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FINANCIAL STATEMENTS
TOWN OF BYHALIA, MISSISSIPPI
Year Ended September 30, 2015

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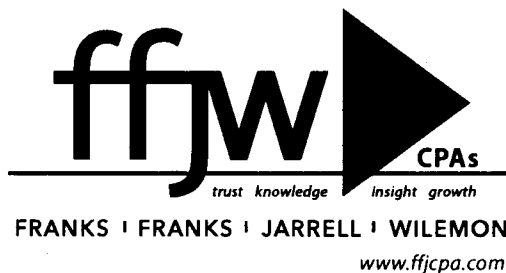
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
Town of Byhalia, 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 Town of Byhalia, Mississippi as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town'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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Byhalia, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 11 to the financial statements, during 2015, the Town of Byhalia, Mississippi implemented new accounting standards prescribed by GASB Statement No. 68 for its pension plan, a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB Statement No. 68 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the schedule of the Town's proportionate share of the net pension liability on page 41 and the schedule of the Town's contributions on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Byhalia, Mississippi's basic financial statements. The individual fund financial statements and other supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and other supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2016 on our consideration of the Town of Byhalia, Mississippi, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is 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 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 Town of Byhalia, Mississippi's internal control over financial reporting and compliance.

Franks, Franks, Jarrell & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.

Tupelo, Mississippi
June 22, 2016

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2015

This section of the Town of Byhalia's Financial Report presents our discussion and analysis of the Town's financial performance during the fiscal year ending September 30, 2015. Please read it in conjunction with the Town of Byhalia financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$9,711,772. Of this amount, \$611,845 may be used to meet the Town of Byhalia's ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$11,122,985, of which \$2,516,150 was available to meet the Town's ongoing obligations.
- As of the close of the current fiscal year, the Town of Byhalia's governmental funds reported combined ending fund balances of \$1,161,780, a decrease of \$17,571 in comparison to the prior year. Approximately 88% of the combined fund balances, \$1,017,872, is considered unassigned and is available for spending at the Town of Byhalia's discretion.
- The Town of Byhalia's total debt is \$3,618,934. New debt in the amount of \$279,919 was issued in the current fiscal year. Debt in the amount of \$175,458 was repaid during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two types of statements that present different views of the Town of Byhalia.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town of Byhalia's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town of Byhalia's operations in more detail than the government-wide statements.

The Governmental Funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending. The Town of Byhalia has two Governmental Fund types: the General Fund and Special Revenue Fund.

Proprietary fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and include the Water, Sewer and Gas System funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 summarizes the major features of the Town of Byhalia's financial statements, including the portion of the Town of Byhalia they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of the Town of Byhalia's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town Government (except fiduciary funds) and the Town's component units.	The activities of the Town that are not proprietary or fiduciary, such as police, fire, and parks and recreation	Activities the Town operates similar to private businesses: Water, Sewer and Gas System.
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Net Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the Town of Byhalia as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town of Byhalia's net position and how they have changed. Net position—the difference between the Town of Byhalia's assets and liabilities—is one way to measure the Town of Byhalia's financial health, or position.

- Over time, increases or decreases in the Town of Byhalia's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town of Byhalia, the reader should consider additional non-financial factors such as changes in the Town of Byhalia's property tax base.
- *Governmental activities* –Most of the Town of Byhalia's basic services are included here, such as the police, fire, public works, and parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The Town of Byhalia charges fees to customers to help it cover the costs of certain services it provides. The Town of Byhalia's water, sewer and gas systems services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town of Byhalia's most significant funds—not the Town as a whole. The "fund" level is where the basic unit of financial organization and operation within the Town of Byhalia exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Alderman establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Byhalia has two types of funds:

- **Governmental funds**—most of the Town of Byhalia's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town of Byhalia's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The Town of Byhalia utilizes two types of governmental funds: the General Fund and Special Revenue Fund.
- **Proprietary funds**—Services for which the Town of Byhalia charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The Town has only one type of proprietary funds—enterprise funds. The Town of Byhalia's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Fund Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Byhalia's assets exceeded liabilities by \$9,711,772 at the close of the most recent fiscal year, compared to \$11,122,985 in the prior year.

A large portion, 93 percent and 76 percent, of the Town's net position reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-1

Town of Byhalia's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 1,961,819	\$ 1,886,088	\$ 3,025,937	\$ 2,862,808	\$ 4,987,756	\$ 4,748,896
Noncurrent Assets	<u>4,339,905</u>	<u>3,688,038</u>	<u>8,342,798</u>	<u>8,287,174</u>	<u>12,682,703</u>	<u>11,975,212</u>
Total Assets	6,301,724	5,574,126	11,368,735	11,149,982	17,670,459	16,724,108
Deferred Outflows	<u>344,602</u>	<u>0</u>	<u>114,265</u>	<u>0</u>	<u>458,867</u>	<u>0</u>
Total Deferred Outflows	344,602	0	114,265	0	458,867	0
Current and Other Liabilities	647,164	555,358	1,656,653	1,675,665	2,303,817	2,231,023
Long-Term Liabilities	<u>2,470,019</u>	<u>316,417</u>	<u>3,575,923</u>	<u>3,053,683</u>	<u>6,045,942</u>	<u>3,370,100</u>
Total Liabilities	3,117,183	871,775	5,232,576	4,729,348	8,349,759	5,601,123
Deferred Inflows	<u>50,913</u>	<u>0</u>	<u>16,882</u>	<u>0</u>	<u>67,795</u>	<u>0</u>
Total Deferred Inflows	50,913	0	16,882	0	67,795	0
Net Position:						
Net Investment in Capital						
Assets	3,806,397	3,377,625	5,257,372	5,083,114	9,063,769	8,460,739
Restricted	36,158	0	0	146,096	36,158	146,096
Unrestricted	<u>(364,325)</u>	<u>1,324,726</u>	<u>976,170</u>	<u>1,191,424</u>	<u>611,845</u>	<u>2,516,150</u>
Total Net Position	\$ 3,478,230	\$ 4,702,351	\$ 6,233,542	\$ 6,420,634	\$ 9,711,772	\$ 11,122,985

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The \$611,845 of unrestricted net position provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net position of our business-type activities was \$976,170 at the end of the current fiscal year compared to \$1,191,424 at the end of the prior fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The Town of Byhalia generally can only use this net position to finance the continuing operations of the business type activities.

Changes in net position: Approximately 15.14% of the Town of Byhalia's revenue comes from sales tax and 10.73% from property taxes, with 28.13% of all revenue coming from some type of tax for the year ended September 30, 2015. (See Table A-2.) Another 57.35% comes from fees charged for services, 6.58% from intergovernmental revenues and the balance is from operating and capital grants & contributions, investment earnings and other miscellaneous receipts.

