obligation Bonds	<u>\$ 2,283,000</u>		
B. Capital Leases:			
Fire Truck	\$ 63,478	2.92%	October 2020
Police Cars	66,887	5.45%	March 2021
Backhoe	62,790	2.25%	December 2022
Radio Equipment	153,232	4.08%	December 2022
Total Capital Leases	<u>\$ 346,387</u>		
Business-Type Activities:			
A. General Obligation Bonds:			
G.O. Bonds, Series 2010	\$ 135,000	2.00 – 3.75%	November 2019
Total General Obligation Bonds	<u>\$ 135,000</u>		
B. Revenue Bonds:			
Revenue Bonds, Series 2015	\$ 2,120,000	3.13 – 4.13%	June 2035
Total General Obligation Bonds	<u>\$ 2,120,000</u>		
C. Loans Payable:			
State Revolving Loan, amount drawn to date	\$ 2,547,623	1.95%	August 2039
State Revolving Loan, amount drawn to date	5,053,339	1.75%	October 2039
MDA Capital Improvements Revolving Loan	30,442	3.00%	January 2022
MDA Capital Improvements Revolving Loan	357,329	3.00%	April 2026
Total General Obligation Bonds	<u>\$ 7,988,733</u>		

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 11. Long-Term Debt (continued)

The annual debt service requirements of long-term debt as of September 30, 2019 are as follows:

Governmental Activities:

Year Ending September 30,	General Obligation Bonds	
	Principal	Interest
2020	\$ 328,000	\$ 53,383
2021	337,000	47,265
2022	348,000	38,905
2023	353,000	29,982
2024	368,000	20,906
2025-2029	549,000	17,556
Totals	\$ 2,283,000	\$ 207,997

Business-Type Activities:

Year Ending September 30,	General Obligation Bonds	
	Principal	Interest
2020	\$ 135,000	\$ 2,531
Totals	\$ 135,000	\$ 2,531

Year Ending September 30,	Revenue Bonds	
	Principal	Interest
2020	\$ 105,000	\$ 79,094
2021	105,000	74,763
2022	110,000	70,563
2023	115,000	66,163
2024	120,000	61,563
2025-2029	650,000	239,888
2030-2034	750,000	118,900
Thereafter	165,000	6,600
Totals	\$ 2,120,000	\$ 717,534

Year Ending September 30,	Other Loans	
	Principal	Interest
2020	\$ 69,002	\$ 10,842
2021	64,696	9,006
2022	52,979	6,184
2023	55,112	5,279
Thereafter	145,982	5,754
Totals	\$ 387,771	\$ 37,065

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 11. Long-Term Debt (continued)

The following is a summary of changes in long-term debt for the year ended September 30, 2019:

	Balance				Balance
Governmental Activities	Oct. 1, 2018	Additions	Deletions		Sept. 30, 2019
Compensated absences	\$ 299,050	\$ -	\$ 126,318	\$	172,732
General obligation bonds	1,853,000	1,148,000	718,000		2,283,000
Capital leases	481,481	-	135,094		346,387
Total long-term debt	<u>\$ 2,633,531</u>	<u>\$ 1,148,000</u>	<u>\$ 979,412</u>	<u>\$</u>	<u>2,802,119</u>
Business-Type Activities					
Compensated absences	\$ 32,260	\$ -	\$ 22,337	\$	9,923
General obligation bonds	265,000	-	130,000		135,000
Revenue bonds	2,220,000	-	100,000		2,120,000
Loans payable	5,129,306	2,914,338	54,911		7,988,733
Total long-term debt	<u>\$ 7,646,566</u>	<u>\$ 2,914,338</u>	<u>\$ 307,248</u>	<u>\$</u>	<u>10,253,656</u>

Note 12. Risk Management

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

Note 13. Credit Risk

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

Note 14. Commitments and Contingencies

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

Federal Grants

The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provision for any liability that may result has been recognized in the City's financial statements.

