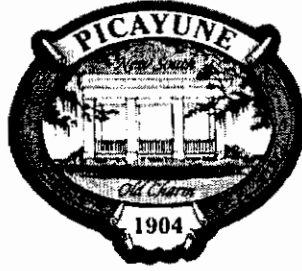




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MAYOR  
Ed Pinero, Jr.

CITY MANAGER  
Jim Luke

COUNCIL  
Larry E. Breland, Sr.  
Lynn Bumpers  
Wayne Gouguet  
Todd Lane  
Larry Watkins

**City of Picayune**  
203 Goodyear Boulevard  
Picayune, MS 39466  
(601) 798-9770  
Fax (601) 799-5546

May 16, 2013

State of Mississippi  
Office of the State Auditor  
Post Office Box 956  
Jackson, MS 39205

Re: Annual Municipal Audit for year ending September 30, 2012

Accompanying this letter is a copy of the annual audit of the City of Picayune, Mississippi, for the fiscal year ended September 30, 2012. A separate management letter was not written to the city in connection with this audit.

If you have any questions, please feel free to contact me at (601) 799-5543.

Sincerely,

Amber Hinton  
City Clerk

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**CITY OF PICAYUNE, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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**CITY OF PICAYUNE, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

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# Keene, Bourne, Sanderson, Haigler & Eavenson, PA

CERTIFIED PUBLIC ACCOUNTANTS

(A Professional Association)

JOHN M. KEENE, CPA

PAMELA W. BOURNE, CPA

C. RONALD SANDERSON, CPA

T. ASHTON HAIGLER, CPA, CVA

CHERLIE K. EAVENSON, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the  
City Council, City Manager, and City Clerk  
Picayune, Mississippi

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 Picayune, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Picayune's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Picayune, Mississippi, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2013, on our consideration of the City of Picayune, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information on page 30, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The City has elected not to present Management's Discussion and Analysis that 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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Picayune, Mississippi's basic financial statements. The accompanying Schedule of

### MEMBERS:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS | MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
NATIONAL ASSOCIATION OF CERTIFIED VALUATION ANALYSTS | LOUISIANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
ALABAMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basis financial statements. Other supplementary financial information listed as schedules in the table of contents is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Keene, Bourne Sanderson, Haigler & Eavenson, P.A.*

Keene Bourne Sanderson Haigler & Eavenson, PA  
Certified Public Accountants

February 19, 2013

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**City of Picayune  
Statement of Net Assets  
September 30, 2012**

**EXHIBIT 1**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,574,754	\$ 4,019,145	\$ 11,593,899
Investments	206,418	599,568	805,986
Receivables (net of uncollectibles):			
Accounts	401,723	760,914	1,162,637
Sales Tax	749,396	-	749,396
Property & Ad Valorem Tax	1,864,921	-	1,864,921
Other	306,458	32,708	339,166
Notes Receivable	1,024,476	-	1,024,476
Other Assets	633,933	274,768	908,701
Due from Other Funds	2,990,036	214,201	3,204,237
Capital Assets (net of accumulated depreciation):			
Land	2,192,438	172,599	2,365,037
Buildings and Improvements	3,807,593	68,444	3,876,037
Machinery and Equipment	365,425	107,276	472,701
Mobile Equipment	1,175,678	121,074	1,296,752
Infrastructure	18,427,774	5,587,743	24,015,517
Construction in Progress	8,366,882	3,533,727	11,900,609
Bond Issuance Costs (net of accumulated amortization)	234,765	12,717	247,482
<b>Total Assets</b>	<b>\$ 50,322,670</b>	<b>\$ 15,504,884</b>	<b>\$ 65,827,554</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 643,890	\$ 792,122	\$ 1,436,012
Accrued Liabilities	225,331	55,699	281,030
Customer Deposits	-	648,768	648,768
Due to Other Funds	1,315,074	1,889,163	3,204,237
Deferred Revenue	1,864,921	-	1,864,921
Assets Held for Others	432,898	-	432,898
Non-Current Liabilities:			
Due Within One Year	1,240,114	176,653	1,416,767
Due In More Than One Year	11,898,899	3,376,719	15,275,618
Long-term Compensated Absences	515,541	104,928	620,469
<b>Total Liabilities</b>	<b>18,136,668</b>	<b>7,044,052</b>	<b>25,180,720</b>
<b>Net Assets:</b>			
Invested in Capital Assets, net of related debt	21,196,777	6,037,491	27,234,268
Restricted	4,512,356	1,248,336	5,760,692
Unrestricted	6,476,869	1,175,005	7,651,874
<b>Total Net Assets</b>	<b>32,186,002</b>	<b>8,460,832</b>	<b>40,646,834</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 50,322,670</b>	<b>\$ 15,504,884</b>	<b>\$ 65,827,554</b>

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

City of Picayune  
Statement of Activities  
September 30, 2012

EXHIBIT 2

Function/Programs:	Program Revenues			Business- Type Activities	Total
	Expenses	Charges for Services	Operating Grants		
<b>Governmental Activities:</b>					
General Government	\$ 2,599,423	\$ -	\$ 634,338	\$ 132,228	\$ (1,832,857)
Public Safety	4,775,342	-	-	-	(4,775,342)
Public Works	2,313,736	-	-	-	(2,313,736)
Culture and Recreation	189,882	-	-	-	(189,882)
Economic Development	533,877	4,848	-	-	(529,029)
Interest on Long-Term Debt	439,467	-	-	-	(439,467)
<b>Total Governmental Activities</b>	<b>10,851,727</b>	<b>4,848</b>	<b>634,338</b>	<b>132,228</b>	<b>(10,080,313)</b>
<b>Business-type Activities:</b>					
Utility	3,797,827	4,357,980	-	1,489,533	2,049,686
Cemetery	98,192	33,683	-	-	(64,509)
<b>Total Business-type Activities</b>	<b>3,896,019</b>	<b>4,391,663</b>	<b>-</b>	<b>1,489,533</b>	<b>1,985,177</b>
<b>Total Functions/Programs</b>	<b>14,747,746</b>	<b>4,396,511</b>	<b>634,338</b>	<b>1,621,761</b>	<b>(8,095,136)</b>

General Revenues:	Property Tax and Ad Valorem Tax	Franchise Taxes	Sales Tax	Intergovernmental Revenue	Licenses, Permits, and Fees	Fines and Forfeits	Other	Transfers In	Transfers Out	Total General Revenues	Change in Net Assets	Net Assets, Beginning of Year	Net Assets, End of Year
	2,820,567	572,747	4,512,615	822,943	229,911	438,890	-	140,061	124,959	(80,834)	93,986	32,092,016	\$ 32,186,002
	-	-	-	-	-	-	-	1,138,384	997,602	10,358,485	2,169,363	6,291,469	\$ 8,460,832
	2,820,567	572,747	4,512,615	822,943	229,911	438,890	-	1,138,384	997,602	(1,175,174)	2,263,349	38,383,485	\$ 40,646,834

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City of Picayune  
Balance Sheet  
Governmental Funds  
September 30, 2012

