

## OFFICE OF THE STATE AUDITOR REPORT NOTE:

*Section 7-7-211, Mississippi Code Annotated (1972)* gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

**CITY OF BROOKHAVEN, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

# **CITY OF BROOKHAVEN, MISSISSIPPI**

## **Audited Financial Statements**

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**September 30, 2020**

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**CITY OF BROOKHAVEN**  
**FINANCIAL SECTION**



## LOWERY, PAYN, LEGGETT & BELLIPANNI

CERTIFIED PUBLIC ACCOUNTANTS

207 South Railroad Ave.  
Brookhaven, Mississippi 39601  
PHONE (601) 833-1456  
FAX (601) 833-9896

*Members of:  
Mississippi Society of CPAs  
American Institute of CPAs*

### INDEPENDENT AUDITOR'S REPORT

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

#### **Opinions**

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, 2020, 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.

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, 2020, 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.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Brookhaven, Mississippi, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brookhaven, Mississippi's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Brookhaven, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brookhaven, Mississippi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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 is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Surety Bonds for City Officials, the Schedule of Long-Term Debt, and the Computation of Legal Debt Margin, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Lowery, Payn, Leggett & Bellipanni, CPAs  
Brookhaven, Mississippi  
June 9, 2023

**CITY OF BROOKHAVEN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**



**CITY OF BROOKHAVEN, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Our discussion and analysis of the City of Brookhaven, Mississippi's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2020. 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 2020 by \$32,644,074 (net position); this amount represents a decrease of \$545,963 from fiscal year 2019. Of this amount, the unrestricted net position showed a deficit balance of (\$9,748,283).
- Total assets increased \$56,285 from 2019.
- Total liabilities increased \$556,813 from 2019.
- The City had \$18,862,260 in total revenues. Property tax revenues account for \$5,196,333 or 27% of total revenues. Sales and tourism taxes account for \$6,137,435 or 33% of total revenues. Charges for services account for \$4,750,031 or 25% of total revenues. The remainder of revenue is from federal and state grants, franchise taxes, and other sources and accounts for \$2,778,461 or 15% of total revenues.
- The City had \$19,408,223 in total expenditures, which represents an increase of \$65,597 or 0.34% over the prior fiscal year. Expenditures of \$5,678,147 were offset by grants and charges for services. General revenues of \$13,184,113 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, 2020**

**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, 2020**

**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, 2020, the assets and deferred outflows of the City exceeded its liabilities and deferred outflows by \$32,644,074.

One of the largest portions of the City's net position, \$41,297,410 (127%), 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, 2020 and 2019:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>						
Current and other assets	\$ 8,607,718	7,977,472	5,160,604	5,074,642	13,768,322	13,052,114
Capital assets, net	32,918,305	33,196,020	20,361,806	20,780,108	53,280,111	53,976,128
Restricted assets	-	-	425,483	389,389	425,483	389,389
Total Assets	41,526,023	41,173,492	25,947,893	26,244,139	67,473,916	67,417,631
<b>Deferred Outflows</b>	1,062,265	397,984	151,060	33,006	1,213,325	430,990
<b>Liabilities</b>						
Current and other liabilities	959,001	1,023,488	1,564,026	1,244,591	2,523,027	2,268,079
Net pension liability	15,028,765	13,924,338	2,007,012	1,732,518	17,035,777	15,656,856
Long-term debt	1,697,370	2,161,844	9,322,149	9,934,731	11,019,519	12,096,575
Total Liabilities	17,685,136	17,109,670	12,893,187	12,911,840	30,578,323	30,021,510
<b>Deferred Inflows</b>	5,388,152	4,605,376	76,692	31,698	5,464,844	4,637,074
<b>Net Position</b>						
Net investments in capital assets	30,757,518	30,566,633	10,539,892	10,845,377	41,297,410	41,412,010
Restricted	892,351	1,061,453	202,596	463,096	1,094,947	1,524,549
Unrestricted	(12,134,869)	(11,771,656)	2,386,586	2,025,134	(9,748,283)	(9,746,522)
Total Net Position	\$ 19,515,000	19,856,430	13,129,074	13,333,607	32,644,074	33,190,037

The City's total assets increased \$56,285 during 2020 with governmental activities showing an increase of \$352,531 and business-type activities showing a decrease of \$296,246.

The City's total liabilities increased \$556,813 during 2020 with governmental activities showing an increase of \$575,466 and business-type activities showing a decrease of \$18,653.

The City's net position decreased \$545,963 for the year ended September 30, 2020.

**CITY OF BROOKHAVEN, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Additional Information on Unrestricted Net Position**

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

<b>Pension Effect on Net Position, excluding Discretely Presented Component Units</b>	
Total unrestricted net position (deficit)	\$ (9,748,283)
Less: unrestricted deficit in net position resulting from recognition of GASB 68 & 71	<u>16,691,280</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 6,942,997</u>

The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2020 and 2019:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Program Revenues</b>						
Charges for services	\$ 265,342	286,176	4,484,689	4,503,635	4,750,031	4,789,811
Grants and contributions	428,116	721,428	500,000	-	928,116	721,428
<b>General Revenues</b>						
Property taxes	5,195,651	4,911,017	682	-	5,196,333	4,911,017
Sales and tourism taxes	6,137,435	6,043,831	-	-	6,137,435	6,043,831
Other taxes and other income	1,830,236	1,649,898	20,109	(52,850)	1,850,345	1,597,048
Total Revenues	13,856,780	13,612,350	5,005,480	4,450,785	18,862,260	18,063,135
<b>Program Expenses</b>						
General government	2,696,993	2,678,074	-	-	2,696,993	2,678,074
Police administration	3,275,691	3,481,659	-	-	3,275,691	3,481,659
Municipal court	253,720	246,547	-	-	253,720	246,547
Fire administration	2,681,770	2,683,775	-	-	2,681,770	2,683,775
Building inspection	124,365	128,227	-	-	124,365	128,227
City streets	2,034,670	2,034,380	-	-	2,034,670	2,034,380
Traffic department	139,930	157,098	-	-	139,930	157,098
Airport	281,334	295,674	-	-	281,334	295,674
Cemetery	277,283	250,362	-	-	277,283	250,362
Interest on long-term debt	59,663	44,458	177,328	88,403	236,991	132,861
Support appropriations	1,362,568	1,402,943	-	-	1,362,568	1,402,943
Pension expense	1,010,223	1,120,052	251,080	169,637	1,261,303	1,289,689
Water and sewer	-	-	3,151,907	2,874,025	3,151,907	2,874,025
Solid waste	-	-	1,629,698	1,687,312	1,629,698	1,687,312
Total Expenses	14,198,210	14,523,249	5,210,013	4,819,378	19,408,223	19,342,627
<b>Increase (Decrease) in Net Position</b>	<b>\$ (341,430)</b>	<b>(910,899)</b>	<b>(204,533)</b>	<b>(368,592)</b>	<b>(545,963)</b>	<b>(1,279,491)</b>