State Revolving Loans

The City entered into a loan agreement with the Mississippi Department of Environmental Quality to rehabilitate its sewer system and to construct a new wastewater treatment facility. Additionally, the City entered into a separate loan agreement with the Mississippi Department of Health for various drinking water projects. These loans will be repaid by a reduction in sales tax revenue received from the Mississippi Department of Revenue each month beginning in January 2020 and December 2019, respectively.

Litigation

The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the City with respect to the various proceedings. However, the City's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 15. Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position deficit amount of (\$11,771,656) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$226,261 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. The \$397,984 balance of the deferred outflow of resources related to pensions and the \$421,811 balance of the deferred inflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years.

The business-type activities' unrestricted net position amount of \$2,025,134 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 \$34,510 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. The \$33,006 balance of the deferred outflow of resources related to pensions and the \$31,698 balance of the deferred inflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years.

Note 16. Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition and disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management has evaluated the activity of the City through May 12, 2022, the date on which the financial statements were available to be issued, and determined the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

Subsequent to September 30, 2019, the City has acquired the following debt:

Type of Financing	Issue Amount	Interest Rate	Issue Date
G.O. Public Improvement Bonds	1,700,000	1.125%	December 2020

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the City functions.

While it is unknown how long these conditions will last and what the complete financial effect will be to the City, to date, management of the City is continuing to evaluate the impact of the pandemic on the City's operations. Impacts felt by the pandemic have depressed the tax bases and other areas in which the City received revenue during fiscal year 2020, 2021 and to date through fiscal year 2022. As such, the City's financial position, operations and cash flows may have been negatively impacted for the fiscal years 2020, 2021, and 2022 and may hinder the City's ability to meet the needs of its constituents. Management has and will take the necessary actions to marginalize the disruption caused by the outbreak. The specific impact on the City's financial position, operations, and cash flows is not readily determinable as of the date of these financial statements; therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CITY OF BROOKHAVEN
REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROOKHAVEN, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (NON-GAAP BASIS) - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
Revenues				
Taxes	\$ 4,611,000	\$ 4,611,000	\$ 4,558,075	\$ (52,925)
Licenses and permits	95,000	95,000	84,736	(10,264)
Grants and intergovernmental	7,047,903	7,047,903	7,043,459	(4,444)
Charges for services	260,000	260,000	286,176	26,176
Franchise taxes	475,000	475,000	467,389	(7,611)
Fines and forfeitures	150,000	150,000	77,488	(72,512)
Rental income	46,000	46,000	84,100	38,100
Interest income	26,000	26,000	43,105	17,105
Other income	73,900	73,900	78,285	4,385
Total Revenues	12,784,803	12,784,803	12,722,813	(61,990)
Expenditures				
General government	2,799,381	2,799,381	3,334,830	535,449
Police administration	3,509,112	3,509,112	3,501,043	(8,069)
Municipal court	219,975	219,975	251,746	31,771
Fire administration	3,502,200	3,502,200	2,979,973	(522,227)
Building inspection	118,580	118,580	125,169	6,589
City streets	3,033,800	3,033,800	2,670,060	(363,740)
Traffic department	123,700	123,700	159,915	36,215
Airport	283,800	283,800	234,956	(48,844)
Cemetery	506,300	506,300	250,186	(256,114)
Total Expenditures	14,096,848	14,096,848	13,507,878	(588,970)
Excess of Revenues Over (Under) Expenditures	(1,312,045)	(1,312,045)	(785,065)	526,980
Other Financing Sources (Uses)				
Transfers out	-	-	(705)	(705)
Total Other Financing Sources	-	-	(705)	(705)
Net Change in Fund Balances	(1,312,045)	(1,312,045)	(785,770)	526,275
Fund Balance, Beginning	2,855,560	2,855,560	3,728,250	872,690
Fund Balance, Ending	\$ 1,543,515	\$ 1,543,515	\$ 2,942,480	\$ 1,398,965

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CITY OF BROOKHAVEN, MISSISSIPPI
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.089%	0.087%	0.083%	0.079%	0.080%
Proportionate share of the net pension liability (asset)	\$ 15,656,856	\$ 14,470,685	\$ 13,797,417	\$ 14,111,373	\$ 12,366,422
Covered payroll	\$ 5,811,619	\$ 5,556,756	\$ 5,307,162	\$ 5,046,127	\$ 4,973,289
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	269.41%	260.42%	259.98%	279.65%	248.66%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