EXHIBIT 3

	General Fund	Airport Fund	Economic Development Fund	Gen Obligation Street Bonds Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 5,162,314	\$ 324,371	\$ 520,506	\$ 1,027,143	\$ 540,420	\$ 7,574,754
Investments	-	-	150,773	-	55,645	206,418
Receivables (net of uncollectibles):						
Intergovernmental Receivables	679,662	-	69,734	-	-	749,396
Property Tax Receivable	1,864,921	-	-	-	-	1,864,921
Franchise Tax Receivable	158,899	-	-	-	-	158,899
Other Receivables	549,257	-	25	-	-	549,282
Notes Receivable	135,883	-	888,593	-	-	1,024,476
Prepaid Expenses	200,141	2,598	-	-	-	202,739
Inventory	-	-	431,194	-	-	431,194
Due from Other Funds	2,959,507	-	10,847	-	19,682	2,990,036
<b>Total Assets</b>	<b>\$ 11,710,584</b>	<b>\$ 326,969</b>	<b>\$ 2,071,672</b>	<b>\$ 1,027,143</b>	<b>\$ 615,747</b>	<b>\$ 15,752,115</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 609,473	\$ 2,047	\$ 13,612	\$ -	\$ 18,758	643,890
Accrued Liabilities	218,606	1,962	4,763	-	-	225,331
Due to Other Funds	229,508	1,082,766	-	-	2,800	1,315,074
Deferred Revenue	1,864,921	-	-	-	-	1,864,921
Assets Held for Others	404,255	-	-	-	28,643	432,898
<b>Total Liabilities</b>	<b>3,326,763</b>	<b>1,086,775</b>	<b>18,375</b>	<b>-</b>	<b>50,201</b>	<b>4,482,114</b>
<b>Fund Balances:</b>						
<b>Nonspendable</b>						
Prepaid Expenses	200,141	2,598	-	-	-	202,739
Inventory	-	-	431,194	-	-	431,194
Notes Receivable	135,883	-	888,593	-	-	1,024,476
<b>Restricted</b>						
Debt Service	1,028,194	-	700,319	-	-	1,728,513
Capital Projects	1,048,243	-	-	1,027,143	-	2,075,386
<b>Committed</b>						
Assigned	805,000	-	-	-	-	805,000
Unassigned	-	(762,404)	33,191	-	565,546	(163,667)
<b>Total Fund Balances (Deficits)</b>	<b>5,166,360</b>	<b>(762,404)</b>	<b>33,191</b>	<b>-</b>	<b>565,546</b>	<b>(163,667)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,710,584</b>	<b>\$ 326,969</b>	<b>\$ 2,071,672</b>	<b>\$ 1,027,143</b>	<b>\$ 615,747</b>	<b>\$ 15,752,115</b>

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

City of Picayune  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Assets  
 Governmental Funds  
 September 30, 2012

EXHIBIT 3.1

**Fund Balances - Total Governmental Funds** **\$ 11,270,001**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Governmental Capital Assets	\$ 64,369,869	
Less: Accumulated Depreciation	<u>(30,034,079)</u>	34,335,790

Other long-term assets are not current financial resources. Therefore, they are not reported in the funds.

Bond Issuance Costs	319,500	
Less: Accumulated Amortization	<u>(84,735)</u>	234,765

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds Payable	(11,410,500)	
Notes Payable	(1,728,513)	
Compensated Absences	<u>(515,541)</u>	<u>(13,654,554)</u>

**Net Assets of Governmental Activities** **\$ 32,186,002**

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

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City of Picayune  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
September 30, 2012

EXHIBIT 4

	General Fund	Airport Fund	Economic Development Fund	Gen Obligation Street Bonds Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property and Ad Valorem Taxes	\$ 1,868,423	\$ -	\$ -	\$ -	\$ 952,144	\$ 2,820,567
Licenses, Permits and Fees	802,658	-	-	-	-	802,658
Intergovernmental Revenue	768,952	-	-	-	53,991	822,943
Sales Tax	4,056,931	-	454,690	-	994	4,512,615
Charges for Services	-	4,848	-	-	-	4,848
Fines and Forfeits	345,581	-	-	-	93,309	438,890
Rents Charged	-	88,502	3,964	-	-	92,466
Grants	634,338	-	-	-	132,228	766,566
Other Revenue	69,817	9,633	28,309	4,235	16,875	128,869
<b>Total Revenues</b>	<b>8,546,700</b>	<b>102,983</b>	<b>486,963</b>	<b>4,235</b>	<b>1,249,541</b>	<b>10,390,422</b>
<b>EXPENDITURES</b>						
Current:						
General Government	3,064,166	-	-	2,001,897	-	5,066,063
Public Safety	4,675,388	-	-	-	-	4,675,388
Public Works	1,859,572	-	-	-	-	1,859,572
Culture and Recreation	127,883	-	-	-	-	127,883
Economic Development	18,404	79,594	192,083	-	146,493	436,574
Debt Service:						
Principal Retirement	-	-	-	-	1,183,936	1,183,936
Interest and Fiscal Charges	-	-	-	-	439,467	439,467
<b>Total Expenditures</b>	<b>9,745,413</b>	<b>79,594</b>	<b>192,083</b>	<b>2,001,897</b>	<b>1,769,896</b>	<b>13,788,883</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,198,713)</b>	<b>23,389</b>	<b>294,880</b>	<b>(1,997,662)</b>	<b>(520,355)</b>	<b>(3,398,461)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from Sale of Assets	123,780	-	18,923	-	36,273	178,976
Transfers In	177,693	-	-	4,732	690,218	872,643
Transfers Out	(437,388)	(3,930)	(393,835)	(177,694)	(81,493)	(1,094,340)
<b>Total Other Financing Sources (Uses)</b>	<b>(135,915)</b>	<b>(3,930)</b>	<b>(374,912)</b>	<b>(172,962)</b>	<b>644,998</b>	<b>(42,721)</b>
<b>Net Change in Fund Balance</b>	<b>(1,334,628)</b>	<b>19,459</b>	<b>(80,032)</b>	<b>(2,170,624)</b>	<b>124,643</b>	<b>(3,441,182)</b>
<b>Fund Balances (Deficits) - Beginning</b>	<b>9,718,449</b>	<b>(779,265)</b>	<b>2,133,329</b>	<b>3,197,767</b>	<b>440,903</b>	<b>14,711,183</b>
<b>Fund Balances (Deficits) - Ending</b>	<b>\$ 8,383,821</b>	<b>\$ (759,806)</b>	<b>\$ 2,053,297</b>	<b>\$ 1,027,143</b>	<b>\$ 565,546</b>	<b>\$ 11,270,001</b>

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

**City of Picayune  
 Reconciliation of the Statement of Revenues,  
 Expenditures and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 September 30, 2012**

**EXHIBIT 4.1**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (3,441,182)**

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.

