

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 ELLISVILLE, MISSISSIPPI

AUDIT REPORT

SEPTEMBER 30, 2021

**CITY OF ELLISVILLE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

TABLE OF CONTENTS	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
<i>GOVERNMENT-WIDE FINANCIAL STATEMENTS:</i>	
Statement of Net Position (Exhibit A)	4
Statement of Activities (Exhibit B)	5
<i>FUND FINANCIAL STATEMENTS:</i>	
<u>Governmental Funds:</u>	
Balance Sheet (Exhibit C)	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1)	8
Statement of Revenues, Expenditures, and Changes in Fund Balance (Exhibit D)	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities (Exhibit D-1)	10
<u>Proprietary Funds:</u>	
Statement of Net Position (Exhibit E)	11
Statement of Revenues, Expenses and Changes in Fund Net Position (Exhibit F)	12
Statement of Cash Flows (Exhibit G)	13 - 14
NOTES TO THE FINANCIAL STATEMENTS	15 - 40
<i>Required Supplementary Information (RSI) (Other than MD&A):</i>	
Budgetary Comparison Schedule – General Fund (Schedule 1a)	42
Schedule of the City's Proportionate Share of Net Pension Liability	43
Schedule of City Contributions	44
Notes to the Required Supplementary Information	45 - 47

**CITY OF ELLISVILLE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

TABLE OF CONTENTS (CONTINUED)

<i>Other Supplementary Information:</i>	Page
Schedule of Surety Bonds for Municipal Officials	49
Schedule of Investments	50
<i>Reports on Compliance and Internal Control:</i>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52-53
Independent Auditor's Report on Compliance with State Laws and Regulations	54
Schedule of Findings and Responses	55



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Julie M. Uher, CPA
Kari M. Blackledge, CPA
Sheri A. Kelly, CPA

H. I. Holt, CPA
Founder (1915-1997)
W. David Dill, CPA (Retired)

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ellisville, Mississippi as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Ellisville, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39440
10 BELLEGRASS BLVD. | HATTIESBURG, MISSISSIPPI 39402
PHONE 601-649-3000 | FAX 601-649-3050
WWW.HOLTACCOUNTING.COM

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ellisville, Mississippi, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

The Budgetary Comparison Information, Schedule of the City's Proportionate Share of Net Pension Liability, and the Schedule of City Contributions on pages 40 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2022 on our consideration of the City of Ellisville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Ellisville, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ellisville, Mississippi's internal control over financial reporting and compliance.

Emphasis of Matter: COVID-19 Pandemic

As discussed in Note 14 to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any City disruptions and related financial impact cannot be reasonably estimated at this time.

Holt & Associates, PLLC

Laurel, MS

January 24, 2022

CITY OF ELLISVILLE, MISSISSIPPI
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

EXHIBIT A

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS:			
Cash and other deposits	\$ 3,997,573	\$ 2,172,284	\$ 6,169,857
Investments	753,695	726,726	1,480,421
Due from other governments	362,826	-	362,826
Receivables, accounts	-	146,817	146,817
Prepaid expenses	49,191	43,197	92,388
Receivables, other	458,987	50,981	509,968
Capital assets, net	4,135,678	7,749,712	11,885,390
Due from other funds	-	4,143	4,143
TOTAL ASSETS	9,757,950	10,893,860	20,651,810
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	382,517	60,582	443,099
LIABILITIES:			
Accounts payable and accrued liabilities	137,190	81,882	219,072
Customer deposits	-	125,450	125,450
Due to other funds	4,143	-	4,143
Estimated state police fees payable	225,398	-	225,398
Long-term liabilities, due within one year			
Capital related debt	41,340	131,660	173,000
Long-term liabilities, due beyond one year			
Capital Related Debt	193,395	1,513,379	1,706,774
Non-capital related debt	34,057	5,948	40,005
Net pension liability	2,578,453	432,321	3,010,774
TOTAL LIABILITIES	3,213,976	2,290,640	5,504,616
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	1,203,189	187,626	1,390,815
NET POSITION			
Investment in capital assets (net of related debt)	3,900,943	6,104,673	10,005,616
Unrestricted	1,822,359	2,371,503	4,193,862
TOTAL NET POSITION	\$ 5,723,302	\$ 8,476,176	\$ 14,199,478

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

CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 578,905	\$ 19,841	\$ -	\$ -	\$ (559,064)	\$ -	\$ (559,064)
Public safety	1,622,694	348,471	-	-	(1,274,223)	-	(1,274,223)
Public works	242,419	-	-	490,567	248,148	-	248,148
Health& welfare	990	-	-	-	(990)	-	(990)
Culture & recreation	107,271	75	-	-	(107,196)	-	(107,196)
Economic Development Authority	51,000	-	-	-	(51,000)	-	(51,000)
Interest on debt	9,429	-	-	-	(9,429)	-	(9,429)
Total governmental activities	2,612,708	368,387	-	490,567	(1,753,754)	-	(1,753,754)
Business -type activities:							
Water & Sanitation	1,444,720	1,568,744	810,404	-	-	934,428	934,428
Total business-type activities	1,444,720	1,568,744	810,404	-	-	934,428	934,428
Total primary government	\$ 4,057,428	\$ 1,937,131	\$ 810,404	\$ 490,567	\$ (1,753,754)	\$ 934,428	\$ (819,326)
Taxes:							
					2,018,679	-	2,018,679
					84,580	-	84,580
					1,189,422	-	1,189,422
					367,942	-	367,942
Unrestricted grants & contributions:							
					145,300	-	145,300
					60,082	28,073	88,155
					160,801	16,425	177,226
Total General Revenues and Transfers					4,026,806	44,498	4,071,304
Change in Net Position					2,273,052	978,926	3,251,978
Net Position - Beginning					3,450,250	7,497,250	10,947,500
Net Position - Ending					\$ 5,723,302	\$ 8,476,176	\$ 14,199,478