**CITY OF BROOKHAVEN, MISSISSIPPI
SCHEDULE OF CITY CONTRIBUTIONS - PERS
LAST 10 FISCAL YEARS*
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 961,647	\$ 892,710	\$ 851,074	\$ 806,316	\$ 783,733
Contributions in relation to the contractually required contribution	961,647	892,710	851,074	806,316	783,733
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,105,695	\$ 5,668,000	\$ 5,403,644	\$ 5,119,467	\$ 4,976,083
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CITY OF BROOKHAVEN

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

BUDGETARY COMPARISON SCHEDULE

A. Budgetary Information

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to ensuing fiscal year beginning each October 1, the City Clerk prepares an original budget for each of the governmental funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, they may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation

The Budgetary Comparison Schedule – Budget to Actual (Non-GAAP Basis) presents the originally legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund, which was the only major fund in the City's governmental activities for fiscal year 2019. The Budgetary Comparison Schedule – Budget to Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund.

	<u>General Fund</u>
Budget (Cash Basis)	\$ (785,770)
Increase (Decrease)	
Net adjustments for revenue accruals	261,587
Net adjustments for expense accruals	<u>(170,355)</u>
Net Change in Fund Balance – GAAP Basis	<u>\$ (694,538)</u>

D. Excess of Actual Expenditures over Budget in Individual Funds

No funds with actual expenditures over budgeted amounts were identified.

E. Unbudgeted Funds

There were no unbudgeted funds for the fiscal year ended September 30, 2019.

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

PENSION SCHEDULES

A. Changes of Assumptions

2015: The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.

Assumed rates of salary increase were adjusted to reflect actual and anticipated experience more closely.

The price inflation and investment rate of return assumptions were changed from 3.50 percent to 3.00 percent and 8.0 percent to 7.75 percent, respectively.

2016: The assumed rate of interest credited to employee contributions was changed from 3.50 percent to 2.00 percent.

2017: The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions were reduced from 3.75 percent to 3.25 percent.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual and anticipated experience more closely.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6 percent to 7 percent.

2019: The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: a) for males, 112 percent of males rates from ages 18 to 75 scaled down to 105 percent for ages 80 to 119; b) for females, 85 percent of the female rates from ages 18 to 65 scaled up to 102 percent for ages 75 to 119; and c) projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was change to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: a) for males, 137 percent of male rates at all ages; b) for females, 115 percent of female rates at all ages; and c) projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00 percent to 2.75 percent.

The wage inflation assumption was reduced from 3.25 percent to 3.00 percent.

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 7 percent to 9 percent.

B. Changes in Benefit Provisions

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

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

C. 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, 2017 valuation for the June 30, 2019 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 percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	Five-year smoothed market
Inflation	3.00%
Salary increases	3.25 – 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

CITY OF BROOKHAVEN
OTHER INFORMATION

**CITY OF BROOKHAVEN, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Name	Position	Bond Amount	Surety Company
Joe Cox	Mayor	100,000	FCCI
Karen L. Sullivan	Alderman	100,000	FCCI
Fletcher Grice	Alderman	100,000	FCCI
Dorsey Cameron	Alderman	100,000	FCCI
Shelley Harrigill	Alderman	100,000	FCCI
Jason Snider	Alderman	100,000	FCCI
Mary H. Wilson	Alderman	100,000	FCCI
Shannon Moore	Alderman	100,000	FCCI
Kenneth Collins	Chief of Police	100,000	FCCI
Samantha Melancon	Deputy City Clerk	100,000	FCCI
Cynthia Smith	AP Clerk/Mayor's Secretary	50,000	CNA
James H. Laird	Privilege License/Office Clerk	50,000	CNA
Brenda Smith	Payroll Clerk/HR Director	50,000	CNA
Mavis H. Stewart	Bookkeeper	50,000	CNA
Brad Boerner	Municipal Judge	50,000	CNA
Joseph P. Durr	City Prosecutor Attorney	50,000	CNA
Jason Barrett	City Public Defender	50,000	CNA
Kathy Allen	City Court Clerk	50,000	CNA
Beayunca A. Fields	Deputy City Court Clerk	50,000	CNA
David C. Fearn	Building Inspector	50,000	CNA
Charity T. Hamilton	Purchasing Clerk	50,000	CNA
Brian Keith Lewis	Director of Public Works	50,000	CNA
Charlette V. Brown	Water Clerk	50,000	CNA
Salinda Hardy	Water Clerk	50,000	CNA
Kayla M. Watts	Manager - Water Department	50,000	CNA
Willie B. Wilson, Jr.	Superintendent ST/SW	50,000	CNA
Tony M. Weeks	Fire Chief	50,000	CNA