Expenditures for Capital Assets	\$ 3,905,996	
Less: Current Year Depreciation	<u>(1,448,580)</u>	2,457,416

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal Payments		1,183,936
--------------------	--	-----------

Proceeds from the sale of assets is recorded as revenue in the governmental funds. However, only the gain or loss on the sale is reported in the Statement of Activities

Net gain (loss) on sale of assets	<u>(67,916)</u>	(67,916)
-----------------------------------	-----------------	----------

Some expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in Long-term Compensated Absences		<u>(38,268)</u>
--	--	-----------------

<b>Change in Net Assets of Governmental Activities</b>		<b><u><u>\$ 93,986</u></u></b>
--	--	--------------------------------

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

**City of Picayune  
Statement of Net Assets  
Proprietary Funds  
September 30, 2012**

**EXHIBIT 5**

	Enterprise Funds		
	Utility Fund	Cemetery Fund	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 3,914,014	\$ 105,131	\$ 4,019,145
Investments	363,406	236,162	599,568
Accounts Receivable, net of allowance	760,914	-	760,914
Other Receivables	-	32,708	32,708
Prepaid Expenses	14,001	-	14,001
Inventory	112,565	148,202	260,767
Due from Other Funds	211,762	2,439	214,201
<b>Total Current Assets</b>	<b>5,376,662</b>	<b>524,642</b>	<b>5,901,304</b>
<b>Noncurrent Assets:</b>			
<b>Capital Assets:</b>			
Land	169,023	3,576	172,599
Buildings and Improvements	94,696	8,506	103,202
Machinery and Equipment	740,201	21,387	761,588
Infrastructure	8,057,515	-	8,057,515
Mobile Equipment	520,653	10,000	530,653
Construction in Progress	3,533,727	-	3,533,727
Less Accumulated Depreciation	(3,535,567)	(32,854)	(3,568,421)
Bond Issuance Costs, net of accumulated amortization	12,717	-	12,717
<b>Total Noncurrent Assets</b>	<b>9,592,965</b>	<b>10,615</b>	<b>9,603,580</b>
<b>Total Assets</b>	<b>14,969,627</b>	<b>535,257</b>	<b>15,504,884</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	788,709	3,413	792,122
Accrued Salaries and Taxes	53,260	2,439	55,699
Customer Deposits	648,768	-	648,768
Due to Other Funds	1,889,110	53	1,889,163
Current Portion of Long-term Debt	176,653	-	176,653
<b>Total Current Liabilities</b>	<b>3,556,500</b>	<b>5,905</b>	<b>3,562,405</b>
<b>Noncurrent Liabilities:</b>			
Compensated Absences Payable	95,721	9,207	104,928
Long-term Debt	3,376,719	-	3,376,719
<b>Total Liabilities</b>	<b>7,028,940</b>	<b>15,112</b>	<b>7,044,052</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	6,026,876	10,615	6,037,491
Restricted	1,012,174	236,162	1,248,336
Unrestricted	901,637	273,368	1,175,005
<b>Total Net Assets</b>	<b>\$ 7,940,687</b>	<b>\$ 520,145</b>	<b>\$ 8,460,832</b>

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

City of Picayune  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
September 30, 2012

EXHIBIT 6

	Enterprise Funds		
	Utility Fund	Cemetery Fund	Total
<b>Operating Revenues:</b>			
Charges for Services	\$ 4,357,980	\$ -	\$ 4,357,980
Plot Sales	-	33,683	33,683
<b>Total Operating Revenues</b>	<b>4,357,980</b>	<b>33,683</b>	<b>4,391,663</b>
<b>Operating Expenses:</b>			
Personnel Services	1,372,603	62,203	1,434,806
Supplies	344,858	24,067	368,925
Contractual Services and Other Charges	950,461	8,949	959,410
Utilities	103,349	896	104,245
Purchase of Gas	773,295	-	773,295
Depreciation	181,849	2,077	183,926
<b>Total Operating Expenses</b>	<b>3,726,415</b>	<b>98,192</b>	<b>3,824,607</b>
Operating Income (Loss)	631,565	(64,509)	567,056
<b>Nonoperating Revenues (Expenses):</b>			
Other Miscellaneous Income	73,099	-	73,099
Proceeds from Asset Disposals	54,865	-	54,865
Interest Income	10,659	1,438	12,097
Grant Revenue	1,489,533	-	1,489,533
Transfers In	80,834	44,125	124,959
Transfers Out	(80,834)	-	(80,834)
Interest Expense	(71,412)	-	(71,412)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,556,744</b>	<b>45,563</b>	<b>1,602,307</b>
<b>Net Income (Loss)</b>	<b>2,188,309</b>	<b>(18,946)</b>	<b>2,169,363</b>
<b>Total Net Assets - Beginning</b>	<b>5,752,378</b>	<b>539,091</b>	<b>6,291,469</b>
<b>Total Net Assets - Ending</b>	<b>\$ 7,940,687</b>	<b>\$ 520,145</b>	<b>\$ 8,460,832</b>

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

City of Picayune  
Statement of Cash Flows  
Proprietary Funds  
September 30, 2012

EXHIBIT 7

	Enterprise Funds		
	Utility Fund	Cemetery Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers and users	\$ 4,357,980	\$ 33,683	\$ 4,391,663
Cash payments for personnel services	(1,372,603)	(62,203)	\$ (1,434,806)
Cash payments to suppliers and contractual services	(1,453,792)	(27,360)	\$ (1,481,152)
Cash payments for other charges	(1,058,493)	45	\$ (1,058,448)
Net cash provided (used) by operating activities	<u>473,092</u>	<u>(55,835)</u>	<u>417,257</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Grant revenue	1,489,533	-	1,489,533
Miscellaneous revenue	127,964	-	127,964
Transfers from other funds	-	44,125	44,125
Interest expense	(71,412)	-	(71,412)
Principal repayments	(94,695)	-	(94,695)
Proceeds from borrowings	1,100,862	-	1,100,862
Purchase of capital assets	(3,461,325)	-	(3,461,325)
Net cash provided (used) by capital and related financing activities	<u>(909,073)</u>	<u>44,125</u>	<u>(864,948)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment earnings	10,659	1,438	12,097
Net cash provided (used) by investing activities	<u>10,659</u>	<u>1,438</u>	<u>12,097</u>
Net increase (decrease) in cash and cash equivalents	(425,322)	(10,272)	(435,594)
Cash and cash equivalents, October 1	4,339,336	115,403	4,454,739
Cash and cash equivalents, September 30	<u>\$ 3,914,014</u>	<u>\$ 105,131</u>	<u>\$ 4,019,145</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Net operating income (loss)	\$ 631,565	\$ (64,509)	\$ 567,056
Adjustments not affecting cash:			
Depreciation expense	181,849	2,077	183,926
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(54,026)	-	(54,026)
(Increase) decrease in other receivable	-	-	-
(Increase) decrease in prepaid items	2,253	-	2,253
(Increase) decrease in inventory	54,053	-	54,053
(Increase) decrease in due from other funds	(209,611)	6,374	(203,237)
Increase (decrease) in accounts payable	(342,561)	3,189	(339,372)
Increase (decrease) in customer deposits	37,441	-	37,441
Increase (decrease) in due to other funds	179,493	(162)	179,331
Increase (decrease) in payroll related liabilities	(7,364)	(2,804)	(10,168)
Net cash provided (used) by operating activities	<u>\$ 473,092</u>	<u>\$ (55,835)</u>	<u>\$ 417,257</u>

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

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- I. The City of Picayune, Mississippi incorporated under the laws of the State of Mississippi and situated in Pearl River County, operates under the council-manager form of government and provides the following services as authorized by its charter: Public Safety (Police and Fire), Public Works, Health and Welfare, Culture and Recreation, and General Administrative Services.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanation, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2012.

