

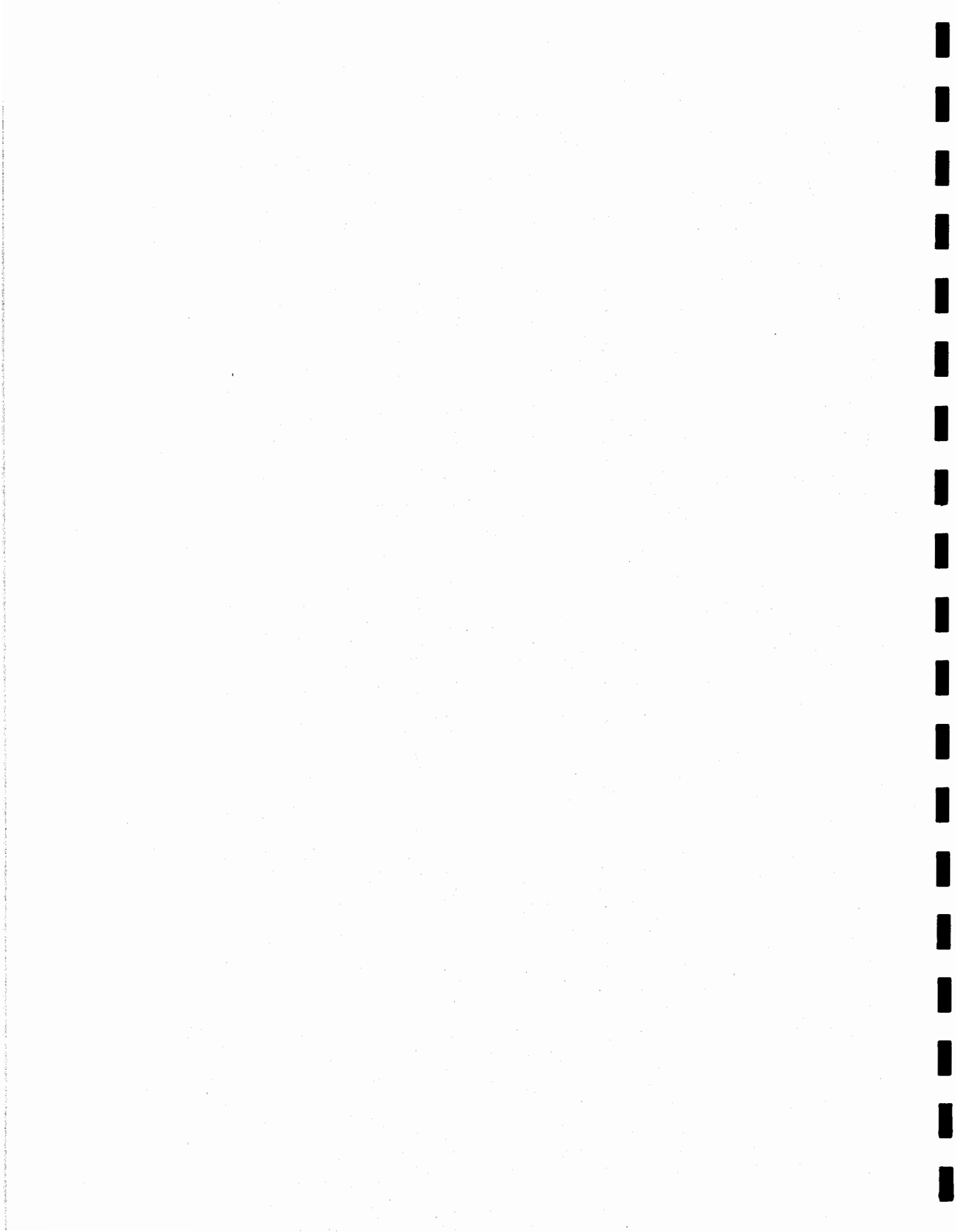


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CITY OF MAGEE MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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**CITY OF MAGEE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	6
Statement of Activities	8
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet to the Statement of Net Position- Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Position – Proprietary Funds	13
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	14
Statement of Cash Flows – Proprietary Funds	15
Notes to the Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Employer's Proportionate Share of the Net Pension Liability	35
Schedule of the City's Contributions	36
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	38
OTHER INFORMATION	
Schedule of Surety Bonds of Municipal Officials and Others	40
SPECIAL REPORTS	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	44
Independent Auditors' Report on Compliance with State Laws and Regulations	46
Schedule of Findings and Questioned Costs	48