The City's governmental activities continue to be funded by sources other than property taxes, which comprise 37% of the total revenues. The other major revenue sources were sales and tourism taxes (44%), charges for services (2%), and grants and contributions (3%). The major expense activities were general government, police administration, fire administration, city streets, and support appropriations, which comprise 19%, 23%, 19%, 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, 2020**

**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 \$3,593,897, an increase of \$179,480.

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 2020, 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 2020, the City had \$53,280,111 invested in a broad range of capital assets, including police, fire, solid waste equipment, and highways and streets. This amount represents a net decrease (including additions, deletions and adjustments) of \$696,017 or 1% over the prior year.

The following table illustrates the City's capital assets, net of accumulated depreciation, as of September 30, 2020 and 2019:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Land and land improvements	\$ 6,441,456	6,441,456	84,499	84,499	6,525,955	6,525,955
Construction in progress	1,821,840	465,280	97,833	7,337,130	1,919,673	7,802,410
Buildings	6,804,338	7,053,035	-	-	6,804,338	7,053,035
Improvements	15,019,112	16,041,787	-	-	15,019,112	16,041,787
Machinery and equipment	2,831,559	3,194,462	219,181	211,744	3,050,740	3,406,206
Plant and systems	-	-	19,960,293	13,146,735	19,960,293	13,146,735
Totals	\$ 32,918,305	33,196,020	20,361,806	20,780,108	53,280,111	53,976,128

More detailed information about the City's capital assets is presented in Note 8 of the Notes to the Financial Statements.

**CITY OF BROOKHAVEN, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Long-Term Debt**

At the end of 2020, the City had \$12,057,200 in long-term debt. This amount represents a net decrease of \$998,575 or 8% over the prior year. The following table illustrates the City's long-term debt as of September 30, 2020 and 2019:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
General obligation bonds	\$ 1,465,000	1,683,000	-	135,000	1,465,000	1,818,000
General obligation notes	489,635	600,000	-	-	489,635	600,000
Revenue bonds	-	-	2,015,000	2,120,000	2,015,000	2,120,000
Other loans	-	-	7,806,914	7,988,733	7,806,914	7,988,733
Capital leases	206,152	346,387	-	-	206,152	346,387
Accrued compensated absences	60,365	172,732	14,134	9,923	74,499	182,655
Totals	\$ 2,221,152	2,802,119	9,836,048	10,253,656	12,057,200	13,055,775

More detailed information about the City's long-term liabilities is presented in Note 9 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 2021 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 2021.

As a result of the COVID-19 pandemic, the City did not see a significant decline in the major sources of revenue. These major sources are ad valorem taxes and sales taxes. However, due to the continuing pandemic, expenditures are expected to increase, with increased costs resulting from gas and oil, repairs and maintenance, utilities, and supplies expenses. Inflationary trends in the region are expected to compare favorably to national indices. All these factors were considered in preparing the City's budget for fiscal year 2021.

**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, 2020**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,396,467	\$ 4,268,038	\$ 7,664,505	\$ 543,938
Accounts receivable	-	550,407	550,407	-
Intergovernmental receivables	78,738	263,413	342,151	-
Taxes receivable	5,080,419	-	5,080,419	-
Other receivable	17,503	-	17,503	-
Inventories	34,591	78,746	113,337	-
Capital assets				
Land and other improvements	6,441,456	84,499	6,525,955	-
Construction in progress	1,821,840	97,833	1,919,673	-
Other capital assets, net	24,655,009	20,179,474	44,834,483	45,075
Restricted assets:				
Customer deposits	-	425,483	425,483	-
<b>Total Assets</b>	<b>41,526,023</b>	<b>25,947,893</b>	<b>67,473,916</b>	<b>589,013</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	1,062,265	151,060	1,213,325	79,266
<b>Total Deferred Outflows of Resources</b>	<b>1,062,265</b>	<b>151,060</b>	<b>1,213,325</b>	<b>79,266</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	392,805	357,255	750,060	10,008
Intergovernmental payables	25,000	242,468	267,468	-
Accrued interest expense	17,414	24,921	42,335	-
Payable from restricted assets				
Customer deposits	-	425,483	425,483	-
Long-term liabilities - due within one year				
Bonds, capital leases, notes and contracts	463,417	499,765	963,182	-
Accrued compensated absences	60,365	14,134	74,499	25,783
Long-term liabilities - due in more than one year:				
Bonds, capital leases, notes and contracts	1,697,370	9,322,149	11,019,519	-
Net pension liability	15,028,765	2,007,012	17,035,777	1,021,372
<b>Total Liabilities</b>	<b>17,685,136</b>	<b>12,893,187</b>	<b>30,578,323</b>	<b>1,057,163</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	792,136	76,692	868,828	13,200
Property tax for future reporting period	4,596,016	-	4,596,016	-
<b>Total Deferred Inflows of Resources</b>	<b>5,388,152</b>	<b>76,692</b>	<b>5,464,844</b>	<b>13,200</b>
<b>NET POSITION</b>				
Net investment in capital assets	30,757,518	10,539,892	41,297,410	-
Restricted for debt services	712,892	202,596	915,488	-
Restricted for capital projects	179,459	-	179,459	-
Unrestricted	(12,134,869)	2,386,586	(9,748,283)	(402,084)
<b>Total Net Position</b>	<b>\$ 19,515,000</b>	<b>\$ 13,129,074</b>	<b>\$ 32,644,074</b>	<b>\$ (402,084)</b>