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2
Changes in the Town of Byhalia's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 148,275	\$ 181,220	\$ 2,727,306	\$ 2,220,642	\$ 2,875,581	\$ 2,401,862
Operating Grants & Contributions	5,327	10,654	0	0	5,327	10,654
Capital Grants & Contributions	93,489	394,506	163,010	606,098	256,499	1,000,604
General Revenues:						
Property Taxes	538,125	515,970	0	0	538,125	515,970
Sales Tax	759,061	748,966	0	0	759,061	748,966
Other Taxes	113,360	119,646	0	0	113,360	119,646
Intergovernmental Revenues	329,972	318,926	0	0	329,972	318,926
Investment Income	11,302	5,740	8,164	7,090	19,466	12,830
Other	<u>44,827</u>	<u>37,861</u>	<u>71,620</u>	<u>87,716</u>	<u>116,447</u>	<u>125,577</u>
Total Revenues	2,043,738	2,333,489	2,970,100	2,921,546	5,013,838	5,255,035
Expenses						
General Government	537,646	454,648	0	0	537,646	454,648
Public Safety	1,291,081	1,139,413	0	0	1,291,081	1,139,413
Public Works	286,003	290,714	0	0	286,003	290,714
Culture & Recreation	11,780	13,376	0	0	11,780	13,376
Interest on Long-Term Debt	13,250	36,964	0	0	13,250	36,964
Water, Sewer & Gas System	<u>0</u>	<u>0</u>	<u>2,331,909</u>	<u>1,851,010</u>	<u>2,331,909</u>	<u>1,851,010</u>
Total Expenses	2,139,760	1,935,115	2,331,909	1,851,010	4,471,669	3,786,125
Excess (Deficit) of Revenue Over Expenses	(96,022)	398,374	638,191	1,070,536	542,169	1,468,910
Transfers	<u>338,856</u>	<u>250,000</u>	<u>(338,856)</u>	<u>(250,000)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	242,834	648,374	299,335	820,536	542,169	1,468,910
Net Position-Beginning, as Previously stated	4,702,351	4,053,977	6,420,634	5,600,098	11,122,985	9,654,075
Prior Period Adjustment	<u>(1,466,955)</u>	<u>0</u>	<u>(486,427)</u>	<u>0</u>	<u>(1,953,382)</u>	<u>0</u>
Net Position-Beginning, as restated	<u>3,235,396</u>	<u>4,053,977</u>	<u>5,934,207</u>	<u>5,600,098</u>	<u>9,169,603</u>	<u>9,654,075</u>
Net Position-Ending	<u>\$ 3,478,230</u>	<u>\$ 4,702,351</u>	<u>\$ 6,233,542</u>	<u>\$ 6,420,634</u>	<u>\$ 9,711,772</u>	<u>\$ 11,122,985</u>

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the Town's net position by \$242,834, thereby accounting for 45 percent of the total change in the net position of the Town for the year ended September 30, 2015. Key elements of this increase are as follows:

The largest funding sources for the Town's governmental activities, as a percent of total revenues, are sales tax (37%), property taxes (26%), intergovernmental revenues (16%), and other taxes (6%) for the year ended September 30, 2015.

The largest expense categories for the Town's governmental activities are public safety (60%) and general government (25%) for the year ended September 30, 2015.

Business-type Activities

Business-type activities increased the Town's net position by \$299,335, thereby accounting for 55 percent of the total growth in the net position of the Town for the year ended September 30, 2015.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$2,727,306 for water, sewer and gas system charges for services for the year ended September 30, 2015.

Financial Analysis of the Government's Funds

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

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

General Fund—The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,142,423. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total fund balance represents 50 percent of total fund expenditures. The fund balance of the Town's general fund decreased by \$15,876 during the current fiscal year.

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. As of September 30, 2015, the fund balance (deficit) was (\$124,551).

Proprietary Funds—The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$6,233,542.

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

The Town's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the governmental funds.

The Town's 2014-15 general fund operating budget increased by approximately \$521,777 during the current fiscal year. This increase was primarily related to an increase in capital outlay to purchase the new Town Hall building for general government.

The Town's tax millage for the 2015 fiscal year remained constant with no change.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the Town has recorded depreciation expense associated with all of its capital assets, including infrastructure. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounted to \$12,682,703, net of accumulated depreciation of \$7,468,653. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3
Town of Byhalia's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 463,696	\$ 463,696	\$ 75,374	\$ 75,374	\$ 539,070	\$ 539,070
Plant, Buildings & Improvements	2,158,297	1,073,742	12,560,346	10,326,559	14,718,643	11,400,301
Machinery & Equipment	1,454,124	1,390,811	798,472	739,951	2,252,596	2,130,762
Infrastructure	1,819,529	1,819,529	0	0	1,819,529	1,819,529
Construction in Progress	122,618	521,733	698,900	2,638,847	821,518	3,160,580
Accumulated Depreciation	<u>(1,678,359)</u>	<u>(1,581,473)</u>	<u>(5,790,294)</u>	<u>(5,493,557)</u>	<u>(7,468,653)</u>	<u>(7,075,030)</u>
Total	\$ <u>4,339,905</u>	\$ <u>3,688,038</u>	\$ <u>8,342,798</u>	\$ <u>8,287,174</u>	\$ <u>12,682,703</u>	\$ <u>11,975,212</u>

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt—At September 30, 2015 and 2014, the Town had \$3,618,934 and \$3,514,473 in bonds and notes outstanding. More detailed information about the Town of Byhalia's long-term liabilities is presented in the notes to the financial statements.

Table A-4
Town of Byhalia's Outstanding Debt

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Bonds Payable	\$ 0	\$ 0	\$ 3,054,013	\$ 3,170,791	\$ 3,054,013	\$ 3,170,791
CAP Loans	46,609	57,071	0	0	46,609	57,071
Promissory Notes	468,726	232,876	0	0	468,726	232,876
Capital Leases Payable	18,173	20,466	31,413	33,269	49,586	53,735
Total	<u>\$ 533,508</u>	<u>\$ 310,413</u>	<u>\$ 3,085,426</u>	<u>\$ 3,204,060</u>	<u>\$ 3,618,934</u>	<u>\$ 3,514,473</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town considered current year operational expenses and estimated increases and decreases based on economic factors when establishing the fiscal year 2016 budget. The total budgeted appropriations for the Town general fund operations are \$2,126,500. This budget reflects a decrease of approximately \$637,677. The decrease is primarily related to a decrease in the general government capital outlay expenditures that were a result of the purchase of the new Town hall building in the 2015 fiscal year.

CONTACTING THE TOWN OF BYHALIA FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town of Byhalia finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Byhalia's Finance Department, P.O. Box 412 Byhalia, MS 38611.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 1,164,544	\$ 2,020,685	\$ 3,185,229
Accounts Receivable, Net	20,562	138,825	159,387
Due From Other Governments	73,317	25,245	98,562
Property Taxes Receivable	72,548	-	72,548
Court Fines Receivable, Net	124,094	-	124,094
Due From Other Funds	506,754	841,182	1,347,936
Capital Assets:			
Land	463,696	75,374	539,070
Plant, Buildings and Improvements	2,158,297	12,560,346	14,718,643
Machinery and Equipment	1,454,124	798,472	2,252,596
Infrastructure	1,819,529	-	1,819,529
Construction in Progress	122,618	698,900	821,518
Accumulated Depreciation	<u>(1,678,359)</u>	<u>(5,790,294)</u>	<u>(7,468,653)</u>
TOTAL ASSETS	\$ <u>6,301,724</u>	\$ <u>11,368,735</u>	\$ <u>17,670,459</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions	\$ <u>344,602</u>	\$ <u>114,265</u>	\$ <u>458,867</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>344,602</u>	\$ <u>114,265</u>	\$ <u>458,867</u>

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable	\$ 205,807	\$ 104,239	\$ 310,046
Accrued Compensated Absences	41,623	13,783	55,406
Accrued Liabilities	24	46,689	46,713
Due to Other Funds	397,566	950,370	1,347,936
Refundable Meter Deposits	-	389,233	389,233
Net Pension Liability	1,938,655	642,836	2,581,491
Long-Term Liabilities:			
Due Within One Year	43,767	166,122	209,889
Due in More Than One Year	489,741	2,919,304	3,409,045
TOTAL LIABILITIES	\$ 3,117,183	\$ 5,232,576	\$ 8,349,759
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions	\$ 50,913	\$ 16,882	\$ 67,795
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 50,913	\$ 16,882	\$ 67,795
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 3,806,397	\$ 5,257,372	\$ 9,063,769
Restricted for:			
Public Safety	7,120	-	7,120
Hotel/Motel Tax	29,038	-	29,038
Unrestricted (Deficit)	(364,325)	976,170	611,845
TOTAL NET POSITION	\$ 3,478,230	\$ 6,233,542	\$ 9,711,772