Additionally, all Police Officers and Dispatchers are bonded for \$25,000 under a CNA blanket bond.

**CITY OF BROOKHAVEN, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Description	Issue Date	Balance 9/30/2018	Issued	Paid	Balance 9/30/2019	Amount Due	
						2020	Remaining Years
General Obligation Bonds							
General Obligation Industrial Park Taxable Bonds, Series 2005	6/1/2005	590,000	-	590,000	-	-	-
General Obligation Refunding Bonds, Series 2010	3/30/2010	265,000	-	130,000	135,000	135,000	-
General Obligation Refunding Bonds, Series 2017	9/6/2017	1,263,000	-	128,000	1,135,000	131,000	1,004,000
General Obligation Refunding Bonds, Series 2019	7/18/2019	-	548,000	-	548,000	87,000	461,000
Total General Obligation Bonds		2,118,000	548,000	848,000	1,818,000	353,000	1,465,000
General Obligation Notes							
General Obligation Note, Series 2019	5/1/2019	-	600,000	-	600,000	110,000	490,000
Revenue Bonds							
Combined Water & Sewer System Revenue Bonds, Series 2015	7/1/2015	2,220,000	-	100,000	2,120,000	105,000	2,015,000
Other Loans							
Mississippi Development Authority	2/1/2002	41,539	-	11,097	30,442	13,683	16,759
Mississippi Development Authority	5/1/2016	401,143	-	43,814	357,329	55,319	302,010
Water Pollution Control Revolving Loan	4/17/2018	3,575,240	1,478,099	-	5,053,339	-	5,053,339
Drinking Water Systems Improvement Revolving Loan	8/6/2018	1,111,384	1,436,239	-	2,547,623	-	2,547,623
Total Other Loans		5,129,306	2,914,338	54,911	7,988,733	69,002	7,919,731
Capital Leases							
Fire Truck	10/17/2012	125,118	-	61,640	63,478	63,478	-
Backhoe	11/7/2017	70,807	-	8,017	62,790	7,509	55,281
Radio Equipment	12/15/2017	187,796	-	34,564	153,232	36,000	117,232
Police Cars	3/29/2018	97,760	-	30,873	66,887	32,556	34,331
Total Capital Leases		481,481	-	135,094	346,387	139,543	206,844
Other							
Compensated Absences		331,310	-	148,654	182,656	-	-
Total Long-Term Debt		<u>10,280,097</u>	<u>4,062,338</u>	<u>1,286,659</u>	<u>13,055,776</u>	<u>776,545</u>	<u>12,096,575</u>

**CITY OF BROOKHAVEN, MISSISSIPPI
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Issue Date	Description	Total Outstanding G/O Debt	Bonds Subject To 15% Limitation	Bonds Subject To 20% Limitation
Outstanding General Obligation Debt				
3/30/2010	General Obligation, Series 2010	\$ 135,000	135,000	135,000
9/6/2017	General Obligation, Series 2017	1,135,000	1,135,000	1,135,000
5/1/2019	General Obligation, Series 2019	600,000	600,000	600,000
7/18/2019	General Obligation, Series 2019	548,000	548,000	548,000
	Total General Obligation Bonds	2,418,000	2,418,000	2,418,000
Authorized Debt Limit				
	Assessed Value for the fiscal year ended September 30, 2019	\$ 121,630,335	18,244,550	24,326,067
	Present Debt (Subject to 15% and 20% Limitation, respectively)		2,418,000	2,418,000
	Margin for Further Indebtedness (Under 15% and 20% Limitation, respectively)		\$ 15,826,550	21,908,067