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

CITY OF ELLISVILLE, MISSISSIPPI
FUND FINANCIAL STATEMENTS

CITY OF ELLISVILLE, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

EXHIBIT C

	<u>MAJOR FUND</u>		
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS:			
Cash and other deposits	\$ 3,942,578	\$ 54,995	\$ 3,997,573
Investments	753,695	-	753,695
Due from other governments	362,826	-	362,826
Receivables, other	458,987	-	458,987
Prepaid expenses	49,191	-	49,191
Due from other funds	-	87,486	87,486
TOTAL ASSETS	<u><u>\$ 5,567,277</u></u>	<u><u>\$ 142,481</u></u>	<u><u>\$ 5,709,758</u></u>
LIABILITIES & FUND BALANCES:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 137,190	\$ -	\$ 137,190
Estimated state police fees payable	225,398	-	225,398
Due to other funds	91,629	-	91,629
Total Liabilities	<u>454,217</u>	<u>-</u>	<u>454,217</u>
Fund Balances:			
Nonspendable:			
Prepaid expenses	49,191	-	49,191
Assigned:			
Debt Service	-	63,317	63,317
Library	-	79,164	79,164
Culture and Recreation	19,893	-	19,893
Unassigned:	<u>5,043,976</u>	<u>-</u>	<u>5,043,976</u>
Total Fund Balance	<u>5,113,060</u>	<u>142,481</u>	<u>5,255,541</u>
TOTAL LIABILITIES & FUND BALANCE	<u><u>\$ 5,567,277</u></u>	<u><u>\$ 142,481</u></u>	<u><u>\$ 5,709,758</u></u>

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

CITY OF ELLISVILLE, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

EXHIBIT C-1

Total Fund Balance - Governmental Funds	\$	5,255,541
---	----	-----------

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

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

Land	\$	311,760	
Infrastructure		6,197,496	
Building		2,081,095	
Machinery & equipment		814,981	
Mobile Equipment		796,712	
Intangible Asset		20,117	
Accumulated Depreciation		<u>(6,086,483)</u>	4,135,678

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

Net pension liability		(2,578,453)	
-----------------------	--	-------------	--

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

Deferred outflows of resources related to pensions		382,517	
Deferred inflows of resources related to pensions		<u>(1,203,189)</u>	
			(3,399,125)

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

Notes payable		(234,735)	
Compensated Absences		<u>(34,057)</u>	<u>(268,792)</u>

Total Net Position - Governmental Activities	\$	<u><u>5,723,302</u></u>
--	----	-------------------------

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

CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT D

	<u>MAJOR FUND</u>		
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
REVENUES			
Property taxes	\$ 2,018,679	\$ 84,580	\$ 2,103,259
Franchise and other taxes	367,942	-	367,942
License and permits	19,841	-	19,841
Intergovernmental revenue	1,825,289	-	1,825,289
Charges for services	75	-	75
Fines and forfeitures	348,471	-	348,471
Miscellaneous	220,226	657	220,883
TOTAL REVENUES	<u>4,800,523</u>	<u>85,237</u>	<u>4,885,760</u>
EXPENDITURES			
General government	391,107	-	391,107
Public safety	1,874,233	-	1,874,233
Public works	238,550	-	238,550
Health and welfare	990	-	990
Culture & recreation	68,977	64,470	133,447
Economic Development Authority	51,000	-	51,000
Capital Outlay	500,045	-	500,045
Debt Service:			
Principal	47,645	-	47,645
Interest	9,429	-	9,429
TOTAL EXPENDITURES	<u>3,181,976</u>	<u>64,470</u>	<u>3,246,446</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,618,547</u>	<u>20,767</u>	<u>1,639,314</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	2,343	-	2,343
Operating transfers out	-	(2,343)	(2,343)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,343</u>	<u>(2,343)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,620,890	18,424	1,639,314
FUND BALANCE, OCTOBER 1, 2020	<u>3,492,170</u>	<u>124,057</u>	<u>3,616,227</u>
FUND BALANCE, SEPTEMBER 30, 2021	<u>\$ 5,113,060</u>	<u>\$ 142,481</u>	<u>\$ 5,255,541</u>

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

CITY OF ELLISVILLE, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT D-1

Net Change in fund balances - governmental funds \$ 1,639,314

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

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

Capital outlay	536,061	
Depreciation expense	<u>(402,039)</u>	134,022

2. Decrease in compensated absences not included in governmental funds, but payment is reported as expenditures in statement of activity. 1,782
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities. 47,645
4. The statement of activities uses the economic resources measurement focus and accrual basis of accounting, and therefore requires the pension expense and deferred outflows/inflows of resources related to pensions be recognized.