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, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Component Units
<b>Primary Government</b>							
Governmental activities:							
General government	\$ 2,696,993	\$ 462	\$ 23,074	\$ 405,042	\$ (2,268,415)		\$ (2,268,415)
Police administration	3,275,691	37,810	-	-	(3,237,881)		(3,237,881)
Municipal Court	253,720	-	-	-	(253,720)		(253,720)
Fire administration	2,681,770	-	-	-	(2,681,770)		(2,681,770)
Building inspection	124,365	-	-	-	(124,365)		(124,365)
City streets	2,034,670	-	-	-	(2,034,670)		(2,034,670)
Traffic department	139,930	-	-	-	(139,930)		(139,930)
Airport	281,334	170,056	-	-	(111,278)		(111,278)
Cemetery	277,283	57,014	-	-	(220,269)		(220,269)
Interest on long term debt	59,663	-	-	-	(59,663)		(59,663)
Support appropriations	1,362,568	-	-	-	(1,362,568)		(1,362,568)
Pension expense	1,010,223	-	-	-	(1,010,223)		(1,010,223)
<b>Total governmental activities</b>	<b>14,198,210</b>	<b>265,342</b>	<b>23,074</b>	<b>405,042</b>	<b>(13,504,752)</b>		<b>(13,504,752)</b>
Business-type activities:							
Water and sewer	3,562,739	3,262,880	-	500,000		\$ 200,141	200,141
Solid waste	1,647,274	1,221,809	-	-		(425,465)	(425,465)
<b>Total business-type activities</b>	<b>5,210,013</b>	<b>4,484,689</b>	<b>-</b>	<b>500,000</b>		<b>(225,324)</b>	<b>(225,324)</b>
<b>Total primary government</b>	<b>\$ 19,408,223</b>	<b>\$ 4,750,031</b>	<b>\$ 23,074</b>	<b>\$ 905,042</b>	<b>\$(13,504,752)</b>	<b>\$ (225,324)</b>	<b>\$(13,730,076)</b>
<b>Component units:</b>							
Parks and Recreation Commission	\$ 817,075	\$ 159,892	\$ -	\$ -			\$ (657,183)
Brookhaven Tourism Council	104,347	-	-	-			(104,347)
<b>Total component units</b>	<b>\$ 921,422</b>	<b>\$ 159,892</b>	<b>\$ -</b>	<b>\$ -</b>			<b>\$ (761,530)</b>
<b>General Revenues:</b>							
Property taxes				\$ 5,195,651	\$ 682	\$ 5,196,333	\$ -
Sales and tourism taxes				6,137,435	-	6,137,435	-
Franchise taxes				484,342	-	484,342	-
Other taxes				41,039	-	41,039	-
Licenses and permits				121,601	-	121,601	-
Fines and forfeitures				105,270	-	105,270	-
Grand gulf				171,178	-	171,178	-
Fire protection				75,489	-	75,489	-
Homestead reimbursement				198,621	-	198,621	-
County support				20,000	-	20,000	-
Gain (loss) on disposal of capital assets				-	15,025	15,025	-
Interest income				29,111	74,648	103,759	871
Rental income				75,882	-	75,882	-
Other income				218,613	-	218,613	-
Transfers				289,090	(69,564)	219,526	997,490
Total general revenues and transfers				13,163,322	20,791	13,184,113	998,361
<b>Change in net position</b>				(341,430)	(204,533)	(545,963)	236,831
<b>Net Position, beginning</b>				19,856,430	13,333,607	33,190,037	(638,915)
<b>Net Position, ending</b>				<b>\$ 19,515,000</b>	<b>\$ 13,129,074</b>	<b>\$ 32,644,074</b>	<b>\$ (402,084)</b>

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

**CITY OF BROOKHAVEN, MISSISSIPPI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2020**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,476,150	\$ 920,317	\$ 3,396,467
Receivables:			
Sales tax	484,403	-	484,403
Property taxes	4,596,016	-	4,596,016
Due from other funds	78,738	-	78,738
Other	16,155	1,348	17,503
Inventories	34,591	-	34,591
<b>Total Assets</b>	<u>7,686,053</u>	<u>921,665</u>	<u>8,607,718</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued expenses	388,491	4,314	392,805
Due to other funds	-	25,000	25,000
<b>Total Liabilities</b>	<u>388,491</u>	<u>29,314</u>	<u>417,805</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable revenue - property taxes	4,596,016	-	4,596,016
<b>Total Deferred Inflows of Resources</b>	<u>4,596,016</u>	<u>-</u>	<u>4,596,016</u>
<b><u>FUND BALANCES</u></b>			
Nonspendable:			
Inventory	34,591	-	34,591
Restricted:			
Debt service	-	712,892	712,892
Committed:			
Capital Improvements	-	179,459	179,459
Unassigned	2,666,955	-	2,666,955
<b>Total Fund Balances</b>	<u>2,701,546</u>	<u>892,351</u>	<u>3,593,897</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 7,686,053</u>	<u>\$ 921,665</u>	<u>\$ 8,607,718</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, 2020**

Total Fund Balance - Governmental Funds	\$ 3,593,897
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.	32,918,305
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	(2,160,787)
Compensated absences	(60,365)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the governmental fund financial statements.	(17,414)
Net pension obligations are not due and payable in the current period and therefore are not reported in the governmental fund financial statements.	(15,028,765)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore are not reported in the governmental fund financial statements:	
Deferred outflows of resources related to pensions	1,062,265
Deferred inflows of resources related to pensions	(792,136)
Net Position of Governmental Activities	<u><u>\$ 19,515,000</u></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, 2020**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b><u>REVENUES</u></b>			
Taxes	\$ 4,830,945	\$ 364,706	\$ 5,195,651
License and permits	109,676	-	109,676
Intergovernmental:			
Federal grants	237,629	-	237,629
State of Mississippi:			
Grants	23,074	167,413	190,487
General sales tax	6,014,955	-	6,014,955
Tourism tax	122,480	-	122,480
Grand gulf	171,178	-	171,178
Liquor licenses	11,925	-	11,925
Gasoline tax	41,039	-	41,039
Fire protection	75,489	-	75,489
Homestead reimbursement	188,690	9,931	198,621
County sources	20,000	-	20,000
Charges for services:			
City clerk's office	462	-	462
Airport	170,056	-	170,056
School security	37,810	-	37,810
Cemetery	57,014	-	57,014
Franchise taxes	484,342	-	484,342
Fines and forfeitures	105,270	-	105,270
Rental income	75,882	-	75,882
Interest income	25,074	4,037	29,111
Other income	218,613	-	218,613
Total revenues	<u>\$ 13,021,603</u>	<u>\$ 546,087</u>	<u>\$ 13,567,690</u>
<b><u>EXPENDITURES</u></b>			
Current:			
General government	\$ 1,323,521	-	\$ 1,323,521
Police administration	3,140,061	-	3,140,061
Municipal court	258,386	-	258,386
Fire administration	2,643,339	-	2,643,339
Building inspection	120,972	-	120,972
City streets	1,984,786	-	1,984,786
Traffic department	142,307	-	142,307
Airport	158,397	-	158,397
Cemetery	277,266	-	277,266
Support appropriations	1,362,568	-	1,362,568
Debt service:			
Principal paid	-	328,365	328,365
Interest & fees paid	-	45,972	45,972
Capital outlay	1,519,755	231,371	1,751,126
Total expenditures	<u>12,931,358</u>	<u>605,708</u>	<u>13,537,066</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>90,245</u>	<u>(59,621)</u>	<u>30,624</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Lease principal payments	(140,234)	-	(140,234)
Transfers in (out)	398,571	(109,481)	289,090
Net other financing sources (uses)	<u>258,337</u>	<u>(109,481)</u>	<u>148,856</u>
Net change in fund balances	348,582	(169,102)	179,480
Fund Balance, beginning	2,352,964	1,061,453	3,414,417
Fund Balance, ending	<u>\$ 2,701,546</u>	<u>\$ 892,351</u>	<u>\$ 3,593,897</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, 2020**