Limitation of Indebtedness – Section 21-33-303 As Amended

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%) of the assessed value of taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewerage systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

**CITY OF BROOKHAVEN, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through program Mississippi Department of Environmental Quality: Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280763-01-1	\$ 1,231,750
Passed through program Mississippi Department of Health: Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWI-L430002-01-2	92,057
Total U.S. Environmental Protection Agency			<u>1,323,807</u>
<u>U. S. Department of Transportation</u>			
Passed through program Mississippi Department of Transportation: Airport Improvement Program	20.106	3-28-0009-015-2019	29,932
Total U.S. Department of Transportation			<u>29,932</u>
<u>U. S. Department of Housing and Urban Development</u>			
Passed through program Mississippi Development Authority: Community Development Block Grants/State's Program & Nonentitlement Grants in Hawaii	14.228	1133-17-130-PF-01	16,235
Total U.S. Department of Housing and Urban Development			<u>16,235</u>
Total Expenditures of Federal Awards			<u>\$ 1,369,974</u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

**CITY OF BROOKHAVEN, MISSISSIPPI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Negative amounts shown on the Schedule (when applicable) represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost

The City has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF BROOKHAVEN
SPECIAL REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brookhaven, Mississippi (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 12, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 questioned costs, we did identify 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 questioned costs as items 2019-01 and 2019-02 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-03 and 2019-04 to be significant deficiencies.

Compliance and Other Matters

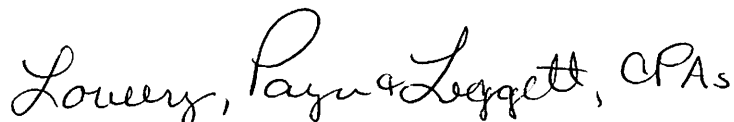
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City of Brookhaven, Mississippi's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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. However, this report is a matter of public record and its distribution is not limited.



Lowery, Payn and Leggett, CPAs
Brookhaven, Mississippi
May 12, 2022

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Brookhaven, Mississippi's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Lowery, Payn and Leggett, CPAs
Brookhaven, Mississippi
May 12, 2022

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

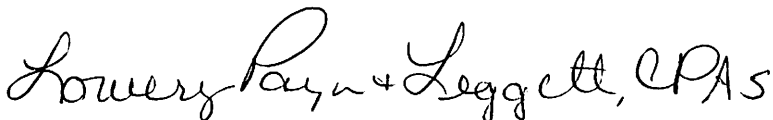
To the Mayor and Board of Aldermen
City of Brookhaven, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brookhaven, Mississippi, as of and for the fiscal year ended September 30, 2019, which collectively comprise the City of Brookhaven, Mississippi's basic financial statements and have issued our report thereon dated May 12, 2022. 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.

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 the City's compliance with these requirements 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 general-purpose financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended for the information and use of management, City Council, the State Auditor's Office and federal awarding agencies and pass-through entities 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.



Lowery, Payn and Leggett, CPAs
Brookhaven, Mississippi
May 12, 2022

CITY OF BROOKHAVEN
SCHEDULE OF FINDINGS AND RESPONSES

**CITY OF BROOKHAVEN, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Section 1: Summary of Auditor's Results

Financial Statements

- | | |
|---|------------|
| 1. Type of auditor's report issued on the financial statements: | Unmodified |
| Governmental activities | Unmodified |
| Business-type activities | Unmodified |
| Aggregate discretely presented component units | Unmodified |
| General Fund | Unmodified |
| Aggregate remaining fund information | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiency identified? | Yes |
| 3. Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Material Weaknesses

2019-01: Financial Statements and Related Disclosures

Condition: Since the City's books are maintained in accordance with state budgetary law, management requested auditors to assist in converting the City's accounting records from the budgetary basis to the accrual basis so that the financial statements could be prepared in conformity with U.S. generally accepted accounting principles. Management also requested the auditors to prepare a draft of the City's financial statements, including the related notes to the financial statements. The outsourcing of this service is not unusual in municipalities of this size and is a result of the City's cost-benefit decision to use outsourced accounting expertise rather than to incur internal resource costs.