- II. The City's basic financial statements include the accounts of all City operations. The criteria for including as a component unit of the city, consists of oversight responsibility, special financing relationships, and scope of public services. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the City has no component units.

*Related Organizations*

The Picayune School District has been excluded from the reporting entity, because it is an "other stand-alone government". The school district is a related organization of, but not a component unit of, the City of Picayune. The governing authorities of the City do select a majority of the school district's board, but do not have ongoing financial accountability for the school district.

*Joint Ventures and Jointly Governed Organizations*

Additionally during its evaluation of potential component units, management identified one joint venture, Partners for Pearl River County, and one jointly governed organization, Municipal Gas Authority of Mississippi.

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participations retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the venture participants directly, or for the benefit of, the general public or specific service recipients.

A jointly governed organization is similar in nature to a joint venture in that it provides goods and services to the citizenry of two or more governments. However, it does not meet the definition of a joint venture because there is no ongoing significant financial interest or responsibility by the participating governments.

- III. **Government-Wide and Fund Financial Statements**

*Government-Wide Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report financial information on all of the non-fiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree of which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation

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**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

of capital assets and include fees to developers. Taxes and other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**IV. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

(A) Basis of Accounting

The City complies with accounting principles generally accepted in the United States of American (GAAP) as applicable to governmental entities, and as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict with GASB pronouncements, in which, GASB prevails.

The government-wide financial statements report using the economic resources measurements focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers revenues to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Major revenue sources susceptible to accrual include: Property taxes, licenses, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received by the City.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

(B) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

**General Fund** – The general fund is the primary operating fund of the city. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Airport Fund** – This special revenue fund accounts for the financial resources used for the acquisition, construction, and maintenance of the City operated airport.

**Economic Development Fund** – This special revenue fund accounts for the proceeds from the Tourism Sales Tax, and the sales of land in the industrial park that are used for economic development.

**General Obligation Street Bond Fund** – This special revenue fund accounts for the proceeds from the issuance of bonds to be used for certain capital projects and improvements.

Proprietary Funds

The City reports the following major proprietary funds:

**Utility Fund** – The utility fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing water, garbage, and gas services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Cemetery Fund** – The cemetery fund accounts for the activities and operation of the City operated cemetery.

(C) Use of Estimates

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

V. Assets, Liabilities, and Net Assets or Equity

(A) Cash and Investments

The City's cash and cash equivalents are primarily considered to be cash on hand and amounts held in demand deposits. For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, if any, are considered to be cash equivalents.

State statutes authorize the City to invest in (1) direct obligations of the United States government, the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral and (3) obligations of the State of Mississippi, or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court. Investments are recorded at costs, which approximated fair value.

(B) Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds."

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

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All trade, property tax, and fine receivables are shown net of an allowance for uncollectibles. An allowance has been provided in the general fund and the utility fund for estimated uncollectible ad valorem taxes receivable and utility charges. In the general fund, the allowance amount is estimated based on collections history. The allowance in the utility fund is estimated using accounts receivable past due 90 days or more. As of September 30, 2012, the allowance for uncollectible utility fund receivables is \$32,708 and the allowance for general fund receivables is \$3,909,655 which consists primarily of police fines.

(C) Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2012, are recorded as prepaid items.

(D) Inventories

Inventories consist of natural gas stored with the City's supplier, cemetery plots, aviation fuel at the Picayune Municipal Airport, and parcels of land at the City's industrial park. Inventories are stated at cost utilizing the average cost valuation method for natural gas and aviation fuel and at historical cost for cemetery plots and land.

(E) Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws. Restricted assets in the debt service fund are restricted for the payment of debt service. Restricted assets in the special revenue funds are restricted for economic development, recreation and for certain purposes as stated in the grant agreements. Restricted assets in the enterprise funds represent utility customer deposits subject to refund and amounts restricted for improvements. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

(F) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), net of depreciation are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City generally capitalizes assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest cost was capitalized during the current fiscal year.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Building improvements	20 years
Public domain infrastructure	50 years
Utility system infrastructure	10 – 50 years
Machinery and equipment	3 – 15 years

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CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(G) Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond issuance costs and bond premiums and discounts are capitalized and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

(H) Compensated Absences

The City's policy allows employees to accumulate unused vacation and sick leave. Full-time employees are granted vacation from 12 to 24 days per year depending on the employee's length of service. Retiring and terminating employees are paid for unused vacation up to a maximum of 240 hours. There is no liability for unpaid accumulated sick leave since sick pay is not paid upon termination of employment. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. In the fund financial statements, a liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours multiplied by the employee's hourly rate at September 30, 2012. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay up on liquidation of the liability.

(I) Fund Balances

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

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

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

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

*Assigned fund balance* includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general funds, this is the residual amount within the fund that is not restricted or committed.

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

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*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

(J) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, not of related debt, consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**NOTE 2 - CASH AND OTHER DEPOSITS**

(A) Cash

The carrying value of the City's deposits with financial institutions was \$12,399,985 and the bank balance was \$12,515,162 at September 30, 2012.

**Custodial Credit Risk:** State laws allows the City to invest in interest bearing time certificates of deposits for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or of any county, municipality or school district of the state. Further, the City may invest in certain purchase agreements.

The collateral for public entities deposits' in financial institutions is held in the name of the State Treasurer of Mississippi under a program established 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, security pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC.

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

**Concentration of Credit Risk:** The City places no limit on the amount the City may invest in any one issuer.

The carrying amount of certificates of deposits is a reasonable estimate of their fair value.

(B) Investments

Mississippi municipalities may invest surplus funds in certificates of deposit with qualified depositories and in bonds and direct obligations of the United States of America; or the State of Mississippi; or any count, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery clerk.

At September 30, 2012, the City did not hold any certificates of deposit with maturity dates longer than one year.

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 3 - RECEIVABLES**

Receivables at September 30, 2012 consist of the following:

	Governmental Activities	Business-type Activities	Total Government-wide
Property and ad valorem tax	\$ 1,864,921	\$ -	\$ 1,864,921
Sales tax	749,396	-	749,396
Franchise tax	158,899	-	158,899
Fines receivable, gross	4,311,378	-	4,311,378
Accounts receivable, gross	-	803,242	803,242
Other receivables	147,559	32,708	180,267
Notes receivable	1,024,476	-	1,024,476
Total receivables, gross	8,256,629	835,950	9,092,579
Less: allowance for doubtful accounts	(3,909,655)	(42,328)	(3,951,983)
Total receivables, net	<u>\$ 4,346,974</u>	<u>\$ 793,622</u>	<u>\$ 5,140,596</u>

(A) Property Taxes

The City levies a tax on real and personal property based on the assessed value of property as compiled by the Pearl River County and Hancock County tax assessors from the information extracted from the County assessment tax rolls. The taxes on real property attach as an enforceable lien on the property as of January 1. Taxes on real and personal property are levied by the City Council at the first regular meeting in September. The City's tax assessment roll is then approved by the City Council after a series of public hearings to receive the citizens' objections. Such taxes are billed and collected by the City.