Net Changes in Fund Balances - Governmental Funds	\$ 179,480
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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 depreciation expense of \$2,028,839 exceeds capital outlays of \$1,751,126.	(277,713)
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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 \$-0- exceeds debt payments of \$468,599.	468,599
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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	112,367
Change in accrued interest on long-term debt	(13,691)

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	(1,010,223)
Recognition of contributions made prior and subsequent to the measurement date	199,751

Change in Net Position of Governmental Activities	\$ (341,430)
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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, 2020**

	<b>Water &amp; Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 3,494,141	\$ 1,199,380	\$ 4,693,521
Accounts receivable	550,407	-	550,407
Advances to other funds	-	263,413	263,413
Inventory	78,746	-	78,746
Total current assets	<u>4,123,294</u>	<u>1,462,793</u>	<u>5,586,087</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	182,332	-	182,332
Other capital assets, net	20,147,876	31,598	20,179,474
Total non-current assets	<u>20,330,208</u>	<u>31,598</u>	<u>20,361,806</u>
<b>Total Assets</b>	<u>24,453,502</u>	<u>1,494,391</u>	<u>25,947,893</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred outflows related to pensions	140,486	10,574	151,060
<b>Total Deferred Outflows of Resources</b>	<u>140,486</u>	<u>10,574</u>	<u>151,060</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable and accrued expenses	261,509	95,746	357,255
Advances from other funds	242,468	-	242,468
Accrued interest payable	24,921	-	24,921
Capital debt:			
Current portion of notes payable	394,765	-	394,765
Current portion of bonds payable	105,000	-	105,000
Total current liabilities	<u>1,028,663</u>	<u>95,746</u>	<u>1,124,409</u>
Non-current liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	425,483	-	425,483
Net pension liability	1,866,521	140,491	2,007,012
Capital debt:			
Notes payable	7,412,149	-	7,412,149
Bonds payable	1,910,000	-	1,910,000
Non-capital debt:			
Compensated absences	12,027	2,107	14,134
Total non-current liabilities	<u>11,626,180</u>	<u>142,598</u>	<u>11,768,778</u>
<b>Total Liabilities</b>	<u>12,654,843</u>	<u>238,344</u>	<u>12,893,187</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred inflows related to pensions	71,324	5,368	76,692
<b>Total Deferred Inflows of Resources</b>	<u>71,324</u>	<u>5,368</u>	<u>76,692</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	10,508,294	31,598	10,539,892
Restricted for debt service	202,596	-	202,596
Unrestricted	1,156,931	1,229,655	2,386,586
<b>Total Net Position</b>	<u>\$ 11,867,821</u>	<u>\$ 1,261,253</u>	<u>\$ 13,129,074</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, 2020**

	<u>Water &amp; Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>
<b><u>OPERATING REVENUES</u></b>			
Charges for services:			
Water and sewer charges	3,223,486	\$ -	\$ 3,223,486
Garbage, compost and rubbish fees	-	1,221,809	1,221,809
Tap fees and construction fees	39,394	-	39,394
Total operating revenues	<u>3,262,880</u>	<u>1,221,809</u>	<u>4,484,689</u>
<b><u>OPERATING EXPENSES</u></b>			
Personnel services	844,946	409,518	1,254,464
Contractual services	963,409	1,148,743	2,112,152
Consumable supplies	538,562	37,632	576,194
Depreciation expense	785,548	10,562	796,110
Pension expense	233,504	17,576	251,080
Bad debt expense	19,442	23,243	42,685
Total operating expenses	<u>3,385,411</u>	<u>1,647,274</u>	<u>5,032,685</u>
<b>Operating income (loss)</b>	<u>(122,531)</u>	<u>(425,465)</u>	<u>(547,996)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Taxes	-	682	682
State Grant	500,000	-	500,000
Interest income	54,552	20,096	74,648
Interest expense	(177,328)	-	(177,328)
Sale of surplus equipment	15,025	-	15,025
Operating transfers	(67,203)	(2,361)	(69,564)
Total non-operating revenue (expenses)	<u>325,046</u>	<u>18,417</u>	<u>343,463</u>
<b>Change in net position</b>	202,515	(407,048)	(204,533)
<b>Total net position beginning</b>	<u>11,665,306</u>	<u>1,668,301</u>	<u>13,333,607</u>
<b>Total net position ending</b>	<u><u>11,867,821</u></u>	<u><u>\$ 1,261,253</u></u>	<u><u>\$ 13,129,074</u></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, 2020**

	Water & Sewer Fund	Solid Waste Fund	Totals
<b><u>Cash flows from operating activities:</u></b>			
Receipts from customers and users	\$ 3,310,242	\$ 1,221,809	\$ 4,532,051
Payments to suppliers	(1,677,585)	(1,220,497)	(2,898,082)
Payments to employees and professional contractors	(654,252)	(394,567)	(1,048,819)
Net cash provided by (used in) operating activities	978,405	(393,255)	585,150
<b><u>Cash flows from noncapital financing activities:</u></b>			
Cash received from taxes	-	682	682
Operating transfers, net	(67,203)	(2,361)	(69,564)
Interfund loans	14,626	(35,335)	(20,709)
Net cash provided by noncapital financing activities	(52,577)	(37,014)	(89,591)
<b><u>Cash flows from capital and related financing activities:</u></b>			
Acquisition and construction of capital assets	(181,735)	-	(181,735)
Proceeds from sale of surplus equipment	15,025	-	15,025
Additions to long-term debt	365,678	-	365,678
Principal payments on long-term debt	(483,571)	-	(483,571)
Interest paid on bonds, loans and capital leases	(187,496)	-	(187,496)
Net cash provided (used) by capital and related financing activities	(472,099)	-	(472,099)
<b><u>Cash flows from investing activities:</u></b>			
Interest on deposits	54,552	20,096	74,648
Net cash provided (used) by investing activities	54,552	20,096	74,648
Net increase (decrease) in cash and cash equivalents	508,281	(410,173)	98,108
Cash and cash equivalents, October 1	2,985,860	1,609,553	4,595,413
Cash and cash equivalents, September 30	3,494,141	1,199,380	4,693,521
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	(122,531)	(425,465)	(547,996)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	785,548	10,562	796,110
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	11,268	-	11,268
(Increase) decrease in deferred outflows of resources	(109,790)	(8,264)	(118,054)
Increase (decrease) in accounts payable and accrued expenses	77,332	6,697	84,029
Increase (decrease) in customer deposits	36,094	-	36,094
Increase (decrease) in compensated absences	3,360	851	4,211
Increase (decrease) in pension liability	255,279	19,215	274,494
Increase (decrease) in deferred inflows of resources	41,845	3,149	44,994
Total adjustments	1,100,936	32,210	1,133,146
Net cash provided by operating activities	\$ 978,405	\$ (393,255)	\$ 585,150
<b><u>Noncash Capital and Related Financing Activities</u></b>			
Principal loan forgiveness recognized as state grant income	\$ 500,000	\$ -	\$ 500,000