The accompanying notes are an integral part of these financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2015

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charge for Services	Operating		Governmental Activities	Business-Type Activities
			Grants and Contributions	Capital Grants and Contributions		
PRIMARY GOVERNMENT						
Government Activities:						
General Government	\$ 537,646	\$ -	\$ -	\$ 20,108	\$ (517,538)	\$ -
Public Safety	1,291,081	86,495	5,327	-	(1,199,259)	-
Public Works	286,003	61,780	-	73,381	(150,842)	-
Culture and Recreation	11,780	-	-	-	(11,780)	-
Interest on Long-Term Debt	13,250	-	-	-	(13,250)	-
TOTAL GOVERNMENTAL ACTIVITIES	2,139,760	148,275	5,327	93,489	(1,892,669)	-
Business-Type Activities:						
Water System	344,314	282,418	-	54,322	-	(7,574)
Sewer System	243,691	182,176	-	106,161	-	44,646
Gas System	1,743,904	2,262,712	-	2,527	-	521,335
TOTAL BUSINESS-TYPE ACTIVITIES	2,331,909	2,727,306	-	163,010	-	558,407
TOTAL PRIMARY GOVERNMENT	\$ 4,471,669	\$ 2,875,581	\$ 5,327	\$ 256,499	\$ (1,892,669)	\$ 558,407
						\$ (1,334,262)
GENERAL REVENUES:						
Taxes:						
Property Taxes					\$ 538,125	\$ -
Sales Taxes					759,061	-
Privilege and Franchise Taxes					81,762	-
Licenses and Permits					6,205	-
In Lieu Taxes					31,598	-
Intergovernmental Revenues					329,972	-
Penalties and Late Fees					2,864	54,321
Investment Earnings					11,302	8,164
Gain (Loss) on Sale of Assets					(5,599)	-
Miscellaneous					41,357	17,299
Transfers					338,856	(338,856)
TOTAL GENERAL REVENUES AND TRANSFERS					2,135,503	(259,072)
CHANGE IN NET POSITION					242,834	299,335
NET POSITION--BEGINNING, as previously stated					4,702,351	6,420,634
PRIOR PERIOD ADJUSTMENT					(1,466,955)	(486,427)
NET POSITION--BEGINNING, as restated					3,235,396	5,934,207
NET POSITION--ENDING					\$ 3,478,230	\$ 6,233,542
						\$ 9,711,772

The accompanying notes are an integral part of these financial statements.

**TOWN OF BYHALIA, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ 1,110,665	\$ 53,879	\$ 1,164,544
Accounts Receivable	20,562	-	20,562
Due from Other Governments	73,317	-	73,317
Due from Other Funds	<u>480,432</u>	<u>26,322</u>	<u>506,754</u>
TOTAL ASSETS	\$ <u>1,684,976</u>	\$ <u>80,201</u>	\$ <u>1,765,177</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Accounts Payable	\$ 205,807	\$ -	\$ 205,807
Accrued Expenses	24	-	24
Due to Other Funds	<u>192,814</u>	<u>204,752</u>	<u>397,566</u>
TOTAL LIABILITIES	<u>398,645</u>	<u>204,752</u>	<u>603,397</u>
<u>FUND BALANCES (DEFICIT):</u>			
Committed to:			
Cemetery	107,750	-	107,750
Restricted:			
Public Safety	7,120	-	7,120
Hotel/Motel Tax	29,038	-	29,038
Unassigned (Deficit)	<u>1,142,423</u>	<u>(124,551)</u>	<u>1,017,872</u>
TOTAL FUND BALANCES (DEFICIT)	<u>1,286,331</u>	<u>(124,551)</u>	<u>1,161,780</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,684,976</u>	\$ <u>80,201</u>	\$ <u>1,765,177</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BYHALIA, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2015

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,161,780
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	4,339,905
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(533,508)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(41,623)
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.	72,548
Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(1,938,655)
Deferred outflows and inflows related to pensions are applicable to future periods and therefore they are not reported in the Governmental Funds Balance Sheet.	
Deferred outflows of resources related to defined benefit pension plan	344,602
Deferred inflows of resources related to defined benefit pension plan	(50,913)
Accrual of court fine revenues to qualify as financial resources.	124,094
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>3,478,230</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property Taxes	\$ 520,959	\$ -	\$ 520,959
Sales and Use Taxes	759,061	-	759,061
Privilege and Franchise Taxes	81,762	-	81,762
Licenses and Permits	6,205	-	6,205
In Lieu of Taxes	31,598	-	31,598
Intergovernmental Revenues	289,464	40,508	329,972
Charges for Services	61,780	-	61,780
Penalties and Interest	2,864	-	2,864
Fines and Forfeitures	87,233	-	87,233
Interest Income	11,151	151	11,302
Sale of Cemetery Lots	14,000	-	14,000
Grant Income	98,816	-	98,816
Miscellaneous Revenues	21,357	6,000	27,357
TOTAL REVENUES	<u>1,986,250</u>	<u>46,659</u>	<u>2,032,909</u>
EXPENDITURES:			
Current:			
General Government	998,015	-	998,015
Public Safety	1,104,659	47,865	1,152,524
Public Works	428,108	-	428,108
Culture and Recreation	20,534	-	20,534
Debt Service	47,146	489	47,635
TOTAL EXPENDITURES	<u>2,598,462</u>	<u>48,354</u>	<u>2,646,816</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(612,212)</u>	<u>(1,695)</u>	<u>(613,907)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Issued	257,480	-	257,480
Transfers (to) from Other Funds	338,856	-	338,856
TOTAL OTHER FINANCING SOURCES (USES)	<u>596,336</u>	<u>-</u>	<u>596,336</u>
NET CHANGE IN FUND BALANCES	<u>(15,876)</u>	<u>(1,695)</u>	<u>(17,571)</u>
FUND BALANCES (DEFICIT) - Beginning	<u>1,302,207</u>	<u>(122,856)</u>	<u>1,179,351</u>
FUND BALANCES (DEFICIT) - Ending	<u>\$ 1,286,331</u>	<u>\$ (124,551)</u>	<u>\$ 1,161,780</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BYHALIA, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT
OF ACTIVITIES
For the Fiscal Year Ended September 30, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(17,571)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		792,754
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Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(135,288)
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Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.		(738)
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Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds.		17,166
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Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.		(178,011)
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Governmental funds only report the disposal of capital assets to the extend proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the remaining basis of the capital assets sold.		(5,599)
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Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.		
This amount represents long-term debt proceeds.		(257,480)
This amount represents long-term debt repayments.		34,385

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(6,784)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	242,834
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The accompanying notes are an integral part of these financial statements.