Pension expense	395,709	
Contributions subsequent to the measurement date	<u>54,580</u>	<u>450,289</u>

Change in net position of governmental activities \$ 2,273,052

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

**CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2021**

EXHIBIT E

MAJOR FUNDS

ASSETS	Enterprise Fund	Sanitation Fund	Total Proprietary Funds
CURRENT ASSETS			
Cash	\$ 2,088,024	\$ 84,260	\$ 2,172,284
Investments	726,726	-	726,726
Accounts receivable (net)	146,817	-	146,817
Prepaid items	18,057	25,140	43,197
Receivables, other	50,981	-	50,981
Due from other funds	2,002	2,141	4,143
Total current assets	<u>3,032,607</u>	<u>111,541</u>	<u>3,144,148</u>
NONCURRENT ASSETS			
Capital assets (net)	<u>7,670,787</u>	<u>78,925</u>	<u>7,749,712</u>
TOTAL ASSETS	<u>\$ 10,703,394</u>	<u>\$ 190,466</u>	<u>\$ 10,893,860</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	<u>\$ 51,720</u>	<u>\$ 8,862</u>	<u>\$ 60,582</u>
LIABILITIES			
CURRENT LIABILITIES			
Note payable- current portion	\$ 131,660	\$ -	131,660
Accounts payable	51,899	25,546	77,445
Accrued salaries and taxes	4,437	-	4,437
Customer deposits	125,450	-	125,450
Total current liabilities	<u>313,446</u>	<u>25,546</u>	<u>338,992</u>
LONG-TERM LIABILITIES			
Long-term liabilities, due beyond one year	1,513,379	-	1,513,379
Accrued compensation	4,759	1,189	5,948
Net pension liability	372,106	60,215	432,321
Total long-term liabilities	<u>1,890,244</u>	<u>61,404</u>	<u>1,951,648</u>
TOTAL LIABILITIES	<u>\$ 2,203,690</u>	<u>\$ 86,950</u>	<u>\$ 2,290,640</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	<u>\$ 159,809</u>	<u>\$ 27,817</u>	<u>\$ 187,626</u>
NET POSITION			
Invested in capital assets, net of related debt	\$ 6,025,748	\$ 78,925	\$ 6,104,673
Retained earnings: Unreserved	<u>2,365,867</u>	<u>5,636</u>	<u>2,371,503</u>
TOTAL NET POSITION	<u>\$ 8,391,615</u>	<u>\$ 84,561</u>	<u>\$ 8,476,176</u>

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

**CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT F

	MAJOR FUNDS		
	Enterprise Fund	Sanitation Fund	Total Proprietary Funds
OPERATING REVENUES:			
Charges for services	\$ 1,241,605	\$ 327,139	\$ 1,568,744
OPERATING EXPENSES:			
Personal services	162,167	41,218	203,385
Supplies	109,171	-	109,171
Contractual services and other charges	440,390	273,969	714,359
Depreciation	332,155	18,571	350,726
Total operating expenses	1,043,883	333,758	1,377,641
Operating income	197,722	(6,619)	191,103
NON-OPERATING REVENUES (EXPENSES):			
Other miscellaneous income	16,425	-	16,425
Grant Income	810,404	-	810,404
Interest income	26,836	1,237	28,073
Interest expense	(67,079)	-	(67,079)
Total non-operating revenues (expenses)	786,586	1,237	787,823
NET INCOME	984,308	(5,382)	978,926
Net position, October 1	7,407,307	89,943	7,497,250
Net position, September 30	\$ 8,391,615	\$ 84,561	\$ 8,476,176

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

**CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT G

	<u>Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,554,861
Payments to suppliers	(822,812)
Payments to employees	(277,055)
Net cash flows from operating activities	<u>454,994</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grant income	810,404
Miscellaneous income	16,425
Net interfund loan activity	951
Net cash provided by noncapital financing activities	<u>827,780</u>
CASH FLOWS FROM CAPITAL AND REALTED FINANCING ACTIVITIES:	
Purchase of capital assets	(172,037)
Principal paid on capital debt	(143,791)
Interest paid on capital debt	(67,079)
Net cash provided by noncapital financing activities	<u>(382,907)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(9,941)
Interest income	28,073
Net cash provided by investing activities	<u>18,132</u>
NET INCREASE (DECREASE) IN CASH	917,999
Cash, October 1	<u>1,254,285</u>
Cash, September 30	<u><u>\$ 2,172,284</u></u>

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

**CITY OF ELLISVILLE, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2021**

EXHIBIT G

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

Operating Income	\$ 191,103
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	350,726
Change in assets and liabilities:	
Receivables, net of allowances	(12,893)
Prepaid items	(23,994)
Deferred outflows related to pension	(18,877)
Accounts payable	24,712
Accrued salaries and taxes	(3,705)
Customer deposits	(990)
Accrued compensation	(2,681)
Net pension liability	(140,569)
Deferred inflows related to pension	92,162
Net cash flows from operating activities	<u>\$ 454,994</u>

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity.