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



**CITY OF BROOKHAVEN, MISSISSIPPI  
STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2020**

**and  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**STATEMENT OF FIDUCIARY NET POSITION**

	<b>Employee Benefits</b>	<b>Private Purpose Trust</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 424,170	\$ -	\$ 170,024
<b>Total Assets</b>	<u>424,170</u>	<u>-</u>	<u>170,024</u>
<b>LIABILITIES</b>			
Intergovernmental payables	20,945	-	53,738
Payable to separate school district	-	-	91,769
Payable other	-	-	7,478
<b>Total Liabilities</b>	<u>20,945</u>	<u>-</u>	<u>152,985</u>
<b>NET POSITION</b>			
Held in trust for:			
Individuals, organizations and other governments	<u>\$ 403,225</u>	<u>\$ -</u>	<u>\$ 17,039</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

	<b>Employee Benefits</b>	<b>Private Purpose Trust</b>
<b>ADDITIONS</b>		
Contributions:		
Gifts, bequests and endowments	\$ 10,452	\$ -
Investment income:		
Interest and dividends	6,511	16
<b>Total Additions</b>	<u>16,963</u>	<u>16</u>
<b>DEDUCTIONS</b>		
Unemployment claims	2,621	-
	2,621	-
<b>TRANSFERS, NET</b>	<u>(200,000)</u>	<u>(2,973)</u>
<b>CHANGES IN NET POSITION</b>	<u>(185,658)</u>	<u>(2,957)</u>
Net Position - Beginning	588,882	2,957
Net Position - Ending	<u>403,224</u>	<u>-</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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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 6 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 6 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, 2020**

**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 \$32,644,249 at September 30, 2020, includes \$41,797,175 net investment in capital assets, \$915,488 restricted for debt services, \$179,459 restricted for capital projects, and an unrestricted deficit amount of (\$10,247,873).

**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 liabilities due within one year 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, 2020**

**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 15<sup>th</sup>. 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 2019 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, 2020**

**Note 1. Summary of Significant Accounting Policies (continued)**

**K. Recently Issued Accounting Pronouncements**

The Governmental Accounting Standards Board (“GASB”) has issued accounting pronouncements recently that will be effective for the City in future periods, as follows:

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective for the City in fiscal year 2021.

In February 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement will become effective for the City in fiscal year 2022.

In March 2020, the GASB issued Statement No. 93, *Replacement of the Interbank Offered Rates*. This statement addresses accounting and financial reporting implications that result from the replacement of the London Interbank Offered Rate (“LIBOR”). This statement will become effective for the City in fiscal year 2022.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users. This statement will become effective for the City in fiscal year 2023.

Management of the City is currently evaluating the effect, if any, these new accounting pronouncements will have on the City’s financial statements.

**Note 2. 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.

**CITY OF BROOKHAVEN, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Note 3. Deposits**

Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Deposits with financial institutions in the form of demand deposits, time deposits, or certificate of deposits are defined as public deposits. To address this risk, the collateral deposits in financial institutions of public entities are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation ("FDIC"). At September 30, 2020, all of the City's bank deposits (including restricted amounts) were covered under the collateral pool administered by the State Treasurer.

*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 4. Inter-fund Receivable and Payable Balances**

The following summarizes funds payable to various funds at September 30, 2020:

Due From	Due To	Amount
Other Governmental Funds	General Fund	\$ 25,000
Fiduciary Funds	General Fund	53,738
Water and Sewer Fund	Solid Waste Fund	242,468
Fiduciary Funds	Solid Waste Fund	20,945
		<u>\$ 342,151</u>

**Note 5. 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 \$44,394 and was over-funded by \$22,008 at September 30, 2020.

**Note 6. 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, 2020**

**Note 6. 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, 2020, 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, 2020 was 17.40 percent of annual covered payroll. The City's contributions (employer share only) to PERS for the fiscal years ending September 30, 2020, 2019, and 2018 were \$1,013,606, \$961,647, and \$892,710, 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, 2020, the City reported a liability of \$17,035,777 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020 net pension liability was 0.088 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.001 percent from its proportionate share used to calculate the September 30, 2019 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended September 30, 2020, the City recognized pension expense of \$1,261,303. At September 30, 2020, 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	\$ 147,824	\$ -
Net difference between projected and actual earnings on investments	719,726	-
Changes in assumptions or other inputs	96,377	-
Changes in proportion percentage	-	868,828
Contributions subsequent to the measurement date	249,398	-
Total	<u>\$ 1,213,325</u>	<u>\$ 868,828</u>

**CITY OF BROOKHAVEN, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Note 6. Defined Benefit Pension Plan (continued)**

At September 30, 2020, the City reported \$1,213,325 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 2021 fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2020 related to pensions will be recognized as pension expense as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Amount</u>
2020	\$ (273,108)
2021	1,420
2022	141,302
2023	225,487

**Actuarial Assumptions**

The total pension liability in the June 30, 2020 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, 2020, 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, 2020**

**Note 6. Defined Benefit Pension Plan (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability at September 30, 2020 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 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, 2020, 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:

		1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
2020				
City's proportionate share of the net pension liability	\$	22,050,721	17,035,777	12,896,434

**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, 2020, 2019, and 2018 were \$57,938, \$56,283, and \$49,153, 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, 2020, the Commission reported a liability of \$1,021,372 for its proportionate share of the net pension liability. At June 30, 2020, the Commission's proportion was 0.005276 percent.