TOWN OF BYHALIA, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Fiscal Year Ended September 30, 2015

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
REVENUES:				
Property Taxes	\$ 579,350	\$ 529,363	\$ 520,968	\$ (8,395)
Sales and Use Taxes	730,000	748,050	764,988	16,938
Privilege and Franchise Taxes	82,800	85,242	80,743	(4,499)
Licenses and Permits	10,300	10,300	6,205	(4,095)
In Lieu of Taxes	31,000	31,598	31,598	-
Intergovernmental Revenues	293,250	299,250	289,724	(9,526)
Charges for Services	60,000	61,021	61,780	759
Penalties and Interest	4,000	4,000	2,864	(1,136)
Fines and Forfeitures	135,000	91,267	87,233	(4,034)
Interest Income	10,000	10,000	11,151	1,151
Sale of Cemetery Lots	10,000	14,000	14,000	-
Grant Income	-	578,019	269,010	(309,009)
Miscellaneous Revenues	25,500	30,867	21,357	(9,510)
TOTAL REVENUES	1,971,200	2,492,977	2,161,621	(331,356)
EXPENDITURES:				
Current:				
General Government	537,389	1,110,513	998,015	112,498
Public Safety	1,197,982	1,155,905	1,104,659	51,246
Public Works	429,568	427,428	428,108	(680)
Culture and Recreation	30,315	23,185	20,534	2,651
Debt Service	47,146	47,146	47,146	-
TOTAL EXPENDITURES	2,242,400	2,764,177	2,598,462	165,715
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(271,200)	(271,200)	(436,841)	(165,641)
OTHER FINANCING SOURCES (USES):				
Proceeds from Debt Issued	-	-	257,480	257,480
Transfers (to) from Other Funds	271,200	271,200	338,856	67,656
TOTAL OTHER FINANCING SOURCES (USES)	271,200	271,200	596,336	325,136
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ -	\$ -	\$ 159,495	\$ 159,495

The accompanying notes are an integral part of these financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF FUND NET POSITION- PROPRIETARY FUNDS
September 30, 2015

<u>ASSETS:</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Total</u>
<u>Current Assets:</u>				
Cash and Cash Equivalents	\$ 296,783	\$ 256,622	\$ 1,467,280	\$ 2,020,685
Due From Other Funds	616,558	8,936	215,688	841,182
Accounts Receivable, Net	26,668	17,894	94,263	138,825
Due from Other Governments	-	25,245	-	25,245
Total Current Assets	<u>940,009</u>	<u>308,697</u>	<u>1,777,231</u>	<u>3,025,937</u>
<u>Noncurrent Assets:</u>				
Water, Sewer, and Gas System, Buildings, Vehicles and Equipment	5,139,430	3,475,057	4,744,331	13,358,818
Construction in Progress	420,811	258,516	19,573	698,900
Land	7,734	56,640	11,000	75,374
Less: Accumulated Depreciation	<u>(2,041,215)</u>	<u>(2,063,050)</u>	<u>(1,686,029)</u>	<u>(5,790,294)</u>
Net Noncurrent Assets	<u>3,526,760</u>	<u>1,727,163</u>	<u>3,088,875</u>	<u>8,342,798</u>
TOTAL ASSETS	<u>\$ 4,466,769</u>	<u>\$ 2,035,860</u>	<u>\$ 4,866,106</u>	<u>\$ 11,368,735</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>				
Deferred Amounts Related to Pensions	\$ 20,534	\$ 16,193	\$ 77,538	\$ 114,265
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 20,534</u>	<u>\$ 16,193</u>	<u>\$ 77,538</u>	<u>\$ 114,265</u>
<u>LIABILITIES:</u>				
<u>Current Liabilities:</u>				
Accounts Payable	\$ 10,859	\$ 50,358	\$ 43,022	\$ 104,239
Due to Other Funds	17,015	334,634	598,721	950,370
Refundable Meter Deposits	61,331	-	327,902	389,233
Accrued Liabilities	12,116	-	34,573	46,689
Notes, Bonds and Capital Leases Payable - Within One Year	<u>37,319</u>	<u>2,481</u>	<u>126,322</u>	<u>166,122</u>
Total Current Liabilities	<u>138,640</u>	<u>387,473</u>	<u>1,130,540</u>	<u>1,656,653</u>
<u>Noncurrent Liabilities:</u>				
Notes, Bonds and Capital Leases Payable Less Current Portion	942,538	2,803	1,973,963	2,919,304
Net Pension Liability	115,524	91,100	436,212	642,836
Accrued Compensated Absences	<u>4,049</u>	<u>1,855</u>	<u>7,879</u>	<u>13,783</u>
Total Noncurrent Liabilities	<u>1,062,111</u>	<u>95,758</u>	<u>2,418,054</u>	<u>3,575,923</u>
TOTAL LIABILITIES	<u>\$ 1,200,751</u>	<u>\$ 483,231</u>	<u>\$ 3,548,594</u>	<u>\$ 5,232,576</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Deferred Amounts Related to Pensions	\$ 3,034	\$ 2,392	\$ 11,456	\$ 16,882
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 3,034</u>	<u>\$ 2,392</u>	<u>\$ 11,456</u>	<u>\$ 16,882</u>
<u>NET POSITION (DEFICIT):</u>				
Net Investment in Capital Assets	2,546,903	1,721,879	988,590	5,257,372
Unrestricted Net Position (Deficit)	<u>736,615</u>	<u>(155,449)</u>	<u>395,004</u>	<u>976,170</u>
TOTAL NET POSITION	<u>\$ 3,283,518</u>	<u>\$ 1,566,430</u>	<u>\$ 1,383,594</u>	<u>\$ 6,233,542</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2015

	Water	Sewer	Gas	Totals
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 282,418	\$ 182,176	\$ 2,262,712	\$ 2,727,306
Service Charges and Penalties	17,134	4,528	32,659	54,321
Other Receipts	1,908	5,000	10,391	17,299
Total Operating Revenues	<u>301,460</u>	<u>191,704</u>	<u>2,305,762</u>	<u>2,798,926</u>
Less: Gas Purchased	<u>-</u>	<u>-</u>	<u>1,115,826</u>	<u>1,115,826</u>
Net Income Before Operating Expenses	<u>301,460</u>	<u>191,704</u>	<u>1,189,936</u>	<u>1,683,100</u>
<u>OPERATING EXPENSES</u>				
Personnel Services	79,658	90,205	306,109	475,972
Contractual Services	25,110	5,213	46,287	76,610
Supplies	25,572	13,755	26,916	66,243
Depreciation and Amortization	87,632	91,212	117,893	296,737
Other Services	90,586	42,745	36,960	170,291
Total Operating Expenses	<u>308,558</u>	<u>243,130</u>	<u>534,165</u>	<u>1,085,853</u>
Net Operating Income (Loss)	<u>(7,098)</u>	<u>(51,426)</u>	<u>655,771</u>	<u>597,247</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest Income	1,592	1,152	5,420	8,164
Grant Income	54,322	106,161	2,527	163,010
Interest and Fiscal Charges	<u>(35,756)</u>	<u>(561)</u>	<u>(93,913)</u>	<u>(130,230)</u>
Total Non-Operating Revenues (Expenses)	<u>20,158</u>	<u>106,752</u>	<u>(85,966)</u>	<u>40,944</u>
Income (Loss) Before Operating Transfers	<u>13,060</u>	<u>55,326</u>	<u>569,805</u>	<u>638,191</u>
<u>OPERATING TRANSFERS IN (OUT)</u>				
Operating Transfers In (Out)	<u>(56,000)</u>	<u>(36,600)</u>	<u>(246,256)</u>	<u>(338,856)</u>
Total Operating Transfers In (Out)	<u>(56,000)</u>	<u>(36,600)</u>	<u>(246,256)</u>	<u>(338,856)</u>
CHANGE IN NET POSITION	<u>(42,940)</u>	<u>18,726</u>	<u>323,549</u>	<u>299,335</u>
NET POSITION - October 1, as previously stated	3,413,874	1,616,638	1,390,122	6,420,634
PRIOR PERIOD ADJUSTMENT	<u>(87,416)</u>	<u>(68,934)</u>	<u>(330,077)</u>	<u>(486,427)</u>
NET POSITION, October 1, as restated	<u>3,326,458</u>	<u>1,547,704</u>	<u>1,060,045</u>	<u>5,934,207</u>
NET POSITION - September 30,	<u>\$ 3,283,518</u>	<u>\$ 1,566,430</u>	<u>\$ 1,383,594</u>	<u>\$ 6,233,542</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2015