Repeat Finding: Yes, 2018

Criteria: The City is responsible for establishing and maintaining effective internal controls over financial reporting. Under generally accepted auditing standards, outside auditors cannot be considered a part of the City's internal control structure, and the design of the City's internal control structure does not include procedures for preparation of external financial statements in accordance with generally accepted accounting principles.

Cause: The City has opted not to incur the additional costs that it would take to train and keep personnel abreast of the requirements necessary to prepare the financial statements and the related footnote disclosures.

Effect: The preparation of its financial statements, related footnote disclosures and required supplemental information are outsourced. However, management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

The absence of this control procedure is considered a material weakness because there is more than a remote likelihood that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Recommendation: Due to the cost of hiring and keeping personnel abreast of the requirements necessary to prepare the financial statements and the related footnote disclosures, no change is recommended.

2019-02: Prior Period Adjustments and Audit Entries

Condition: The City's books and accounting records do not reflect adjusting entries from audits performed in prior periods, resulting in misstatements in opening fund balances.

**CITY OF BROOKHAVEN, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Repeat Finding: Yes, 2018

Criteria: The City is responsible for establishing and maintaining effective internal controls over financial reporting. Management is responsible for the accuracy of their financial statements. This includes ensuring audit adjustments that are agreed upon by auditors and management of the entity are accurately recorded in the entity's accounting system and records.

Cause: The City failed to obtain and record audit adjusting entries from the predecessor auditor and ensure they were recorded in their accounting system and records in a timely manner.

Effect: Significant and material prior period adjustments were required to be made for the 2019 financials to be fairly stated.

The absence of this control procedure is considered a material weakness because there is more than a remote likelihood that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Recommendation: We recommend management implement procedures to ensure that all audit adjustments are entered into their accounting system and records.

Significant Deficiencies

2019-03: Separation of Duties – City Court

Condition: The City's City Court department has two City Court Clerks that are both responsible for collecting, depositing and recording cash. Additionally, monthly collections in the City Court department are not being reconciled to the system or the related cash account being used.

Repeat Finding: Yes, 2018

Criteria: The City is responsible for establishing and maintaining effective internal controls over safeguarding of assets.

Cause: The City has not adequately separated the duties being performed by personnel in this department.

Effect: Inadequate separation of duties or responsibilities increases the possibility that errors or fraud may occur without timely detection and diminishes the City's ability to properly safeguard assets. The absence of such controls and procedures is considered a significant deficiency because, while there was no material misstatement identified as a result of this deficiency, the fraud risk that it presents merits attention by management and those charged with governance.

Recommendation: We recommend management should properly separate duties among personnel who collect cash, prepare deposits, deposit cash receipts, and post cash receipts to the receivables subledger within the City Court department. Additionally, we recommend management ensure that cash accounts used by the City Court department are reconciled on a monthly basis.

2019-04: Cash Accounts

Condition: The City's City Court department and Building Inspector department each maintain and utilize cash accounts for daily receipts and transactions which are not reflected on the City's general ledger.

Repeat Finding: Yes, 2018

Criteria: The City is responsible for establishing and maintaining effective internal controls over safeguarding of assets.

Cause: The City has not set up general ledger accounts for these cash accounts nor have they appropriately trained related personnel on how to record transactions processed on a daily basis within the City's recordkeeping system.

Effect: Failure to record and process daily transactions within certain departments increases the possibility that errors or fraud may occur without timely detection and diminishes the City's ability to properly safeguard assets. The absence of such controls and procedures is considered a significant deficiency because, while there was no material misstatement identified as a result of this deficiency, the fraud risk that it presents merits attention by management and those charged with governance.

**CITY OF BROOKHAVEN, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Recommendation: We recommend management establish general ledger accounts for each cash account maintained and used by its departments in order to appropriately track activity and maintain proper safeguarding of assets.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings or questioned costs related to the federal awards.