For the year ended September 30, 2020, the Commission recognized pension expense of \$80,676. At September 30, 2020, 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	\$ 8,846	\$ -
Net difference between projected and actual earnings on investments	43,612	-
Changes in assumptions or other inputs	5,381	-
Changes in proportion percentage	6,979	13,200
Contributions subsequent to the measurement date	14,448	-
Total	\$ 79,266	\$ 13,200

**CITY OF BROOKHAVEN, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Note 6. 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, 2020, 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:

2020	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Commission's proportionate share of the net pension liability	\$ 1,322,041	1,021,372	773,200

**Note 7. 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, 2020**

**Note 8. Capital Assets**

Capital asset activity for governmental activities for the year ended September 30, 2020 was as follows:

<b>Governmental Activities</b>	<b>Balance September 30, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2020</b>
Capital assets not being depreciated				
Land & land improvements	\$ 6,441,456	\$ -	\$ -	\$ 6,441,456
Construction in progress	465,280	1,356,560	-	1,821,840
Total capital assets not being depreciated	6,906,736	1,356,560	-	8,263,926
Capital assets being depreciated				
Buildings	9,634,390	-	-	9,634,390
Improvements	33,597,214	238,981	-	33,836,195
Machinery & equipment	8,176,747	155,583	-	8,332,330
Total capital assets being depreciated at historical cost	51,408,351	394,564	-	51,802,915
Less accumulated depreciation for				
Buildings	(2,581,355)	(248,697)	-	(2,830,052)
Improvements	(17,555,427)	(1,261,656)	-	(18,817,083)
Machinery & equipment	(4,982,285)	(518,486)	-	(5,500,771)
Total accumulated depreciation	(25,119,067)	(2,028,839)	-	(27,147,906)
Capital assets being depreciated	26,289,284	(1,634,275)	-	24,655,009
Total capital assets, net	\$ 33,196,020	\$ (277,715)	\$ -	\$ 32,918,305

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

<b>Governmental Activities</b>	<b>Amount</b>
General government	\$ 1,510,840
Street department	74,782
Fire department	108,124
Police department	209,508
Airport	124,025
Cemetery	1,560
Total governmental activities depreciation expense	\$ 2,028,839



**CITY OF BROOKHAVEN, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Note 8. Capital Assets (continued)**

Capital asset activity for business-type activities for the year ended September 30, 2020 was as follows:

<b>Business-Type Activities</b>	<b>Balance September 30, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2020</b>
Capital assets not being depreciated				
Land & land improvements	\$ 84,499	\$ -	\$ -	\$ 84,499
Construction in progress	7,337,130	293,908	7,533,205	97,833
Total capital assets not being depreciated	7,421,629	293,908	7,533,205	182,332
Capital assets being depreciated				
Plant & systems	26,473,264	7,533,205	-	34,006,469
Machinery & equipment	2,316,729	83,900	49,045	2,351,584
Total capital assets being depreciated at historical cost	28,789,993	7,617,105	49,045	36,358,053
Less accumulated depreciation for				
Plant & systems	(13,326,529)	(719,647)	-	(14,046,176)
Machinery & equipment	(2,104,985)	(76,463)	(49,045)	(2,132,403)
Total accumulated depreciation	(15,431,514)	(796,110)	(49,045)	(16,178,579)
Capital assets being depreciated	13,358,479	6,820,995	-	20,179,474
Total capital assets, net	\$ 20,780,108	\$ 7,114,903	\$ 7,533,205	\$ 20,361,806

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

<b>Business-Type Activities</b>	<b>Amount</b>
Water and sewer	\$ 785,548
Solid waste	10,562
Total business-type activities depreciation expense	\$ 796,110

At September 30, 2020, the City had outstanding construction commitments relating to construction in progress of approximately \$200,000.

**CITY OF BROOKHAVEN, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Note 9. Capital Leases**

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2020:

Classes of Property	Amount
Machinery and Equipment	\$ 858,469
Less: Accumulated Depreciation	(537,447)
Leased Property Under Capital Leases	<u>\$ 321,022</u>

The following is a schedule by years of the total payments due as of September 30, 2020:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2021	\$ 126,418	\$ 6,948
2022	39,056	3,315
2023	40,678	1,691
Totals	<u>\$ 206,152</u>	<u>\$ 11,954</u>

**Note 10. Long-Term Debt**

The City's long-term debt consists of general obligation bonds, revenue bonds, state revolving fund loans, 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, 2020, is approximately:

15% Limit	20% Limit
<u>\$17,774,960</u>	<u>\$24,351,491</u>

**CITY OF BROOKHAVEN, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Note 10. Long-Term Debt (continued)**

Debt outstanding as of September 30, 2020, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
<b>A. General Obligation Bonds:</b>			
G.O. Note, Series 2019	\$ 489,635	2.97%	May 2024
G.O. Refunding Bonds, Series 2019	461,000	2.50 – 3.00%	June 2025
G.O. Refunding Bonds, Series 2017	1,004,000	2.18%	December 2026
Total General Obligation Bonds	<u>\$ 1,954,635</u>		
<b>B. Capital Leases:</b>			
Police Cars	\$ 34,330	5.45%	March 2021
Backhoe	54,590	2.25%	December 2022
Radio Equipment	117,232	4.08%	December 2022
Total Capital Leases	<u>\$ 206,152</u>		
<b>Business-Type Activities:</b>			
<b>A. Revenue Bonds:</b>			
Revenue Bonds, Series 2015	\$ 2,015,000	3.13 – 4.13%	June 2035
Total General Obligation Bonds	<u>\$ 2,015,000</u>		
<b>B. Loans Payable:</b>			
State Revolving Loan, amount drawn to date	\$ 2,179,122	1.95%	August 2039
State Revolving Loan, amount drawn to date	5,314,261	1.75%	October 2039
MDA Capital Improvements Revolving Loan	15,698	3.00%	January 2022
MDA Capital Improvements Revolving Loan	297,833	3.00%	April 2026
Total General Obligation Bonds	<u>\$ 7,806,914</u>		

**CITY OF BROOKHAVEN, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Note 10. Long-Term Debt (continued)**

The annual debt service requirements of long-term debt as of September 30, 2020 are as follows:

**Governmental Activities:**

Year Ending September 30,	General Obligation Bonds	
	Principal	Interest
2021	\$ 337,000	\$ 47,265
2022	348,000	38,905
2023	353,000	29,982
2024	368,000	20,906
2025	248,000	11,061
2026-2030	300,635	6,495
Totals	\$ 1,954,635	\$ 154,614