	Water	Sewer	Gas	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash Received from Customers	\$ 302,895	\$ 256,401	\$ 2,350,667	\$ 2,909,963
Cash Payments for Gas Purchases	-	-	(1,123,202)	(1,123,202)
Cash Payments for Personal Services	(68,660)	(81,419)	(293,005)	(443,084)
Cash Payments for Contractual Services	(25,110)	(5,213)	(46,287)	(76,610)
Cash Payments for Supplies	(25,572)	(13,755)	(26,916)	(66,243)
Cash Payments for Other Services	(85,636)	(129,221)	(33,313)	(248,170)
Net Cash Provided By (Used in) Operating Activities	<u>97,917</u>	<u>26,793</u>	<u>827,944</u>	<u>952,654</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Operating Transfers - In from (Out) to Other Funds	(56,001)	(36,600)	(246,255)	(338,856)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(56,001)</u>	<u>(36,600)</u>	<u>(246,255)</u>	<u>(338,856)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Acquisition of Fixed Assets	(192,005)	(90,895)	(23,258)	(306,158)
Proceeds from Issuance of Capital Lease	7,480	7,479	7,480	22,439
Principal Paid on Bonds, Notes Payable and Capital Leases	(34,715)	(14,163)	(92,195)	(141,073)
Contributed Capital Received - Grants	54,322	106,161	2,527	163,010
Interest Paid on Bonds, Notes Payable and Capital Leases	(35,756)	(561)	(93,913)	(130,230)
Net Cash Provided By (Used In) Capital Financing Activities	<u>(200,674)</u>	<u>8,021</u>	<u>(199,359)</u>	<u>(392,012)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest on Investments	1,592	1,152	5,420	8,164
Net Cash Provided By Investing Activities	<u>1,592</u>	<u>1,152</u>	<u>5,420</u>	<u>8,164</u>
 NET INCREASE (DECREASE) IN CASH	 (157,166)	 (634)	 387,750	 229,950
 CASH, OCTOBER 1	 <u>453,949</u>	 <u>257,256</u>	 <u>1,079,530</u>	 <u>1,790,735</u>
 CASH, SEPTEMBER 30	 <u>\$ 296,783</u>	 <u>\$ 256,622</u>	 <u>\$ 1,467,280</u>	 <u>\$ 2,020,685</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ (7,098)	\$ (51,426)	\$ 655,771	\$ 597,247
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used in) Operating Activities				
Depreciation	87,632	91,212	117,893	296,737
Net Pension Expense	10,608	8,365	40,053	59,026
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	245	1,160	1,880	3,285
(Increase) Decrease in Due from Other Governments	-	63,537	-	63,537
Increase (Decrease) in Accounts Payable - operating activities	4,950	(86,476)	(3,729)	(85,255)
Increase (Decrease) in Accrued Liabilities - operating activities	390	421	(26,949)	(26,138)
Increase in Meter Deposits	1,190	-	43,025	44,215
Total Adjustments	<u>105,015</u>	<u>78,219</u>	<u>172,173</u>	<u>355,407</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u>\$ 97,917</u>	 <u>\$ 26,793</u>	 <u>\$ 827,944</u>	 <u>\$ 952,654</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF BYHALIA, MISSISSIPPI
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2015**

<u>ASSETS:</u>	Agency Funds
Cash and Cash Equivalents	\$ <u>85</u>
TOTAL ASSETS	<u><u>85</u></u>
<u>LIABILITIES:</u>	
Payables to Others	<u>85</u>
TOTAL LIABILITIES	\$ <u><u>85</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - Summary of Significant Accounting Policies

The Town of Byhalia, Mississippi was incorporated in 1873. The Town operates under a Board of Aldermen-Mayor form of government and provides the following services: public safety (police and fire), streets, sanitation, culture, recreation, public improvements, planning and zoning, utilities, and general administrative services.

Government-Wide and Fund Financial Statements

The Town's basic financial statements consist of government-wide statements, including a statement of net position 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 the statement of activities display information on all non-fiduciary activities of the primary government and its component units. The statements distinguish between those activities of the Town that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net position presents the financial condition of the governmental and business-type activities for the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. 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 for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. 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. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Non-major funds, where applicable, are aggregated and presented in a single column. Fiduciary funds are reported by type.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants.

The Town reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds.

Additionally the Town reports the following governmental fund types:

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants that are legally restricted to expenditures for specified purposes, all of the special revenue funds are non-major funds.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

The Town reports the following major proprietary funds:

The Water, Sewer and Gas Funds – These funds are used to account for the Town's water and sewer treatment and distribution system as well as the gas distribution system. These funds are responsible for water and gas delivery to the residents of the Town of Byhalia.

The Town has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water for the Water Fund, sale of sewer for the Sewer Fund, and sale of gas for the Gas Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the Town's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the General Debt Service and Proprietary Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

Cash and Investments

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's 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 - State statutes, Town bond ordinances and Town resolutions authorize the Town's investments. The Town is authorized to invest 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, or of any school district, which such county or municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or in interest-bearing time certificates of deposit with municipal depositories serving in accordance with Section 27-105-353 at a rate of interest not less than a simple interest rate numerically equal to the average bank discount rate on United States Treasury bills of comparable maturity.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

The Town has an agreement with the County pursuant to which the tax collector of the County has assumed the duty and responsibility for billing and collecting all Town ad valorem taxes, including all taxes on real property, personal property and public utilities property by the Town.

The Town recognizes tax revenues upon collection of the taxes or upon collection from the county tax collector. In addition the Town makes an accrual for amounts collected by the county tax collector as of September 30 and remitted to the Town within 30 days after year end.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

General Obligation Enterprise Bonds

The enterprise funds provide the annual debt service requirements on certain general obligation enterprise bonds (not secured by system revenues) issued to finance system improvements. Since the enterprise funds provide the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Enterprise Funds and have been reported on the balance sheets of the Enterprise Funds.

Although the general obligation enterprise bonds are reported on the balance sheets of the Enterprise Funds, they are backed by the full faith and credit of the Town and are therefore a contingent liability to the general government.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Fund Balance Classification

The Town has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions. In accordance with GASB Statement No. 54, the governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town's Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board of Aldermen delegating this responsibility to the Town's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

- Unassigned: This classification includes the residual fund balance for the General Fund and all other amounts not included in other spendable classifications.

Inventories

Inventories for proprietary fund types are valued at cost. The Town does not maintain inventory records for any other fund types.

Business Information

The Town of Byhalia provides gas, water, and sewer services to customers located within the Town limits of Byhalia, Mississippi as well as a limited number of customers outside the Town limits. Credit is extended to all of these customers for services.

Encumbrances

State law does not require that funds be available when goods or services are ordered, only when paid for; therefore, the Town does not employ an encumbrance system.

Compensated Absences

The Town's policy allows employees to accumulate unused vacation leave up to 30 days and unused sick leave up to 75 days. Upon termination, any accumulated vacation will be paid to the employee. Sick leave will be paid only upon illness while an employee of the Town.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the provision for uncollectible court fines and the provision for uncollectible business-type activities receivables as mentioned in Note 3. It is at least reasonably possible that the significant estimate used will change within the next year.