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Magee, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

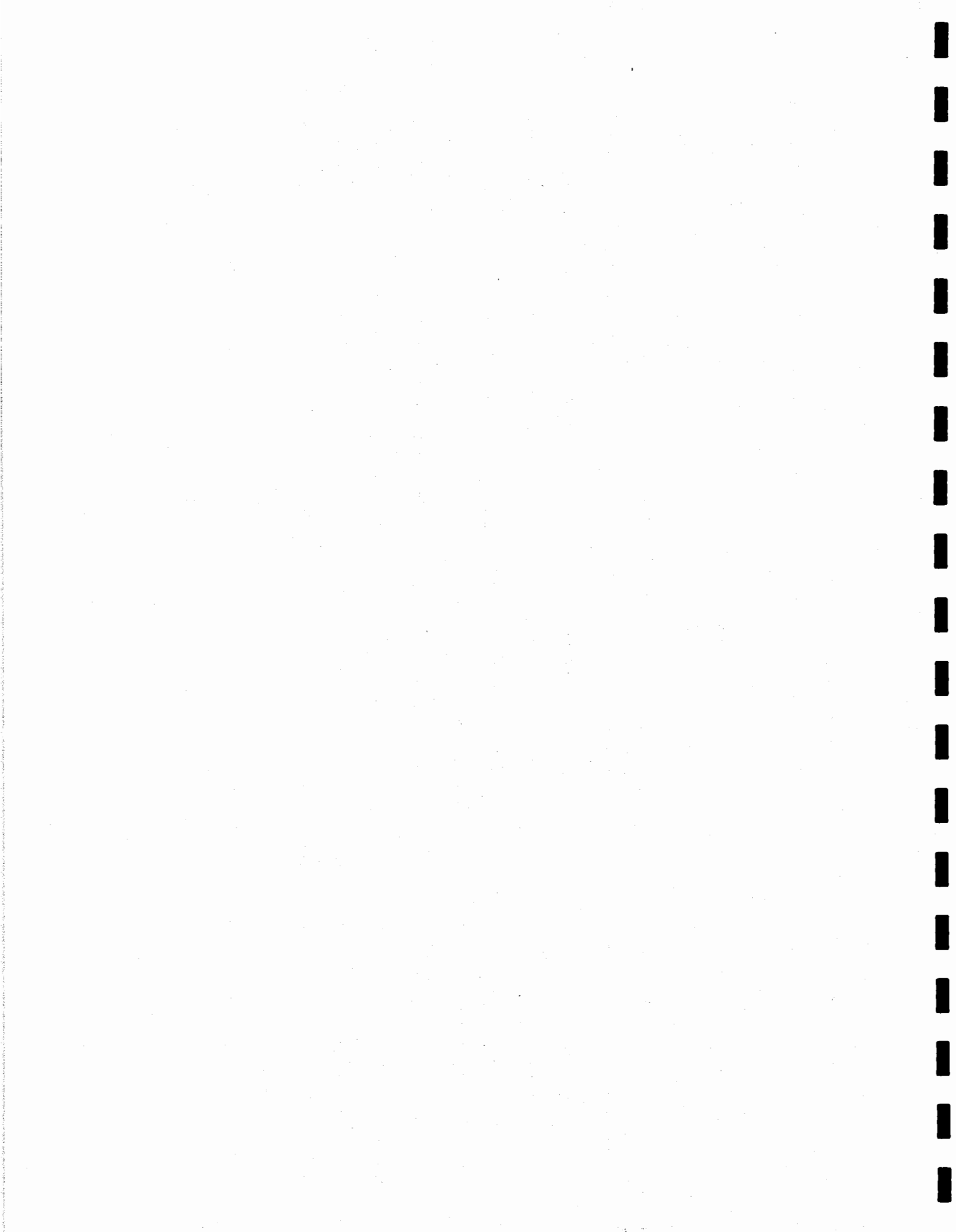
Management's Responsibility for the Financial Statements

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.