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

B. Basis of Presentation (continued)

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

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

C. Measurement Focus and Basis of Accounting.

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

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

The City reports the following major governmental funds:

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

C. Measurement Focus and Basis of Accounting (continued)

Additionally, the City reports the following fund type:

Governmental Funds:

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds:

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

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

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

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

C. Measurement Focus and Basis of Accounting (continued)

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

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

H. Receivables.

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

I. Prepaid Expenses.

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

J. Capital Assets.

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

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

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

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

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

J. Capital Assets. (continued)

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

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

K. Long-term Liabilities.

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

L. Inter-fund Transactions and Balances.

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

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

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

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

M. Equity Classifications.

Government-wide Financial Statements:

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

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

M. Equity Classifications (continued)

Fund Financial Statements:

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

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at September 30, 2021, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the City of Ellisville's Council, the City's highest level of decision-making authority. Commitments may be modified or rescinded only through ordinances approved by the City of Ellisville.
- Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The City of Ellisville, Mississippi reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

N. Property Taxes.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied as of January 1 and payable on or before February 1. Property taxes and public utility taxes are collected by Jones County and remitted to the City. Lien dates for personal and real property are in August. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received. The millage rate for the City for January through December was 37.39 mills broken down as follows:

General Fund	35.59
Library	<u>1.80</u>
	<u>37.39</u>

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

O. Budgets and Budgetary Accounting.

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

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

Proprietary funds are budgeted on a modified accrual basis. Modifications to the accrual basis include budgeting for capital expenditures, debt principal payments and for depreciation. During the year, amendments were made to the original budget.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

P. Compensated Absences.

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

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

Q. Use of Estimates.

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

R. Pensions

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

S. Deferred outflows/inflows of resources

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

1. Deferred outflows related to pensions \$443,099

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

1. Deferred inflows related to pensions \$1,390,815

See Note 8 for further details.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

T. Recently Implemented and Issued Accounting Pronouncements

In fiscal year 2021, the City implemented GASB Statement No. 84, Fiduciary Activities. This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The adoption of this statement did not have a significant impact on the City's financial statements.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows: In June 2017, the GASB issued Statement No. 87, Leases. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement will become effective for the City in fiscal year 2022. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after June 15, 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 May 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objectives of this statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR), most notably the London Interbank Offered Rate (LIBOR), by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87, Leases, as amended, for lease contracts that are amended solely to replace an IBOR used to determine variable payments. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

T. Recently Implemented and Issued Accounting Pronouncements (continued)

In May 2020, the GASB issued GASB 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 (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

The City is evaluating the requirements of the above statements and the impact on reporting.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS.

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

Deposits: The City must advertise and accept bids for depositories no less than once every two years as required by Section 27-105-1, Miss. Code Ann. (1972). The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Cash and Cash Equivalents.

The carrying amount of the City's deposits with financial institutions was \$7,650,278 (including investments of \$1,480,421) for 2021 and the bank balance was \$7,699,101 (including investments of \$1,480,421) for 2021.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2021, the City's bank balance did not have any exposure to custodial credit risk.

Investments.

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

Type of Investment	Amount	Maturity Date
General Fund:		
Certificate of Deposit	\$ 456,212	9/30/2022
Certificate of Deposit	215,220	9/30/2022
Certificate of Deposit	73,593	9/30/2022
Certificate of Deposit	8,670	9/30/2022
	<u>\$ 753,695</u>	
Enterprise Fund		
Certificate of Deposit	\$ 475,859	9/30/2022
Certificate of Deposit	250,867	9/30/2022
	<u>\$ 726,726</u>	

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

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk. As of September 30, 2021, the City did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. As of September 30, 2021, the City has six certificates of deposits with Community Bank which comprised 100 % of the investment balance on Exhibit A and Exhibit E.

NOTE 3 – ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT

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

Governmental Funds

Police fines – installment agreements	\$ 1,210,271
Less: Estimated amount uncollectible	(751,284)
Net	<u>\$ 458,987</u>

Proprietary Funds

Water & Sewer Charges	\$ 151,477
Unbilled Receivables	50,981
Less: Allowance for uncollectible accounts	(4,660)
Net	<u>\$ 197,798</u>

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Receivables from other governments are as follows:

Governmental Funds

Sales tax	\$ 197,566
Utility tax	99,228
Auto ad valorem and property taxes	11,141
Other receivable	54,891
Total General Fund	<u>\$ 362,826</u>

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund transactions and balances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 87,486
Enterprise Fund	General Fund	2,002
Sanitation Fund	General Fund	2,141
Total		<u>\$ 91,629</u>

Interfund loans primarily represent amounts advanced or received for timing differences between revenues and expenditures and cash balances.

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 2,343
Total		<u>\$ 2,343</u>

The transfers represent council approved operating transfers for operations and planning purposes.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6 - CAPITAL ASSETS