In accordance with Mississippi Code of 1972, as amended for code section 27-39-321, the Board may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for the current year are limited to an increase of not more than 10% over receipts for any one of the preceding three years. For purposes of the computation, taxes collected in the current year resulting from the property added to the tax assessment roll are excluded from the computation.

(B) Notes Receivable

Brockway Building

On May 3, 2005, the City entered into an agreement with Farmer Fresh Produce International, LLC for the sale of the City's Brockway Building. The sales price of the building was \$1,100,000 at 2% interest per annum for a period of thirty years. Monthly payments of \$4,066 are due on the first day of each month. The sale is financed by the City. The agreement includes a special provision that the City incur \$35,000 to repair and modernize the Brockway Building's administrative offices. The City and the buyer agree that the special provision will be met by the buyer not paying the first eight payments and reducing the ninth payment. The balance of notes receivable as of September 30, 2012 was \$888,593 and is included as Notes Receivable in the Statement of Net Assets.

National Home Furnishings

On September 29, 2006, the City entered into an agreement with National Home Furnishings for the sale of City property and building. The sales price was \$157,000 at 7% interest per annum for a period of twenty years. Monthly payments of \$1,217 are due on the first day of each month. The sale is financed by the City. The balance of notes receivable as of September 30, 2012 was \$135,883 and is included as Notes Receivable in the Statement of Net Assets.

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**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of changes in capital assets during the year ended September 30, 2012:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,192,438	\$ -		\$ 2,192,438
Construction in Progress	5,528,089	3,206,422	(367,629)	8,366,882
Total capital assets not being depreciated	<u>7,720,527</u>	<u>3,206,422</u>	<u>(367,629)</u>	<u>10,559,320</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	5,445,240	-	(82,551)	5,362,689
Machinery and equipment	1,276,510	36,740	(9,920)	1,303,330
Mobile equipment	3,644,859	68,272	-	3,713,131
Infrastructure	42,469,208	962,191	-	43,431,399
Total capital assets being depreciated	<u>52,835,817</u>	<u>1,067,203</u>	<u>(92,471)</u>	<u>53,810,549</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(1,330,940)	(224,156)	-	(1,555,096)
Machinery and equipment	(716,168)	(229,756)	8,019	(937,905)
Mobile equipment	(2,424,768)	(112,685)	-	(2,537,453)
Infrastructure	(24,121,642)	(881,983)	-	(25,003,625)
Total accumulated depreciation	<u>(28,593,518)</u>	<u>(1,448,580)</u>	<u>8,019</u>	<u>(30,034,079)</u>
Total capital assets being depreciated, net	<u>24,242,299</u>	<u>(381,377)</u>	<u>(84,452)</u>	<u>23,776,470</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 31,962,826</u>	<u>\$ 2,825,045</u>	<u>\$ (452,081)</u>	<u>\$ 34,335,790</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 37,085
Public Safety	169,918
Public Works	935,782
Culture and Recreation	61,999
Economic Development	243,796
Total Depreciation Expense	<u>\$ 1,448,580</u>

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE 4 – CAPITAL ASSETS (Continued)**

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 172,599	\$ -	\$ -	\$ 172,599
Construction in progress	2,905,069	1,512,376	(883,718)	3,533,727
Total capital assets not being depreciated	<u>3,077,668</u>	<u>1,512,376</u>	<u>(883,718)</u>	<u>3,706,326</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	47,730	55,472	-	103,202
Machinery and equipment	761,588	-	-	761,588
Mobile equipment	491,774	38,879	-	530,653
Infrastructure	5,319,289	2,738,226	-	8,057,515
Total capital assets being depreciated	<u>6,620,381</u>	<u>2,832,577</u>	<u>-</u>	<u>9,452,958</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(33,783)	(975)	-	(34,758)
Machinery and equipment	(618,101)	(36,211)	-	(654,312)
Mobile equipment	(388,398)	(21,181)	-	(409,579)
Infrastructure	(2,344,213)	(125,559)	-	(2,469,772)
Total accumulated depreciation	<u>(3,384,495)</u>	<u>(183,926)</u>	<u>-</u>	<u>(3,568,421)</u>
Total capital assets being depreciated, net	<u>3,235,886</u>	<u>2,648,651</u>	<u>-</u>	<u>5,884,537</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 6,313,554</u>	<u>\$ 4,161,027</u>	<u>\$ (883,718)</u>	<u>\$ 9,590,863</u>

**NOTE 5 – LONG-TERM DEBT**

Changes in long-term debt during the year ended September 30, 2012 are as follows:

	<b>October 1, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>September 30, 2012</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
Bonds	\$ 12,508,200	\$ -	\$ (1,097,700)	\$ 11,410,500	\$ 1,151,000
Notes	1,798,590	16,671	(86,748)	1,728,513	89,114
Compensated Absences	477,273	38,268	-	515,541	-
Total	<u>\$ 14,784,063</u>	<u>\$ 54,939</u>	<u>\$ (1,184,448)</u>	<u>\$ 13,654,554</u>	<u>\$ 1,240,114</u>
<b>Business-Type Activities</b>					
Bonds	\$ 346,800	\$ -	\$ (32,300)	\$ 314,500	\$ 34,000
Notes	2,200,405	1,100,862	(62,395)	3,238,872	142,653
Compensated Absences	85,249	19,679	-	104,928	-
Total	<u>\$ 2,632,454</u>	<u>\$ 1,120,541</u>	<u>\$ (94,695)</u>	<u>\$ 3,658,300</u>	<u>\$ 176,653</u>



**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 5 – LONG-TERM DEBT (Continued)**

**(A) Bonds Payable**

	October 1, 2011	Additions	Reductions	September 30, 2012	Due Within One Year
<b>GENERAL GOVERNMENT:</b>					
General Obligation Public Improvement Bonds, 2004	\$ 915,000	\$ -	\$ (100,000)	\$ 815,000	\$ 105,000
Special Obligation Bonds, 2004	2,605,000	-	(150,000)	2,455,000	160,000
General Obligation Public Improvement Bonds, 2005	673,200	-	(62,700)	610,500	66,000
General Obligation Public Improvement Bonds, 2006	880,000	-	(75,000)	805,000	75,000
General Obligation Bond Series, 2008	375,000	-	(45,000)	330,000	50,000
General Obligation Street Bonds, 2010	7,060,000	-	(665,000)	6,395,000	695,000
Total General Government	12,508,200	-	(1,097,700)	11,410,500	1,151,000
<b>BUSINESS-TYPE:</b>					
General Obligation Public Improvement Bonds, 2005	346,800	-	(32,300)	314,500	34,000
TOTAL	\$ 12,855,000	\$ -	\$ (1,130,000)	\$ 11,725,000	\$ 1,185,000

Principal and interest maturities are as follows:

Governmental Activities	Principal	Interest	Total Requirements
9/30/2013	1,151,000	370,379	1,521,379
9/30/2014	1,194,300	333,865	1,528,165
9/30/2015	1,239,300	295,691	1,534,991
9/30/2016	1,287,600	257,171	1,544,771
9/30/2017	1,345,900	219,190	1,565,090
Thereafter	5,192,400	529,594	5,721,994
Total	\$ 11,410,500	\$ 2,005,890	\$ 13,416,390