**Business-Type Activities:**

Year Ending September 30,	Revenue Bonds	
	Principal	Interest
2021	\$ 105,000	\$ 74,763
2022	110,000	70,563
2023	115,000	66,163
2024	120,000	61,563
2025	120,000	56,763
2026-2030	670,000	217,500
2031-2035	775,000	91,125
Totals	\$ 2,015,000	\$ 638,440

Year Ending September 30,	Other Loans	
	Principal	Interest
2021	\$ 394,765	\$ 140,826
2022	398,822	133,406
2023	403,033	125,390
2024	410,962	117,461
2025	419,131	109,302
2026-2030	1,928,723	437,220
2031-2035	2,083,065	257,094
2036-2040	1,768,413	64,713
Totals	\$ 7,806,914	\$ 1,385,412

**CITY OF BROOKHAVEN, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Note 10. Long-Term Debt (continued)**

The following is a summary of changes in long-term debt for the year ended September 30, 2020:

	<b>Balance</b>			<b>Balance</b>
<b>Governmental Activities</b>	<b>Oct. 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Sept. 30, 2020</b>
Compensated absences	\$ 172,732	\$ -	\$ 112,367	\$ 60,365
General obligation bonds	2,283,000	-	328,365	1,954,635
Capital leases	346,387	-	140,235	206,152
Total long-term debt	<u>\$ 2,802,119</u>	<u>\$ -</u>	<u>\$ 580,966</u>	<u>\$ 2,221,152</u>
<b>Business-Type Activities</b>				
Compensated absences	\$ 9,923	\$ 4,211	\$ -	\$ 14,134
General obligation bonds	135,000	-	135,000	-
Revenue bonds	2,120,000	-	105,000	2,015,000
Loans payable	7,988,733	501,981	683,800	7,806,914
Total long-term debt	<u>\$ 10,253,656</u>	<u>\$ 506,192</u>	<u>\$ 923,800</u>	<u>\$ 9,836,048</u>

**Note 11. 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 12. 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 13. Commitments, Contingencies and Uncertainties**

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.

**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.

**COVID-19 Pandemic**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus ("COVID-19") can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the City. The occurrence and extent of such an impact will depend on future developments, including (1) the duration and spread of the virus, 2) government quarantine measures, 3) voluntary and precautionary restrictions on travel or meetings, 4) the effects on the financial markets, and 5) the effects on the economy overall, all of which are uncertain.

**CITY OF BROOKHAVEN, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Note 14. Effect of Deferred Amounts on Net Position**

The governmental activities' unrestricted net position deficit amount of (\$12,134,869) 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 \$199,751 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, 2020. The \$862,514 balance of the deferred outflow of resources related to pensions and the \$792,136 balance of the deferred inflow of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next four years.

The business-type activities' unrestricted net position amount of \$2,386,586 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pension in the amount of \$49,646 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, 2020. The \$101,414 balance of the deferred outflow of resources related to pensions and the \$76,692 balance of the deferred inflow of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next four years.

**Note 15. 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 June 9, 2023, 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, 2020, 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
Solid Waste Revenue Bond	2,000,000	4.875%	November 2022
Capital Lease – Fire Truck	57,704	3.32%	August 2021
Capital Lease – Backhoe	84,502	2.91%	February 2021

**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, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 4,701,000	\$ 4,701,000	\$ 4,633,484	\$ (67,516)
Licenses and permits	85,000	85,000	109,676	24,676
Intergovernmental	7,482,600	7,482,600	7,011,804	(470,796)
Charges for services	218,000	218,000	222,774	4,774
Franchise taxes	475,000	475,000	484,342	9,342
Fines and forfeitures	100,000	100,000	123,118	23,118
Rental income	64,700	64,700	130,894	66,194
Interest income	30,000	30,000	25,074	(4,926)
Other income	82,300	82,300	38,583	(43,717)
<b>Total Revenues</b>	<b>13,238,600</b>	<b>13,238,600</b>	<b>12,779,749</b>	<b>(458,851)</b>
<b>Expenditures</b>				
General government	3,183,509	3,183,509	2,936,530	(246,979)
Police administration	3,414,700	3,414,700	3,251,142	(163,558)
Municipal court	248,600	248,600	242,962	(5,638)
Fire administration	3,652,450	3,652,450	3,694,872	42,422
Building inspection	135,900	135,900	120,964	(14,936)
City streets	1,999,854	1,999,854	1,994,492	(5,362)
Traffic department	138,200	138,200	142,746	4,546
Airport	786,596	786,596	381,887	(404,709)
Cemetery	245,500	245,500	277,451	31,951
<b>Total Expenditures</b>	<b>13,805,309</b>	<b>13,805,309</b>	<b>13,043,046</b>	<b>(762,263)</b>
<b>Excess of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>(566,709)</b>	<b>(566,709)</b>	<b>(263,297)</b>	<b>303,412</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(424,451)	(424,451)
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>(424,451)</b>	<b>(424,451)</b>
<b>Net Change in Fund Balances</b>	<b>(566,709)</b>	<b>(566,709)</b>	<b>(687,748)</b>	<b>(121,039)</b>
<b>Fund Balance, Beginning</b>	<b>2,765,243</b>	<b>2,765,243</b>	<b>2,765,243</b>	<b>-</b>
<b>Fund Balance, Ending</b>	<b>\$ 2,198,534</b>	<b>\$ 2,198,534</b>	<b>\$ 2,077,495</b>	<b>\$ (121,039)</b>

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, 2020**

	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.088%	0.089%	0.087%	0.083%	0.079%	0.080%
Proportionate share of the net pension liability (asset)	\$ 17,035,777	\$ 15,656,856	\$ 14,470,685	\$ 13,797,417	\$ 14,111,373	\$ 12,366,422
Covered payroll	\$ 5,835,557	\$ 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	291.93%	269.41%	260.42%	259.98%	279.65%	248.66%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	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, 2020**

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,013,606	\$ 961,647	\$ 892,710	\$ 851,074	\$ 806,316	\$ 783,733
Contributions in relation to the contractually required contribution	1,013,606	961,647	892,710	851,074	806,316	783,733
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,825,322	\$ 6,105,695	\$ 5,668,000	\$ 5,403,644	\$ 5,119,467	\$ 4,976,083
Contributions as a percentage of covered payroll	17.40%	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, 2020**

**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 2020. 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.

	<b><u>General Fund</u></b>
Budget (Cash Basis)	\$ (687,748)
Increase (Decrease)	
Net adjustments for revenue accruals	241,854
Net adjustments for expense accruals	794,651
Net Change in Fund Balance – GAAP Basis	<u>\$ 348,757</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, 2020.