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

	Begin Balance 10/1/2020	Additions	Retirements	End Balance 9/30/2021
<u>Non-depreciable capital assets:</u>				
Land	\$ 311,760	\$ -	\$ -	\$ 311,760
Total non-depreciable capital assets	<u>321,196</u>	<u>-</u>	<u>-</u>	<u>311,760</u>
<u>Depreciable capital assets:</u>				
Infrastructure	5,697,451	500,045	-	6,197,496
Building	2,081,095	-	-	2,081,095
Machinery & Equipment	801,372	36,016	22,407	814,981
Mobile Equipment	817,944	-	21,232	796,712
Intangible Assets	20,117	-	-	20,117
Total depreciable capital assets	<u>9,417,979</u>	<u>536,061</u>	<u>43,639</u>	<u>9,910,401</u>
<u>Less accumulated depreciation for:</u>				
Infrastructure	3,648,674	263,152	-	3,911,826
Building	618,149	52,368	-	670,517
Machinery & Equipment	793,736	66,756	22,407	838,085
Mobile Equipment	647,406	19,763	21,232	645,937
Intangible Assets	20,118	-	-	20,118
Total accumulated depreciation	<u>5,728,083</u>	<u>402,039</u>	<u>43,639</u>	<u>6,086,483</u>
Governmental Activities, capital assets, net	<u>\$ 4,011,092</u>	<u>\$ 134,022</u>	<u>\$ -</u>	<u>\$ 4,135,678</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
General Government	\$ 273,941
Public Safety	77,080
Public Works	41,178
Culture	<u>9,841</u>
Total depreciation expense	<u>\$ 402,039</u>

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6 - CAPITAL ASSETS (CONTINUED)

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

	Begin Balance <u>10/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	End Balance <u>9/30/2021</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 35,093	\$ -	\$ -	\$ 35,093
Total non-depreciable capital assets	<u>35,093</u>	<u>-</u>	<u>-</u>	<u>35,093</u>
<u>Depreciable capital assets:</u>				
Plant, Building & Systems	12,659,761	162,037	-	12,821,798
Machinery & Equipment	487,851	10,000	-	497,851
Mobile equipment	58,796	-	-	58,796
Total depreciable capital assets	<u>13,206,408</u>	<u>172,037</u>	<u>-</u>	<u>13,378,445</u>
<u>Less accumulated depreciation for:</u>				
Plant, Building & Systems	4,884,111	327,496	-	5,211,607
Machinery & Equipment	395,540	23,230	-	418,770
Mobile equipment	33,449	-	-	33,449
Total accumulated depreciation	<u>5,313,100</u>	<u>350,726</u>	<u>-</u>	<u>5,663,826</u>
Proprietary Activities, capital assets, net	<u>\$ 8,188,694</u>	<u>\$ (178,689)</u>	<u>\$ -</u>	<u>\$ 7,749,712</u>

Depreciation expense charged to the enterprise fund totaled \$350,726.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 - LONG - TERM LIABILITIES

Changes in long-term obligations for the year ended September 30, 2021 are as follows:

	Balance 10/1/2020	Additions	Reductions	Balance 9/30/2021	Amounts Due Within One Year
Governmental activities					
Notes from direct borrowings	\$ 282,380	\$ -	\$ 47,645	\$ 234,735	\$ 41,340
Compensated absences	35,839	-	1,782	34,057	-
Total	<u>\$ 318,219</u>	<u>\$ -</u>	<u>\$ 49,427</u>	<u>\$ 268,792</u>	<u>\$ 41,340</u>
Business-type activities					
Notes from direct borrowings	\$ 1,788,830	\$ -	\$ 143,791	\$ 1,645,039	\$ 131,660
Compensated absences	8,629	-	2,681	5,948	-
Total	<u>\$ 1,797,459</u>	<u>\$ -</u>	<u>\$ 146,472</u>	<u>\$ 1,650,987</u>	<u>\$ 131,660</u>

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Notes from Direct Borrowings		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2022	\$ 41,340	\$ 9,360	\$ 131,660	\$ 58,262
2023	42,939	7,761	111,669	54,819
2024	44,601	6,099	84,707	51,950
2025	46,327	4,373	87,494	49,655
2026	48,120	2,580	90,380	46,779
2027-2031	11,408	718	416,054	187,135
2032-2036	-	-	408,970	145,861
2037-2041	-	-	314,105	35,642
	<u>\$ 234,735</u>	<u>\$ 30,891</u>	<u>\$ 1,645,039</u>	<u>\$ 630,103</u>

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 - LONG - TERM LIABILITIES (CONTINUED)

Notes payable in Governmental Fund

The City's outstanding notes from direct borrowings related to governmental activities of \$234,735 are secured with equipment. The outstanding contain a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make a payment.

	Jones County Board of <u>Supervisors</u>
Date of Note	10/1/2015
Maturity Date	3/1/2027
Original Amount	\$ 459,500
Unpaid Principal	\$ 234,735
Interest Rate	3.78%

Notes payable in Proprietary Funds

The notes payable from direct borrowings and placements for business-type activities are as follows:

	<u>MS DEQ</u>	<u>CAP Loan</u>	<u>CAP Loan</u>	<u>USDA</u>
Date of Note	10/1/2004	1/1/2010	12/30/2013	4/4/2008
Maturity Date	5/1/2024	12/1/2029	12/1/2035	9/4/2043
Original Amount	\$ 882,796	\$ 450,000	\$ 600,000	\$ 1,216,200
Unpaid Principal	\$ 81,890	\$ 173,708	\$ 462,061	\$ 927,380
Interest Rate	1.75%	2.00%	3.00%	4.38%

The City has a note owed to Mississippi Department of Environment Quality under the Water Pollution Control that is secured. The State of Mississippi currently withholds payments from sales tax proceeds to apply to this loan. The outstanding note from direct borrowing contains a provision in the event of default, outstanding amounts become immediately due. Furthermore, the direct borrowing contains an acceleration clause that allows the lender to accelerate the repayment schedule and increase in the interest rate. Also, revenues or tax sharing funds established by the State can be intercepted for the delinquent amount plus ten percent annual penalty interest.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 - LONG - TERM LIABILITIES (CONTINUED)

The City also has a series of notes with Mississippi Development Authority in which the proceeds were used for capital acquisitions and improvements. The outstanding notes from direct borrowings contain a provision in the event of default, outstanding amounts become immediately due. Furthermore, the direct borrowing contains an acceleration clause that allows the lender to accelerate the repayment schedule. Also, default can result in the forfeiture of sales tax allocation and/or homestead exemption reimbursements in an amount sufficient to repay obligations due.