Business-Type Activities	Principal	Interest	Total Requirements
9/30/2013	34,000	11,140	45,140
9/30/2014	35,700	9,950	45,650
9/30/2015	35,700	8,701	44,401
9/30/2016	37,400	7,451	44,851
9/30/2017	39,100	6,142	45,242
Thereafter	132,600	9,670	142,270
Total	\$ 314,500	\$ 53,054	\$ 367,554

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**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 5 – LONG-TERM DEBT (Continued)**

**(A) Bonds Payable (continued)**

<b>GENERAL GOVERNMENT</b>	<b>Balance at 9/30/2012</b>
General Obligation Public Improvement Bonds, 2004, dated March 1, 2004, \$1,500,000, variable interest currently at 2.875% that increases over the life of the bonds to 3.8%, payable in monthly installments beginning at \$75,000 on March 1, 2005 and increasi	\$ 815,000
Special Obligation Bonds, 2004, dated April 15, 2004, \$3,500,000 amount, variable interest currently at 4.0% that increases over the life of the bonds to 4.625%, payable in annual installments beginning at \$110,000 on July 1, 2005, and increasing annually	2,455,000
General Obligation Public Improvement Bonds, 2005, dated August 15, 2005, \$1,500,000 amount, variable interest currently at 2.2% that increases over the life of the bonds to 3.6%, payable in annual beginning at \$70,000 on July 1, 2006, and increasing annu	610,500
General Obligation Public Improvement Bonds, 2006, dated July 7, 2006, \$1,200,000 amount, fixed interest rate at 4.3%, payable in annual installments beginning at \$60,000 on May 1, 2007, and increasing thereafter up to \$105,000 until maturity on May 1, 20	805,000
General Obligation Bond Series, 2008, dated March 19, 2008, \$500,000 amount, fixed interest rate at 2.9%, payable in annual installments of \$40,000 on March 1, 2009, and increasing thereafter up to \$60,000 until maturity on March 1, 2018.	330,000
General Obligation Street Bonds, 2010, dated August 5, 2010, \$7,700,000 amount, variable interest currently at 3.4% that decreases over the life of the bonds to 2.9%, payable in annual installments beginning at \$640,000 on July 1, 2011, and increasing the	<u>6,395,000</u>
<b>TOTAL GENERAL GOVERNMENT BONDS PAYABLE</b>	<u><b>11,410,500</b></u>
 <b>BUSINESS-TYPE</b>	
General Obligation Public Improvement Bonds, 2005, dated August 15, 2005, \$1,500,000 amount, variable interest currently at 2.2% that increases over the life of beginning at \$70,000 on July 1, 2006, and increasing annually thereafter up to \$135,000 until	<u>314,500</u>
<b>TOTAL GENERAL GOVERNMENT AND BUSINESS-TYPE BONDS PAYABLE</b>	<u><u><b>\$ 11,725,000</b></u></u>

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 5 – LONG-TERM DEBT (Continued)**

**(B) Notes Payable**

	<b>Balance at October 1, 2011</b>	<b>Additions (Reductions)</b>	<b>Balance at September 30, 2012</b>	<b>Due Within One Year</b>
<b>GENERAL GOVERNMENT</b>				
MDA Loan No. 0524, bearing interest at 3%, maturing February 1, 2028	\$ 233,515	\$ (11,245)	\$ 222,270	\$ 11,587
MDA for drainage project, bearing interest at 3%, maturing September 1, 2014	78,620	(25,501)	53,119	26,277
MDA for drainage project, bearing interest at 4.65%, maturing January 1, 2015	23,193	(5,807)	17,386	6,083
MDA for airport improvements, bearing interest at 3%, maturing April 1, 2011	360	(360)	-	-
MDA for airport infrastructure project, bearing interest at 3%, maturing June 1, 2022	161,651	(13,293)	148,358	13,697
MDA for airport infrastructure project, bearing interest at 3%, maturing June 1, 2022	40,481	(3,251)	37,230	3,349
FEMA Special Community Disaster Loan, bearing interest at 2.67%	718,748	16,671	735,419	-
MDA for airport infrastructure, bearing interest at 3%, maturing July 31, 2027	542,022	(27,291)	514,731	28,121
<b>TOTAL GENERAL GOVERNMENT</b>	<b>1,798,590</b>	<b>(70,077)</b>	<b>1,728,513</b>	<b>89,114</b>
<b>BUSINESS-TYPE</b>				
MS State Department of Health, Drinking Water Systems Improvements, bearing interest at 3.5%, maturing July 1,	176,739	(11,902)	164,837	12,325
FEMA Special Community Disaster Loan, bearing interest at 2.93%	1,155,724	29,644	1,185,368	-
Bancorpsouth, interest at 4.32%, maturing September 3, 2014	76,630	(19,470)	57,160	57,160
Capital Improvements Revolving Loan for AMR project, bearing interest at 2%, maturing March 1, 2032	791,312	477,665	1,268,977	53,942
Capital Improvements Revolving Loan for water distribution project, bearing interest at 2%, maturing November 1, 2032	-	562,530	562,530	19,226
<b>TOTAL BUSINESS-TYPE</b>	<b>2,200,405</b>	<b>1,038,467</b>	<b>3,238,872</b>	<b>142,653</b>
<b>TOTAL GENERAL GOVERNMENT AND BUSINESS-TYPE NOTES PAYABLE</b>	<b>\$ 3,998,995</b>	<b>\$ 968,390</b>	<b>\$ 4,967,385</b>	<b>\$ 231,767</b>

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**NOTE 5 – LONG-TERM DEBT – Continued**

**(A) Notes Payable (Continued)**

Principal and interest are as follows:

<b>Governmental Activities</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
9/30/2013	89,114	28,940	118,054
9/30/2014	91,694	26,125	117,819
9/30/2015	65,191	23,608	88,799
9/30/2016	797,511	21,677	819,188
9/30/2017	63,525	19,788	83,313
Thereafter	621,477	90,949	712,426
<b>Total</b>	<b>\$ 1,728,512</b>	<b>\$ 211,087</b>	<b>\$ 1,939,599</b>

<b>Business-Type Activities</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
9/30/2013	142,653	41,248	183,901
9/30/2014	91,292	39,249	130,541
9/30/2015	93,331	37,201	130,532
9/30/2016	1,280,908	35,106	1,316,014
9/30/2017	97,679	32,962	130,641
Thereafter	1,533,009	227,889	1,760,898
<b>Total</b>	<b>\$ 3,238,872</b>	<b>\$ 413,655</b>	<b>\$ 3,652,527</b>

Legal Debt Margin – The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2012, the amount of outstanding debt was equal to 19.27% of the latest property assessments.

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**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**NOTE 6 – INTERFUND TRANSACTIONS**

**(A) Interfund Receivables and Payables**

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e., the non-current portion of interfund loans).