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 Town of Byhalia's participation in the Public Employees' Retirement System of Mississippi (PERS), and additions to/deductions from the Town of Byhalia's fiduciary net position have been determined on the same basis as they are reported by the Public Employees' Retirement System of Mississippi (PERS). For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employees' Retirement System of Mississippi (PERS). Investments are reported at fair value.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - Fixed Assets

The following is a summary of capital asset activity as of September 30, 2015:

Primary Government:

	<u>Balance</u> <u>10-01-14</u>	<u>Additions</u>	<u>Reclass/</u> <u>Disposals</u>	<u>Balance</u> <u>09-30-15</u>
Capital Assets, not being depreciated:				
Land	\$ 463,696	\$ 0	\$ 0	\$ 463,696
Construction in Progress	<u>521,733</u>	<u>102,484</u>	<u>(501,599)</u>	<u>122,618</u>
Total Capital Assets, not being Depreciated:	985,429	102,484	(501,599)	586,314
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	1,073,742	582,956	501,599	2,158,297
Infrastructure	1,819,529	0	0	1,819,529
Machinery and Equipment	<u>1,390,811</u>	<u>107,314</u>	<u>(44,001)</u>	<u>1,454,124</u>
Total Capital Assets being depreciated	4,284,082	690,270	457,598	5,431,950
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(281,944)	(36,355)	0	(318,299)
Infrastructure	(183,248)	(32,791)	0	(216,039)
Machinery and Equipment	<u>(1,116,281)</u>	<u>(66,142)</u>	<u>38,402</u>	<u>(1,144,021)</u>
Total Accumulated Depreciation	(1,581,473)	(135,288)	38,402	(1,678,359)
Total Capital Assets, depreciated, net Governmental Activities	<u>2,702,609</u>	<u>554,982</u>	<u>496,000</u>	<u>3,753,591</u>
Capital Assets, net	<u>\$ 3,688,038</u>	<u>\$ 657,466</u>	<u>\$ (5,599)</u>	<u>\$ 4,339,905</u>

The Town adopted a capitalization threshold of \$1,000 for general fixed assets and a threshold of \$5,000 for infrastructure assets. The Town has retroactively applied these thresholds to all general fixed assets in service at September 30, 2003. The Town has not retroactively capitalized infrastructure assets in service at September 30, 2003, the Town will record infrastructure for years after September 30, 2003.

A summary of business-type capital asset activity at September 30, 2015 follows:

	<u>Balance</u> <u>10-01-14</u>	<u>Additions</u>	<u>Reclass/</u> <u>Disposals</u>	<u>Balance</u> <u>09-30-15</u>
Capital Assets, not being depreciated:				
Land	\$ 75,374	\$ 0	\$ 0	\$ 75,374
Construction in Progress	<u>2,638,847</u>	<u>293,840</u>	<u>(2,233,787)</u>	<u>698,900</u>
Total Capital Assets, not being Depreciated:	2,714,221	293,840	(2,233,787)	774,274

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - Fixed Assets (continued)

	<u>Balance</u> <u>10-01-14</u>	<u>Additions</u>	<u>Reclass/</u> <u>Disposals</u>	<u>Balance</u> <u>09-30-15</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	\$ 10,326,559	\$ 0	\$ 2,233,787	\$ 12,560,346
Machinery and Equipment	<u>739,951</u>	<u>58,521</u>	<u>0</u>	<u>798,472</u>
Total Capital Assets being depreciated	11,066,510	58,521	2,233,787	13,358,818
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(4,826,655)	(262,869)	0	(5,089,524)
Machinery and Equipment	<u>(666,902)</u>	<u>(33,868)</u>	<u>0</u>	<u>(700,770)</u>
Total Accumulated Depreciation	<u>(5,493,557)</u>	<u>(296,737)</u>	<u>0</u>	<u>(5,790,294)</u>
Total Capital Assets, depreciated, net				
Business-type Activities	<u>5,572,953</u>	<u>(238,216)</u>	<u>2,233,787</u>	<u>7,568,524</u>
Capital Assets, net	\$ <u>8,287,174</u>	\$ <u>55,624</u>	\$ <u>0</u>	\$ <u>8,342,798</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

Plant, building, and Improvements	5 – 40 Years
Machinery and Equipment	5 – 15 Years
Furniture and Fixtures	5 – 20 Years
Vehicles	5 – 10 Years

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

Governmental Activities:	
General Government	\$ 70,504
Public Safety	53,306
Public Works	9,445
Culture & Recreation	<u>2,033</u>
Total Depreciation Expense – Governmental Activities	\$ <u>135,288</u>
Depreciation expense for Water, Sewer and Gas funds	\$ <u>296,737</u>

NOTE 3 - Receivables

Receivables at September 30, 2015, consisted primarily of property and other taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

All accounts receivable are shown net of an allowance for uncollectible amounts of \$182,229 for Governmental activities and \$76,400 for Business-Type activities. The allowance is based on management estimates and the average age of receivables.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 4 - Long-Term Debt

The following is a summary of bond transactions of the Town for the year ended September 30, 2015:

	<u>Notes & Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/01/14	\$ 3,460,738	\$ 53,735	\$ 3,514,473
Add: Bonds and Other Long-Term Debt Acquired	250,000	29,919	279,919
Less: Bonds and Other Long-Term Debt Retired	<u>141,390</u>	<u>34,068</u>	<u>175,458</u>
Bonds and Other Long-Term Debt at 09/30/15	<u>\$ 3,569,348</u>	<u>\$ 49,586</u>	<u>\$ 3,618,934</u>

Bonds and other long-term debt at September 30, 2015 are comprised of the following issues:

General Obligation and Revenue Bonds:

\$1,900,000 Gas System Revenue Bond due in annual installments of \$101,327, beginning November 2014 through November 2046. Interest only payments 2012 - 2015. Interest at 3.75 percent. \$ 1,900,000

\$954,700 Water System Revenue Bond due in annual installments of \$48,413, beginning June 2015 through June 2047; interest at 3.375 percent. 938,478

\$1,200,000 Gas System Revenue Bond due in variable semi-annual installments through January 2017; interest at 5.5 percent. 195,000

\$208,600 Combined Water & Sewer System Revenue Bond due in annual installments of \$13,038 through June 2017; interest at 5 percent. 20,535

\$ 3,054,013

Notes Payable:

\$400,000 Note due in 30 annual installments of \$24,920 through December 2032; interest at 4.625 percent. \$ 218,726

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 4 - Long-Term Debt (continued)

\$90,000 Note due in 120 monthly installments of \$869 through September 2020; interest at 3.0 percent.	46,609
\$250,000 Note due in 15 annual installments of \$19,456 through November 2029; interest at 2.0 percent.	<u>250,000</u>
	<u>\$ 515,335</u>

Capital Leases:

Capital lease dated November 6, 2014 due in 36 monthly installments of \$867 through November 6, 2017; collateralized by equipment.	\$ 22,536
Capital lease dated December 3, 2012 due in 60 monthly installments of \$576 through December 3, 2017; collateralized by a vehicle.	15,559
Capital lease dated December 6, 2013 due in 36 monthly installments of \$766 through December 6, 2016; collateralized by a vehicle.	<u>11,491</u>
	<u>\$ 49,586</u>

There are a number of limitations and restrictions contained in the various bond indentures. The Town is in compliance with all significant limitations and restrictions.