The City has an outstanding revenue bond with the United States Department of Agriculture for construction and improvement to water and sewer systems within the City secured by a first lien on the revenue of the water and sewer system. The outstanding bond from direct placement can be redeemed at any time, plus accrued interest, if it is determined that other financing alternatives are available to the City at comparable rates of interest after the date of the Bond.

The annual requirements of the notes payable on note principal outstanding for the proprietary funds as of September 30, 2021, are as follows:

Year Ended			
<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 131,660	\$ 58,262	\$ 189,922
2023	111,669	54,819	166,488
2024	84,707	51,950	136,657
2025	87,494	49,655	137,149
2026	90,380	46,779	137,159
2027-2031	416,054	187,135	603,189
2032-2036	408,970	145,861	554,831
2037-2041	314,105	35,642	349,747
Total	<u>\$ 1,645,039</u>	<u>\$ 630,103</u>	<u>\$ 2,275,142</u>

NOTE 8 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN(CONTINUED)

That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2021, was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2021, 2020 and 2019 were \$236,002, \$242,562, and \$222,635, respectively, which equaled the required contributions for each year.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN(CONTINUED)

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

At September 30, 2021, the City reported a liability of \$3,010,774 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on a projection of the city's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The city's proportionate share used to calculate the June 30, 2021 net pension liability was .02037 percent, which was a decrease of .000768 percent from its proportion measured as of June 30, 2020.

For the year ended September 30, 2021, the City recognized a net pension expense of (\$281,570). At September 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 48,925	\$ -
Net difference between projected and actual earnings on pension plan investments	-	883,808
Changes of assumptions	232,192	-
Change in proportionate share	107,402	507,007
City's contributions subsequent to the measurement date	<u>54,580</u>	<u>-</u>
Total	<u>\$ 443,099</u>	<u>\$ 1,390,815</u>

\$54,580 reported as deferred outflows of resources related to pensions resulting from city's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2021.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Year ended September 30,	
2022	\$ (344,148)
2023	(245,400)
2024	(142,550)
2025	<u>(270,198)</u>
	<u>\$ (1,002,296)</u>

Actuarial assumptions. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the TPL were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic Equity	27 %	4.60 %
International Equity	22	4.50
Global Equity	12	4.80
Debt Securities	20	(0.25)
Real Estate	10	3.75
Private Equity	8	6.00
Cash Equivalents	1	(1.00)
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the city's proportionate share of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability of the cost-sharing plan, calculated using the discount rate of 7.55%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate (amounts in thousands):

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
City's proportionate share of the net pension liability	\$ 4,263,963	\$ 3,010,774	\$ 1,978,048

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 – OPERATING LEASES

The City is committed under various noncancelable operating leases, primarily for office equipment. For the year ended September 30, 2021, lease expenditures were \$8,456.

2022	\$	3,369
2023		3,369
2024		3,369
2025		3,369

The City leases certain office buildings on a fixed fee. Some of the rentals are on a month-to-month basis and are not included in the future rentals. Rental income for the year ended September 30, 2021 was \$69,470.

Minimum future rentals on non-cancelable operating leases in each of the next five years and thereafter as of September 30, 2021 are as follows:

2022	\$	88,036
------	----	--------

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 - RECONCILIATION OF BUDGETARY BASIS TO ACCRUAL

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

The required budgetary basis is therefore not considered a generally accepted accounting principle. The following schedule reconciles the fund balances on the budgetary basis to the GAAP basis for the general fund:

General Fund:

Fund balance (budgetary basis)	\$ 5,113,060
Adjustment to GAAP basis:	
Accrued revenues	<u>(293,390)</u>
Fund balance (GAAP basis), Sept. 30	<u>\$ 4,819,670</u>

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 12 – TAX ABATEMENTS

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

For the fiscal year ended September 30, 2021, the City abated property taxes totaling \$417,228 under this program for four separate manufacturing enterprises.

NOTE 13 – JOINT VENTURES

The City participates in the following joint ventures:

The City of Ellisville, Mississippi is a participant with Jones County and the Cities of Laurel and Sandersville in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Laurel – Jones County Library. The joint venture was created to provide free public library service to all the people of Jones County and is governed by a twelve-member board. Five members are appointed by the city, five members are appointed by the county and one member is appointed by each of the cities of Ellisville and Sandersville. By contractual agreement the City's appropriation to the joint venture amounted to \$50,800. Complete financial statements for the Laurel – Jones County Library can be obtained from the Laurel – Jones County Library, 530 Commerce Street, Laurel, MS 39440.