**CITY OF BROOKHAVEN, MISSISSIPPI  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**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, 2020**

**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, 2020**

<b>Name</b>	<b>Position</b>	<b>Bond Amount</b>	<b>Surety Company</b>
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, 2020**

Description	Issue Date	Balance 9/30/2019	Issued	Paid	Adjustments	Balance 9/30/2020	Amount Due	
							2021	Remaining Years
General Obligation Bonds								
General Obligation Refunding Bonds, Series 2010	3/30/2010	\$ 135,000	\$ -	\$ 135,000	\$ -	\$ -	\$ -	\$ -
General Obligation Refunding Bonds, Series 2017	9/6/2017	1,135,000	-	131,000	-	1,004,000	134,000	870,000
General Obligation Refunding Bonds, Series 2019	7/18/2019	548,000	-	87,000	-	461,000	88,000	373,000
Total General Obligation Bonds		1,818,000	-	353,000	-	1,465,000	222,000	1,243,000
General Obligation Notes								
General Obligation Note, Series 2019	5/1/2019	600,000	-	110,365	-	489,635	115,000	374,635
Revenue Bonds								
Combined Water & Sewer System Revenue Bonds, Series 2015	7/1/2015	2,120,000	-	105,000	-	2,015,000	105,000	1,910,000
Other Loans								
Mississippi Development Authority	2/1/2002	30,442	-	14,744	-	15,698	11,912	3,786
Mississippi Development Authority	5/1/2016	357,329	-	59,496	-	297,833	47,545	250,288
Water Pollution Control Revolving Loan	4/17/2018	5,053,339	223,018	98,400	136,304	5,314,261	239,106	5,075,155
Drinking Water Systems Improvement Revolving Loan	8/6/2018	2,547,623	142,659	70,931	(440,229)	2,179,122	96,202	2,082,920
Total Other Loans		7,988,733	365,677	243,571	(303,925)	7,806,914	394,765	7,412,149
Capital Leases								
Fire Truck	10/17/2012	63,478	-	63,478	-	-	-	-
Backhoe	11/7/2017	62,790	-	8,200	-	54,590	54,590	-
Radio Equipment	12/15/2017	153,232	-	36,000	-	117,232	37,497	79,735
Police Cars	3/29/2018	66,887	-	32,557	-	34,330	34,330	-
Total Capital Leases		346,387	-	140,235	-	206,152	126,417	79,735
Other								
Compensated Absences		182,656	-	-	(108,157)	74,499	-	-
Total Long-Term Debt		##### \$ 365,677	\$ 952,171	\$ (412,082)	##### \$ 963,182	#####		

**CITY OF BROOKHAVEN, MISSISSIPPI  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

<b>Issue Date</b>	<b>Description</b>	<b>Total Outstanding G/O Debt</b>	<b>Bonds Subject To 15% Limitation</b>	<b>Bonds Subject To 20% Limitation</b>
<b>Outstanding General Obligation Debt</b>				
9/6/2017	General Obligation, Series 2017	\$ 1,135,000	\$ 1,004,000	\$ 1,004,000
5/1/2019	General Obligation, Series 2019	489,635	489,635	489,635
7/18/2019	General Obligation, Series 2019	461,000	461,000	461,000
	Total General Obligation Bonds	1,954,635	1,954,635	1,954,635
<b>Authorized Debt Limit</b>				
	Assessed Value for the fiscal year ended September 30, 2020	\$ 131,530,632	19,729,595	26,306,126
	Present Debt (Subject to 15% and 20% Limitation, respectively)		1,954,635	1,954,635
	Margin for Further Indebtedness (Under 15% and 20% Limitation, respectively)		\$ 17,774,960	\$ 24,351,491

**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**  
**SPECIAL REPORTS**



## LOWERY, PAYN, LEGGETT & BELLIPANNI

CERTIFIED PUBLIC ACCOUNTANTS

207 South Railroad Ave.  
Brookhaven, Mississippi 39601  
PHONE (601) 833-1456  
FAX (601) 833-9896

Members of:  
Mississippi Society of CPAs  
American Institute of CPAs

### 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 9, 2023.

#### **Report on 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 2020-01 and 2020-02 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 2020-03, 2020-04 and 2020-05 to be significant deficiencies.

## Report on 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

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and 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.



Lowery, Payn, Leggett & Bellipanni, CPAs  
Brookhaven, Mississippi  
June 9, 2023



## LOWERY, PAYN, LEGGETT & BELLIPANNI

CERTIFIED PUBLIC ACCOUNTANTS

207 South Railroad Ave.  
Brookhaven, Mississippi 39601  
PHONE (601) 833-1456  
FAX (601) 833-9896

Members of:  
*Mississippi Society of CPAs*  
*American Institute of CPAs*

### 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, 2020, which collectively comprise the City of Brookhaven, Mississippi's basic financial statements and have issued our report thereon dated June 9, 2023. 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.

A handwritten signature in black ink that reads 'Lowery Payn Leggett &amp; Bellipanni CPAs'. The signature is written in a cursive, flowing style.

Lowery, Payn, Leggett & Bellipanni, CPAs  
Brookhaven, Mississippi  
June 9, 2023

**CITY OF BROOKHAVEN**  
**SCHEDULE OF FINDINGS AND RESPONSES**

**CITY OF BROOKHAVEN, MISSISSIPPI  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**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***

**2020-01: 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 & 2019

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.

**2020-02: 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, 2020**

Repeat Finding: Yes, 2018 and 2019

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 2020 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***

**2020-03: 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 and 2019

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.

**2020-04: 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 and 2019

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, 2020**

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.

**2020-05: City Court Fines Reporting and Recordkeeping**

Condition: 15 of 60 fines assessed that were selected for testing could not be traced to supporting documentation for payment of the fine or any other subsequent action taken such as warrants, probation, or times served. The City's City Court department identified an issue in their accounting system where a significant amount of outstanding tickets had accumulated in the receivable subledger due to payments not correctly being applied over a period of time.

Repeat Finding: No

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

Cause: The City has not appropriately trained related personnel on how to record transactions processed on a daily basis within the City Court'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. Additionally, if payments are not applied to outstanding fines in the systems, citizens may incorrectly have warrants issued for their arrest or other punitive actions taken despite having paid their fines. 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 thoroughly evaluate the subledger records in City Court related to outstanding fines. Additionally, we recommend management properly train City Court personnel on proper procedures related to processing daily transactions, safeguarding assets, and keeping adequate records and documentation related to court fine payments and court fines outstanding.