The Annual requirements to amortize all debt outstanding as of September 30, 2015 including interest payments of \$2,325,165 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 43,767	\$ 21,185	\$ 166,122	\$ 114,669	\$ 209,889	\$ 135,854
2017	41,355	18,756	168,048	106,502	209,403	125,258
2018	37,858	17,560	53,007	101,430	90,865	118,990
2019	38,596	16,379	50,221	99,519	88,817	115,898
2020	37,680	15,166	52,067	97,673	89,747	112,839
2021 - 2025	162,220	60,390	290,505	458,195	452,725	518,585
2026 - 2030	172,032	31,774	348,016	400,684	520,048	432,458
2031 - 2035	0	0	416,946	331,754	416,946	331,754
2036 - 2040	0	0	499,568	249,132	499,568	249,132
2041 - 2045	0	0	598,611	150,089	598,611	150,089
2046 - 2048	<u>0</u>	<u>0</u>	<u>442,315</u>	<u>34,308</u>	<u>442,315</u>	<u>34,308</u>
	<u>\$ 533,508</u>	<u>\$ 181,210</u>	<u>\$ 3,085,426</u>	<u>\$ 2,143,955</u>	<u>\$ 3,618,934</u>	<u>\$ 2,325,165</u>

**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 5 - Expenditures Over Appropriations for Individual Funds

Any expenditures over appropriations at the legal level or budgetary control for the respective funds are disclosed in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the respective fund. Expenditures over appropriations at the legal level of budgetary control are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund:			
General Government			
Supplies	\$ 10,675	\$ 11,801	\$ 1,126
Other Services and Charges	178,015	179,563	1,548
Culture and Recreation			
Other Services and Charges	7,570	9,452	1,882

NOTE 6 - Litigation

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the Town. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Town if disposed of unfavorably.

NOTE 7 - Defined Benefit Pension Plan

Plan Description – Employees of the Town of Byhalia are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing agent multiple-employer pension plan. The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. PERS issues a publicly available financial report that includes financial statements and required supplementary information. 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 - For the cost-sharing plan participating members who are vested and retire at or after age 60 or those 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 2.00% 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 2.50% 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 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.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 7 - Defined Benefit Pension Plan (continued)

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Retirees and beneficiaries who have been receiving benefit payments for at least one full fiscal year are eligible to receive an annual Cost-of-Living Adjustment (COLA). Designed to help offset the effects of inflation, the COLA is equal to 3% 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% compounded for each fiscal year thereafter.

Employee membership data related to the Plan, as of June 30, 2015 was as follows:

Retirees and Survivors	96,338
Terminated Vested Employees	19,005
Inactive Nonvested Members	118,021
Active Members	<u>157,215</u>
Total	<u>390,579</u>

Contributions - The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and the Town of Byhalia is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the Town to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

For the year ended September 30, 2015, the Town of Byhalia's total payroll for all employees was \$1,199,232. Total covered payroll was \$1,065,868. Covered payroll refers to all compensation paid by the Town to active employees covered by the Plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At September 30, 2015, the Town of Byhalia reported a liability of \$2,581,491 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town of Byhalia's proportion of the net pension liability was based on a projection of the Town of Byhalia's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the Town of Byhalia's proportion was 0.0167%.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 7 - Defined Benefit Pension Plan (continued)

For the year ended September 30, 2015, the Town of Byhalia recognized pension expense of \$404,912. At September 30, 2015, the Town of Byhalia 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>
Difference Between Expected and Actual Results - Pensions	\$ 39,728	\$ 0
Town Pension Contributions Subsequent to the Measurement Date	45,708	0
Changes of Assumptions	222,386	0
Net Difference Between Projected and Actual Investment Earnings on Investments	151,045	0
Changes in Proportion and Differences Between ER Contributions and Proportionate Share Of ER Contributions	0	67,795
Total	\$ <u>458,867</u>	\$ <u>67,795</u>

The \$45,708 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016.

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

Fiscal Year Ending September 30,	<u>Amount</u>
2016	\$ 109,202
2017	109,202
2018	89,199
2019	37,761
Total	\$ <u>345,364</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 7 - Defined Benefit Pension Plan (continued)

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.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34.00%	5.20%
International Equity	19.00%	5.00%
Emerging Markets Equity	8.00%	5.45%
Fixed Income	20.00%	0.25%
Real Assets	10.00%	4.00%
Private Equity	8.00%	6.15%
Cash	1.00%	(0.50)%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 7.75%. 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 employer contribution rate (15.75%). 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 Town of Byhalia's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Town of Byhalia's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the Town of Byhalia's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	Discount Rate	Town's Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$3,402,641
Current discount rate	7.75%	\$2,581,491
1% increase	8.75%	\$1,900,089

Plan Fiduciary Net Position - Detailed information about the Plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi (PERS) financial report.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 8 - Fund Balance Reconciliation – General Fund Budget Basis

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year accrued revenues were \$175,371 less than cash revenues.

NOTE 9 - Risk Management

The Town of Byhalia is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the Town except for certain employment practices liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverage for which the Town retains the risk of loss.

Risk of loss related to workers compensation for injuries to Town employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employer's liability coverage. The Town pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Town Attorney estimates that the amount of actual or potential claims against the Town as of September 30, 2015, will not materially affect the financial condition of the Town. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the Town during the current or prior year.

NOTE 10 - Deficit Fund Balances

The following funds have a deficit fund balance at September 30, 2015:

<u>FUND NAME</u>	<u>AMOUNT</u>
Fire Protection Fund	\$ <u>124,551</u>
TOTAL	\$ <u>124,551</u>

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 11 - New Accounting Standard and Prior Period Adjustment

During the year ended September 30, 2015, the Town implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. Implementation resulted in a direct decrease of \$1,953,382 to net position.

NOTE 12 - Subsequent Events

Management has evaluated subsequent events through June 22, 2016, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF TOWN'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended September 30, 2015**

	<u>2015</u>
A. Byhalia's proportion of net pension liability (%)	0.016700%
B. Byhalia's proportionate share of net pension liability	\$2,581,491
C. Byhalia's covered employee payroll	\$1,065,868
D. Byhalia's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	242.20%
E. Plan fiduciary net position as a percentage of total pension liability	61.70%

TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
A. Statutorily required contributions	\$167,874	\$158,595
B. Contributions in relation to statutorily required contributions	\$167,874	\$158,595
C. Contribution deficiency (excess)	\$0	\$0
D. Byhalia's covered employee payroll	\$1,065,868	\$1,006,952
E. Contributions as a percentage of covered employee payroll	15.75%	15.75%

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2015

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended September 30, 2015

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Property Taxes	\$ 529,363	\$ 520,968	\$ (8,395)
Homestead Exemption Reimbursement	15,000	16,965	1,965
Privilege Licenses and Fees	14,840	13,229	(1,611)
Road Maintenance	265,000	253,016	(11,984)
Sales Tax	748,050	764,988	16,938
Gasoline Tax	3,000	3,988	988
Hotel/Motel Tax	14,000	13,695	(305)
Alcoholic Beverage Licenses	2,250	1,800	(450)
Building Permits	10,300	5,965	(4,335)
Court Fines and Fees	91,267	77,650	(13,617)
TVA In Lieu Tax	31,598	31,598	-
Miscellaneous	30,867	31,200	333
Penalties and Interest	1,500	918	(582)
Cable Franchise Fees	70,402	67,754	(2,648)
Sale of Cemetery Lots	14,000	14,000	-
Interest Income	10,000	11,151	1,151
Late Charges - Utility	2,500	1,946	(554)
Grant Income	578,019	269,010	(309,009)
Sanitation Fees	61,021	61,780	759
Total revenues	<u>2,492,977</u>	<u>2,161,621</u>	<u>(331,356)</u>
<u>EXPENDITURES</u>			
General Government			
Personnel Services	244,990	244,232	758
Supplies	10,675	11,801	(1,126)
Other Services and Charges	178,015	179,563	(1,548)
Capital Outlay	676,833	562,419	114,414
Total	<u>1,110,513</u>	<u>998,015</u>	<u>112,498</u>
Public Safety			
Personnel Services	905,598	867,781	37,817
Supplies	60,874	53,498	7,376
Other Services and Charges	152,010	151,026	984
Capital Outlay	37,423	32,354	5,069
Total	<u>1,155,905</u>	<u>1,104,659</u>	<u>51,246</u>
Culture and Recreation			
Supplies	1,000	295	705
Other Services and Charges	7,570	9,452	(1,882)
Capital Outlay	14,615	10,787	3,828
Total	<u>\$ 23,185</u>	<u>\$ 20,534</u>	<u>\$ 2,651</u>