The City of Ellisville, Mississippi is a participant with Jones County and the Cities of Laurel, Soso, and Sandersville in a joint venture, authorized by Section 19-9-11, Miss. Code Ann. (1972), to operate the Jones County Economic Development Authority. The joint venture was created to foster, encourage and facilitate economic development in the County and is governed by a board of trustees composed of twelve members appointed as follows: Jones County Board of Supervisors, six; City of Laurel, three; City of Ellisville, three. The City's appropriation from the General Fund to the joint venture amounts to \$51,000. Complete financial statements for the Jones County Economic Development Authority can be obtained from the Jones County Economic Development Authority, P.O. Box 527, Laurel, MS 39441-0527.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 13 – JOINT VENTURES(CONTINUED)

The City of Ellisville, Mississippi entered into an interlocal agreement with Jones County, Mississippi and the City of Laurel, Mississippi to operate the Jones County Emergency Operations Center which operates the 911 system and coordinates other civil defense matters. The board consists of the Mayor, Police Chief and Council President from the City of Laurel, Mississippi, four officials from Jones County, Mississippi and the Mayor of Ellisville, Mississippi. The City of Ellisville, Mississippi appropriated \$106,356 to the joint venture in 2021. The financial statements of the Jones County Emergency Operations Center are included in the Jones County financial statements.

NOTE 14 – COVID-19 PANDEMIC

The Coronavirus (COVID-19) pandemic broke out in March 2020, resulting in the government mandating stay-at-home orders until further notice, except for essential businesses. The City is considered an essential business, and operations from the City have not shown signs of decline due to the pandemic. The related financial impact and duration cannot be reasonably estimated at this time.

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 or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Ellisville, Mississippi evaluated the activity of the City through January 24, 2022, the date the financial statements were available to be issued.

CITY OF ELLISVILLE, MISSISSIPPI
REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ELLISVILLE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

SCHEDULE 1a

	Budgeted Amounts		Actual	Variances	
				Original	Final
	Original	Final		to Final	to Actual
REVENUES					
Property taxes	\$ 2,017,523	\$ 2,017,523	\$ 2,018,156	\$ -	\$ 633
Franchise and other taxes	303,000	303,000	359,817	-	56,817
License and permits	15,875	15,875	19,761	-	3,886
Intergovernmental revenues	1,085,750	1,085,750	1,302,910	-	217,160
Charges for services	-	-	75	-	75
Fines and forfeitures	335,000	335,000	359,878	-	24,878
Miscellaneous	392,010	392,010	446,536	-	54,526
TOTAL REVENUES	4,149,158	4,149,158	4,507,133	-	357,975
EXPENDITURES					
General government	466,219	465,869	391,107	350	74,762
Public safety	2,342,476	2,342,476	1,874,233	-	468,243
Public works	497,969	497,969	238,550	-	259,419
Health & welfare	5,000	5,000	990	-	4,010
Culture & recreation	122,598	140,551	68,977	(17,953)	71,574
Economic Development Authority	51,000	51,000	51,000	-	-
Capital Outlay	985,000	985,000	500,045	-	484,955
Debt service	19,500	19,500	57,074	-	(37,574)
TOTAL EXPENDITURES	4,489,762	4,507,365	3,181,976	(17,603)	1,325,389
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENDITURES	(340,604)	(358,207)	1,325,157	(17,603)	1,683,364
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	2,343	-	2,343
TOTAL OTHER FINANCING SOURCES (USES)	-	-	2,343	-	2,343
NET CHANGE IN FUND BALANCES					
	(340,604)	(358,207)	1,327,500	(17,603)	1,685,707
FUND BALANCE -BEGINNING					
	3,492,170	3,492,170	3,492,170	-	-
FUND BALANCE - ENDING					
	\$ 3,151,566	\$ 3,133,963	\$ 4,819,670	\$ (17,603)	\$ 1,685,707

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

City of Ellisville, Mississippi
Schedule of the City's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability(asset)	0.2037%	0.0211%	0.0215%	0.0249%	0.0260%	0.0219%
City's proportionate share of the net pension liability(asset)	\$ 3,010,774	\$ 4,092,071	\$ 3,777,172	\$ 4,130,798	\$ 4,336,711	\$ 4,301,111
City's covered employees payroll	\$ 1,356,332	\$ 1,393,628	\$ 1,379,436	\$ 1,537,393	\$ 1,589,104	\$ 1,435,556
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.05%	34.06%	36.52%	37.22%	36.64%	33.38%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%	62.54%	61.00%	57.00%

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

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

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

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

	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 236,003	\$ 242,562	\$ 222,635	\$ 242,140	\$ 256,827	\$ 250,284
Contributions in relation to the contractually required contribution	<u>236,003</u>	<u>242,562</u>	<u>222,635</u>	<u>242,140</u>	<u>256,827</u>	<u>250,284</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,356,332	\$ 1,393,628	\$ 1,379,436	\$ 1,537,393	\$ 1,630,645	\$ 1,589,104
Contributions as a percentage of covered-employee payroll	17.40%	17.41%	16.14%	15.75%	15.75%	15.75%

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

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

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

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

Pension Schedules

(1) There were no changes in benefit terms.

(2) Changes of assumptions

- 2021
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
 - The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 2.75% to 2.40%.
 - The wage inflation assumption was reduced from 3.00% to 2.65%.
 - The investment rate of return assumption was changed from 7.75% to 7.55%.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.
- 2020
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 3.00% to 2.75%.
 - The wage inflation assumption was reduced from 3.25% to 3.00%.
 - 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% to 9%.
- 2019
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.