Fund	Governmental Type		Business Type	
	Due From Other Funds	Due To Other Funds	Due From Other Funds	Due To Other Funds
General Fund	\$ 2,959,507	\$ 229,508	\$ -	\$ -
Court E&M Fund	14,172	-	-	-
Special Police Drug Fund	-	2,800	-	-
Economic Development Fund	10,847	-	-	-
Airport Fund	-	1,082,766	-	-
Sales Tax Fund	5,510	-	-	-
Unemployment Trust Fund	-	-	-	-
Utility Fund	-	-	1,936	1,889,110
Cemetery Fund	-	-	2,439	53
Sewer Fund	-	-	209,826	-
Total	<u>\$ 2,990,036</u>	<u>\$ 1,315,074</u>	<u>\$ 214,201</u>	<u>\$ 1,889,163</u>

Summary of Due To / Due From	9/30/2012	
	Governmental	Business-Type
Due from other funds	\$ 2,990,036	\$ 214,201
Due to other funds	\$ (1,315,074)	\$ (1,889,163)
Net balance	<u>\$ 1,674,962</u>	<u>\$ (1,674,962)</u>

**NOTE 7 – DEFICIT FUND NET ASSETS**

At September 30, 2012, there is a deficit fund balance in the Airport Fund of \$759,806.

**NOTE 8 – JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION**

**Joint Venture**

Partners for Pearl River County (PFPRC) is a joint venture between the City, the City of Poplarville, and Pearl River County. PFPRC was organized to promote and develop the industrial, commercial, and economic welfare of Pearl River County. PFPRC is funded primarily by contributions received from its members. Each year the City determines the amount of support to be provided to PFPRC based on availability of City resources. Consequently, any potential future financial benefit or burden to the City resulting from activities performed by PRPRC is not determinable at this time.

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

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**NOTE 8 – JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION (Continued)**

**Jointly Governed Organization**

The City is a member of the Municipal Gas Authority of Mississippi (MGAM), created as a local distribution company by Mississippi State Code Section 77-6-1 for the purpose of assisting municipal gas systems in the acquisition, transportation and management of adequate, dependable and economic natural gas supplies. Membership of MGAM at September 30, 2012, consisted of 17 municipalities or natural gas districts, all located in the State of Mississippi. Each voting member appoints one commissioner to MGAM's Board of Commissioners who has oversight responsibility of the operation of MGAM. The primary source of revenue for MGAM is from gas supply contracts with each of its members which require the members to take their entire gas supply or a fixed

portion from MGAM and require MGAM to provide that supply. MGAM is considered to be a jointly governed organization since no member can unilaterally control the financial or operating policies of MGAM and its members do not have an ongoing financial responsibility. The City entered into a gas supply contract for purchases of gas effective April 1, 2001, for an initial term of ten years with an option to extend the term of the Agreement by an additional 24 months at the expiration of the primary term. For the fiscal year ended September 30, 2012, payments to MGAM for gas purchases amount to \$773,295. The payments are included in utility "expenses" on the Statement of Activities and are included in "purchase of gas" on the Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.

**NOTE 9 – RETIREMENT PLANS**

The City of Picayune, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy**

PERS members are required to contribute 9.00% of their annual covered salary and the City of Picayune, Mississippi is required to contribute at an actuarially determined rate. The current rate is 14.26% (up from 12.0% as of July 1, 2012) of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

**(A) Litigation**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel the resolution of these matters will not have a material effect on the financial condition of the City.

**(B) Grants and Awards**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally federal and state governments. Any disallowed expenses, including amounts already collected, might constitute a liability of the applicable funds. The City does not believe any contingent liabilities are material.

**(C) Operating Lease**

In February 2003, the City entered into a twenty year lease agreement with the Picayune City School District for exclusive rights to operate and maintain Snyder Park. The lease agreement requires the City to pay the School District \$5,425 annually on March 3<sup>rd</sup> for ten years. In 2013, the School District will have the property reappraised

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

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**NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)**

and will adjust the annual rent accordingly. The City may cancel the lease at any time provided that they give the School District sixty days notice prior to the lease anniversary date.

**(D) State Auditor's Investigation**

In June 2005, the City requested that the State Auditor's Office investigate certain allegations of wrong doing in the Court Department. On August 1, 2009, Debi W. Cox, Special Agent for the Mississippi Office of the State Auditor, took possession of Picayune General Fund Receipt Warrant Books covering the time period of 10/25/2002 through 5/31/2005. No preliminary report on the findings has been made to date and, therefore, the potential affect of the investigation on financial statements is unknown.

**NOTE 11 – RISK MANAGEMENT**

**(A) Self-Insurance – Workers Compensation Fund**

The City is one of approximately 255 members in the Mississippi Municipal Workers' Compensation Group, Inc. This non-profit corporation is a self-insurance worker's compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory workers compensation protection. Members are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

**(B) Self-Insurance – Liability Fund**

The City is one of approximately 245 members in the Mississippi Municipal Liability Plan. The Plan is a private non-profit corporation organized under the laws of the State of Mississippi. The Plan provides liability and tort claims insurance for its members according to limits established by the Mississippi Tort Claims Act. The Plan is totally self-insured with claims and expenses paid out of the premiums and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any, cannot be determined.

The City has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures/expenses. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF PICAYUNE**  
**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<b>REVENUES</b>	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Taxes	\$ 2,097,908	\$ 2,129,908	\$ 1,868,423	\$ (261,485)
Licenses and permits	695,575	713,000	802,658	89,658
Intergovernmental	4,534,486	4,882,018	4,825,883	(56,135)
Charges for services	42,500	24,000	-	(24,000)
Fines & forfeits	371,300	371,300	345,581	(25,719)
Miscellaneous	6,500	63,673	123,780	60,107
Transfers	-	177,693	177,693	-
Interest earnings	20,000	20,000	41,437	21,437
Grants	-	-	634,338	634,338
Other revenue	-	-	152,160	152,160
Total revenues	<u>7,768,269</u>	<u>8,381,592</u>	<u>8,971,953</u>	<u>590,361</u>
Beginning Cash Balance	1,471,473	2,588,106	6,489,657	3,901,551
Total Revenues from All Sources	<u>9,239,742</u>	<u>10,969,698</u>	<u>15,461,610</u>	<u>4,491,912</u>
 <b>EXPENDITURES</b>				
General Government	1,249,937	2,395,978	3,064,166	668,188
Public Safety	4,799,595	4,833,350	4,675,388	(157,962)
Public Works	1,373,295	1,888,313	1,859,572	(28,741)
Culture and Recreation	-	-	127,883	127,883
Economic Development	-	-	18,404	18,404
Aid to other governments	24,880	24,880	-	(24,880)
Transfers to other funds	320,547	342,346	615,081	272,735
Total expenditures	<u>7,768,254</u>	<u>9,484,867</u>	<u>10,360,494</u>	<u>875,627</u>
Ending Cash Balance	1,471,488	1,484,831	5,162,314	3,677,483
Total Expenditures from All Sources	<u>\$ 9,239,742</u>	<u>\$ 10,969,698</u>	<u>\$ 15,522,808</u>	<u>\$ 4,553,110</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (61,198)</u>	<u>\$ (61,198)</u>

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**CITY OF PICAYUNE**  
**NOTE TO BUDGETARY COMPARISON SCHEDULES (NON-GAAP BASIS)**  
**GENERAL FUND**  
**FOR YEAR ENDED SEPTEMBER 30, 2012**

**A. Budgetary Information.**

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

Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted at the City Hall to obtain taxpayer comments. No later than September 15, the budget is legally enacted through passage of an ordinance. Formal budgetary integration is employed as a management control device during the year for all Governmental and Proprietary Fund types. Budgets are adopted on a cash basis as required by State statute. All budgeted amounts presented in the accompanying financial statements are as originally adopted or as amended by the City Council. Accordingly, actual figures have also been presented on a cash basis.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between departments require approval of the City Council. The legal level of budgetary controls is the department level.