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued
For the Fiscal Year Ended September 30, 2015

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Public Works			
Personnel Services	\$ 114,485	\$ 112,006	\$ 2,479
Supplies	17,300	15,931	1,369
Other Services and Charges	73,080	73,074	6
Sanitation: Other Services and Charges	56,825	56,821	4
Capital Outlay	165,738	170,276	(4,538)
Total	<u>427,428</u>	<u>428,108</u>	<u>(680)</u>
Debt Service			
Principal Retirement	33,897	33,897	-
Interest and Fiscal Charges	13,249	13,249	-
Total	<u>47,146</u>	<u>47,146</u>	<u>-</u>
Total expenditures	<u>2,764,177</u>	<u>2,598,462</u>	<u>165,715</u>
Excess (Deficit) revenues over (under) expenditures	<u>(271,200)</u>	<u>(436,841)</u>	<u>(165,641)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Issuance of Long-Term Debt	-	257,480	257,480
Operating Transfers In	271,200	338,856	67,656
Total other financing sources (uses)	<u>271,200</u>	<u>596,336</u>	<u>325,136</u>
Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>159,495</u>	<u>159,495</u>
Fund balances - Beginning	<u>1,302,207</u>	<u>1,302,207</u>	<u>-</u>
Fund balances - Ending	\$ <u>1,302,207</u>	1,461,702	\$ <u>159,495</u>
Adjustments To GAAP Basis:			
Add/Less: Accrued revenue		<u>(175,371)</u>	
Fund Balance GAAP - Ending		\$ <u>1,286,331</u>	

OTHER SUPPLEMENTARY INFORMATION

TOWN OF BYHALIA
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2015

NAME	POSITION	BOND	INSURANCE COMPANY
Teresa Turner	City Clerk	\$ 50,000	CLM Insurance Group
Angie Clayton	Court Clerk	50,000	CLM Insurance Group
Vivian Turner	Utility Clerk	50,000	CLM Insurance Group
Helen Rayford	Utility Clerk	50,000	CLM Insurance Group
Dori Hendrix	Deputy Clerk	50,000	CLM Insurance Group
Kathy Vanderhook	Deputy Clerk	50,000	CLM Insurance Group
Teresa Lesure	Police Dispatcher	50,000	Scott Insurance Company
Candie Wilson	Police Dispatcher	50,000	Scott Insurance Company
Barbara Wages	Police Dispatcher	50,000	Scott Insurance Company
Deborah Yarbrough	Police Dispatcher	50,000	Scott Insurance Company
Kerry Reid	Police	50,000	Scott Insurance Company
Gary Looney	Police Chief	50,000	CLM Insurance Group
Michael Hamblin, Sr.	Alderman	50,000	Scott Insurance Company
Richard Minor	Alderman	50,000	Scott Insurance Company
Daylon Cannon	Alderman	50,000	Scott Insurance Company
Joe Tunstall	Alderman	50,000	Scott Insurance Company
Mary Ann Cooper	Alderman	50,000	Scott Insurance Company
Phillip Malone	Mayor	50,000	Scott Insurance Company

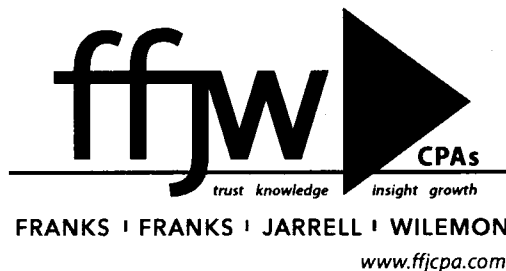
TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Fiscal Year Ended September 30, 2015

	BALANCE OUTSTANDING October 1, 2014	TRANSACTIONS DURING FISCAL YEAR		BALANCE OUTSTANDING September 30, 2015
		ISSUED	REDEEMED	
<u>Revenue Bonds</u>				
Combined Water and Sewer System	\$ 31,974	\$ -	\$ 11,439	\$ 20,535
Gas System	285,000	-	90,000	195,000
Gas System	1,900,000	-	-	1,900,000
Water System	953,817	-	15,339	938,478
<u>Other Long Term Debt</u>				
Community Facility Loan	232,876	-	14,150	218,726
NEMPDD Loan - Town Hall	-	250,000	-	250,000
Capital Lease Payable -				
2014 Chevrolet Tahoe	19,978	-	8,487	11,491
Capital Lease Payable -				
Bancorpsouth	488	-	488	-
Capital Lease Payable -				
Mini Excavator	-	29,919	7,383	22,536
Capital Lease Payable -				
Sewer Machine - Bancorpsouth	10,849	-	10,849	-
CAP Loan - Stonewall Road	57,071	-	10,462	46,609
Capital Lease Payable -				
2011 Chevy Silverado - Bancorpsouth	1,119	-	1,119	-
Capital Lease Payable-				
2013 Chevy Silverado-Bancorpsouth	21,301	-	5,742	15,559
TOTAL	\$ 3,514,473	\$ 279,919	\$ 175,458	\$ 3,618,934

OTHER REPORTS

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

Honorable Mayor and Board of Aldermen
Town of Byhalia, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Byhalia, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Byhalia, Mississippi's basic financial statements and have issued our report thereon dated June 22, 2016.

Internal Control over Financial Reporting

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

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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 1 and 2 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Byhalia, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as findings 1 and 2.

Town of Byhalia, Mississippi's Response to Findings

Town of Byhalia, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Byhalia, 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.

Franks, Franks, Jarrell & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.

Tupelo, Mississippi
June 22, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Aldermen
Town of Byhalia, Mississippi

We have audited the financial statements of the Town of Byhalia, Mississippi as of and for the year ended September 30, 2015 and have issued our report dated June 22, 2016. We have 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*.

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

The results of those procedures and our audit of the financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses can be found in the accompanying schedule of findings and responses as finding 1 and 2.

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

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

Franks, Franks, Jarrell + Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.

Tupelo, Mississippi
June 22, 2016

**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2015**

FINANCIAL STATEMENT FINDINGS:

FINDING NO. 1 (material weakness, noncompliance)

Criteria: The Town is required, by state statutes, to prepare a budget for all required governmental funds of the Town and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts. The Town is further required to publish notice of any departmental budget amendments in excess of 10 % of the originally adopted departmental budgeted amount.

Cause of Condition: The Town had budget overages in three expenditure categories for the year ended September 30, 2015. The Town also failed to publish notice of amendments greater than 10% of departmental expenditures during the fiscal year.

Recommendation: The Town should ensure that all expenditures are within the final amended budget amounts. The Town Clerk should generate monthly budget to actual revenue and expense reports that should be used to ensure budgets are amended before expenses are disbursed in excess of budgeted amounts. The Town should ensure that notice is published anytime that the Town amends a departmental budget in excess of 10% of the originally budgeted amounts.

Response: The Town will take steps necessary to provide the Board with accurate revenue and expense budget to actual comparisons on a monthly basis for all required accounts. The Town will take steps necessary to ensure that budgets are amended prior to budget overages occurring. The Town will ensure that the proper notice is published for all amendments of departmental budgets in excess of 10%.

FINDING NO. 2 (material weakness, noncompliance)

Criteria: The Town is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. The Town is to comply with state purchasing laws for all applicable purchases over certain dollar thresholds.

Cause of Condition: The Town did not obtain competitive quotes for three purchases during the year, as required by state statutes.

Recommendation: The Town should implement adequate internal controls over all state purchase laws to ensure that the Town strictly adheres to the purchase laws in all departments of the Town.

Response: The Town will take steps necessary to ensure that controls over purchasing are revised to ensure future compliance.