CITY OF ELLISVILLE, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 3.00% to 2.75%.
 - The wage inflation assumption was reduced from 3.25% to 3.00%.
 - 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% to 9%.
 - 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability 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 6% to 7%.
 - 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
 - 2015
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively
- (3) Changes in benefit provisions.
- 2016
 - Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

CITY OF ELLISVILLE, MISSISSIPPI
OTHER SUPPLEMENTARY INFORMATION

**CITY OF ELLISVILLE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2021**

Coverage with Old Republic Surety Company:

Mayor	\$50,000
City Clerk	70,000
Deputy Clerks	50,000 ea
Police Chief	50,000
Deputy Court Clerks	50,000 ea
Alderman	50,000 ea
Special Projects Coordinator	50,000

CITY OF ELLISVILLE, MISSISSIPPI
SCHEDULE OF INVESTMENTS – ALL FUNDS
SEPTEMBER 30, 2021

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other Information</u>	<u>Investment Cost/Value</u>
General Fund	Certificate of Deposit	1.380%	9/30/2022	Community Bank	\$ 456,212
General Fund	Certificate of Deposit	1.380%	9/30/2022	Community Bank	215,220
General Fund	Certificate of Deposit	1.380%	9/30/2022	Community Bank	73,593
General Fund	Certificate of Deposit	1.380%	9/30/2022	Community Bank	8,670
Total General					<u>753,695</u>
Proprietary Fund	Certificate of Deposit	1.380%	9/30/2022	Community Bank	475,859
Proprietary Fund	Certificate of Deposit	1.380%	9/30/2022	Community Bank	250,867
Total Proprietary					<u>726,726</u>
Total Investment					<u>\$1,480,421</u>

CITY OF ELLISVILLE, MISSISSIPPI
REPORTS ON COMPLIANCE AND INTERNAL CONTROL



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Julie M. Uher, CPA
Kari M. Blackledge, CPA
Sheri A. Kelly, CPA

H. I. Holt, CPA
Founder (1915-1997)
W. David Dill, CPA (Retired)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Ellisville, Mississippi, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Ellisville, Mississippi's basic financial statements, and have issued our report thereon dated January 24, 2022.

Internal Control Over Financial Reporting

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

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

2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39440
10 BELLEGRASS BLVD. | HATTIESBURG, MISSISSIPPI 39402
PHONE 601-649-3000 | FAX 601-649-3050
WWW.HOLTACCOUNTING.COM

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items, Findings 2021-01 and 2021-02, that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Ellisville Mississippi's Response to Findings

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

Purpose of this Report

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

Holt & Associates, PLLC

Laurel, MS
January 24, 2022



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Julie M. Uher, CPA
Kari M. Blackledge, CPA
Sheri A. Kelly, CPA

H. I. Holt, CPA
Founder (1915-1997)
W. David Dill, CPA (Retired)

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

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

We have audited the financial statements of the governmental activities, business-type activities and each major fund and the aggregate remaining fund information of the City of Ellisville, Mississippi as of and for the year ended September 30, 2021, and have issued our report thereon dated January 24, 2022. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

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

Holt & Associates, PLLC

Laurel, MS
January 24, 2022

2815 HIGHWAY 15 NORTH | LAUREL, MISSISSIPPI 39440
10 BELLEGRASS BLVD. | HATTIESBURG, MISSISSIPPI 39402
PHONE 601-649-3000 | FAX 601-649-3050
WWW.HOLTACCOUNTING.COM

**CITY OF ELLISVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
FOR YEAR ENDED SEPTEMBER 30, 2021**

FINDING 2021-1

Criteria: In order to achieve a high level of internal control, the functions of executing transactions, recording transactions, and maintaining accountability for assets should be performed by different employees or be maintained under dual control.

Condition: The City does not currently have an internal control system to allow for proper segregation of duties in certain areas of the accounting function.

Cause: The City has limited staff and cannot justify staffing the number of positions necessary to have proper segregation of duties across all areas.

Effect: Inadequate segregation of duties could adversely affect the City's ability to detect and correct misstatements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: The cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed. Under this condition, the most effective control is management and the board's oversight and knowledge of matters relating to the operations of the City.

Response: Lack of segregation of duties has been a recurring deficiency. Since the cost to hire additional personnel is cost prohibited, this will continue to be a deficiency in future audits. Procedures are in place to segregate duties with the staff available.

FINDING 2021-2

Criteria: In order to safeguard assets of the city, internal controls should be designed to help prevent or detect losses from fraudulent activities.

Condition: Adequate policies and procedures are not in place to monitor internal controls over proprietary collections.

Cause: The City has limited staff and cannot justify staffing the number of positions necessary to have proper segregation of duties across all areas.

Effect: Failure of controls to safeguard assets has caused misappropriations of City funds.

Recommendation: The City must implement procedures to ensure that segregation of duties are implemented over proprietary fund collections.

Response: Lack of segregation of duties has been a recurring deficiency. Since the cost to hire additional personnel is cost prohibited, this will continue to be a deficiency in future audits. However, additional steps have been implemented to have additional checks and balances in place.