**SUPPLEMENTAL INFORMATION**

**CITY OF PICAYUNE  
 SCHEDULE OF SURETY BONDS, FOR CITY OFFICIALS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Covered	Surety Company	Coverage Amount
Mayor	RLI Surety	\$ 100,000
Council Members	RLI Surety	100,000 each
City Manager	RLI Surety	50,000
City Clerk	RLI Surety	50,000
Deputy City Clerk	Fidelity and Deposit Company	50,000
City Inspector	RLI Surety	5,000
Police Chief	RLI Surety	5,000
Police Chief	RLI Surety	50,000
Police Department-Blanket Bond	RLI Surety	25,000
All Other Employees-Blanket Bond	Fidelity and Deposit Company	20,000

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**CITY OF PICAYUNE**  
**SCHEDULE OF EXPENDITURES FOR FEDERAL AWARDS**  
September 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditure s</u>
Environmental Protection Agency passed through the Mississippi Department of Environmental Quality Congressionally Mandated Projects	66.202		\$ 857,726 *
ARRA - CERCLA Superfund State Cooperative Agreement	66.802		<u>1,700</u>
Total Environmental Protection Agency			<u>859,426</u>
U.S. Department of Homeland Security passed through the Mississippi Dept of Public Safety - Dept of Homeland Security Hazard Mitigation Grant	97.039		33,965
Homeland Security Grant Program	97.037		<u>9,164</u>
			<u>43,129</u>
U.S. Department of Housing and Urban Development passed through the Mississippi Department Authority C.D.B.G. State Programs	14.228		667,008 *
U.S. Department of Justice passed through the Mississippi Department of Public Safety: Bulletproof Vest Partnership Program	16.607		3,062
Edward Byrne Memorial Justice Assistance Grant	16.544		3,728
ARRA - Violence Against Women Formula Grants	16.588		29,830
University of Southern Mississippi: Project Safe Neighborhood	16.609		<u>13,616</u>
Total Department of Justice			<u>50,236</u>
U.S. Department of Transportation passed through the Mississippi Department of Transportation Alcohol Countermeasures Program	20.607		98,694
Technical Assistance Grant	20.710		5,048
ARRA - Highway Planning and Construction	20.205		<u>302,317 *</u>
			<u>406,059</u>
<b>TOTAL FEDERAL ASSISTANCE PROGRAMS</b>			<u><u>\$ 2,025,858</u></u>

\* Major Programs

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards is included in the federal grant activity of the City of Picayune, Mississippi, (the City) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2: NON-CASH AWARDS**

The City did not receive any non-cash awards during the fiscal year ended September 30, 2012.

See Independent Auditor's Report.

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**SPECIAL REPORTS**

# Keene, Bourne, Sanderson, Haigler & Eavenson, PA

CERTIFIED PUBLIC ACCOUNTANTS

(A Professional Association)

JOHN M. KEENE, CPA

PAMELA W. BOURNE, CPA

C. RONALD SANDERSON, CPA

T. ASHTON HAIGLER, CPA, CVA

CHELLIE K. EAVENSON, CPA

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor, Members of the City  
Council, City Manager, and City Clerk.  
Picayune, Mississippi

We have audited the financial statements of the City of Picayune, Mississippi, as of and for the year ended September 30, 2012, and have issued my report thereon dated February 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As a part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low risk that misstatements in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Keene, Bourne, Sanderson, Haigler & Eavenson, P.A.*

Keene Bourne Sanderson Haigler and Eavenson PA  
Certified Public Accountants

February 19, 2013

#### MEMBERS:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS | MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
NATIONAL ASSOCIATION OF CERTIFIED VALUATION ANALYSTS | LOUISIANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
ALABAMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS



# Keene, Bourne, Sanderson, Haigler & Eavenson, PA

CERTIFIED PUBLIC ACCOUNTANTS

(A Professional Association)

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PAMELA W. BOURNE, CPA

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CHELLIE K. EAVENSON, CPA

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor, Members of the City  
Council, City Manager, and City Clerk.  
Picayune, Mississippi

### Compliance

We have audited the compliance of the City of Picayune, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2012. The City of Picayune, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Picayune, Mississippi's management. Our responsibility is to express an opinion on the City of Picayune, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Picayune, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Picayune, Mississippi's compliance with those requirements.

In our opinion, the City of Picayune, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2012.

### Internal Control Over Compliance

The management of the City of Picayune, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Picayune, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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ALABAMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Keene, Bourne, Sanderson, Haigler & Eavenson, P.A.*

Keene Bourne Sanderson Haigler and Eavenson PA  
Certified Public Accountants

February 19, 2013

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CHELIE K. EAVENSON, CPA

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

Honorable Mayor, Members of the City  
Council, City Manager, and City Clerk  
Picayune, Mississippi

We have audited the financial statements of the City of Picayune, Mississippi, as of and for the year ended September 30, 2012, and have issued our report thereon dated February 19, 2013. We conducted our audit in accordance with generally accepted auditing standards.

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

The results of those procedures and our audit of the general purpose financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management. However, this report is a matter of public record and its distribution is not limited.

*Keene, Bourne, Sanderson, Haigler & Eavenson, PA.*

Keene Bourne Sanderson Haigler and Eavenson PA  
Certified Public Accountants

February 19, 2013

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CITY OF PICAYUNE**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2012**

**Section 1: Summary of Auditor's Results**

***Financial Statements:***

- |   |             |
|---|-------------|
| 1. Type of auditor's report issued on financial statements:                           | Unqualified |
| 2. Internal control over financial reporting:   |             |
| a. Material weakness identified?  | No          |
| b. Reportable conditions identified that is not considered to be a material weakness? | No          |
| 3. Noncompliance material to the financial statements?                                | No          |

***Federal Awards:***

- |  |             |
|--|-------------|
| 4. Internal control over major programs:   |             |
| a. Material weakness identified?   | No          |
| b. Reportable conditions identified that is not considered to be a material weakness?  | No          |
| 5. Type of auditor's report issued on compliance for major federal programs:   | Unqualified |
| 6. Any audit finding(s) reported as requirements as required by Section __.510(a) of Circular A-133?   | No          |
| 7. Federal programs identified as major programs:  |             |
| a. Environmental Protection Agency – Congressionally Mandated Projects   |             |
| b. Department of Housing and Urban Development – CDBG State Programs   |             |
| c. U. S. Department of Transportation – ARRA Highway Planning and Construction   |             |
| 8. The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9. Auditee qualified as low-risk auditee?  | No          |
| 10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No          |

**Section 2: Financial Statement Findings**

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

**Section 3: Federal Award Findings and Questioned Costs**

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