Basis for Adverse Opinion on the Governmental Activities

As discussed in Note 5 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on assets. Accounting principles generally accepted in the United States of America require that assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position and expenses of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the previous paragraph, the financial statements referred to above do not present fairly, the financial position of the governmental activities of the City of Magee, Mississippi, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of the City's Contributions, and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

The City of Magee, Mississippi, has omitted the Management's Discussion and Analysis and the Budgetary Comparison Schedule and corresponding notes that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City of Magee, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for Municipal Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report August 12, 2016, on our consideration of the City of Magee, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 City of Magee, Mississippi's internal control over financial reporting and compliance.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC

August 12, 2016

City of Magee
Statement of Net Position
September 30, 2015

EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,883,059	\$ 156,130	\$ 2,039,189
Receivables (net of uncollectibles):			
Accounts	292,922	69,455	362,377
Fines Receivable (net of allowance for uncollectibles of \$2,517,769)	884,622	-	884,622
Due from Other Funds	477,927	3,954	481,881
Property Tax Receivable	941,000	-	941,000
Prepaid Expenses	23,472	-	23,472
Capital Assets:			
Land	139,970	-	139,970
Buildings	3,704,567	19,844	3,724,411
Improvements Other Than Buildings	5,449,621	83,252	5,532,873
Mobile Equipment	3,574,432	1,273,116	4,847,548
Water and Sewer Lines and Facilities	-	7,430,482	7,430,482
Infrastructure	6,633,496	-	6,633,496
Less: Accumulated Depreciation	-	(6,721,753)	(6,721,753)
Net Capital Assets	19,502,086	2,084,941	21,587,027
Other Assets	-	36,811	36,811
Total Assets	24,005,088	2,351,291	26,356,379
Deferred Outflows of Resources			
Deferred outflows related to pension	697,249	68,959	766,208
Total Deferred Outflows of Resources	697,249	68,959	766,208
Total Assets and Deferred Outflows of Resources	\$ 24,702,337	\$ 2,420,250	\$ 27,122,587

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

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City of Magee, Mississippi
Statement of Net Position
For the Year Ending September 30, 2015

Page 2
EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities and Net Position			
Accounts Payable	\$ 46,100	\$ 10,706	\$ 56,806
Customer Deposits	-	61,155	61,155
Due to Other Funds	431,438	50,443	481,881
Compensated Absences Payable	98,573	6,399	104,972
Non-Current Liabilities:			
Due within one year	355,919	162,431	518,350
Due in more than one year	2,492,238	557,869	3,050,107
Net Pension Liability	3,938,705	389,542	4,328,247
Total Liabilities	7,362,973	1,238,545	8,601,518
Deferred Inflows of Resources			
Unearned Revenue-Property Taxes	941,000	-	941,000
Total Deferred Inflows of Resources	941,000	-	941,000
Net Position:			
Net Investment in Capital Assets	16,653,929	1,364,641	18,018,570
Unrestricted	(255,565)	(182,936)	(438,501)
Total Net Position	16,398,364	1,181,705	17,580,069
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 24,702,337	\$ 2,420,250	\$ 27,122,587

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

City of Magee
Statement of Activities
For the Year Ended September 30, 2015

EXHIBIT 2

Function/Programs:	Expenses	Program Revenues			Governmental Activities	Business- Type Activities	Total
		Charges for Services	Operating Grants	Capital Grants			
Governmental Activities:							
General Government	\$ (981,372)	\$ -	\$ 39,840	\$ 437,188	\$ (504,344)	\$ -	\$ (504,344)
Public Safety	(1,573,195)	-	72,044	-	(1,501,151)	-	(1,501,151)
Public Works	(694,949)	-	-	287,021	(407,928)	-	(407,928)
Culture and Recreation	(513,512)	-	-	291,275	(222,237)	-	(222,237)
Interest and Fiscal Charges							
on Long-term Debt	(86,508)	-	-	-	(86,508)	-	(86,508)
Total Governmental Activities	(3,849,536)	-	111,884	1,015,484	(2,722,168)	-	(2,722,168)
Business-Type Activities:							
Water, Sewer, and Garbage	-	-	-	-	-	20,320	20,320
Total Functions/Programs	\$ (3,849,536)	\$ -	\$ 111,884	\$ 1,015,484	\$ (2,722,168)	\$ 20,320	\$ (2,701,848)
General Revenues:							
Property Tax					\$ 931,828	\$ -	\$ 931,828
Franchise Tax					153,984	-	153,984
Sales Tax					2,117,421	-	2,117,421
Licenses and Permits					91,699	-	91,699
Intergovernmental, Not Restricted to							
Specific Functions/Programs					482,579	-	482,579
Fines and Forfeitures					859,974	-	859,974
Other Revenue					129,825	-	129,825
Transfers					-	-	-
Total General Revenues					4,767,310	-	4,767,310
Change in Net Position					2,045,142	20,320	2,065,462
Net Position- Beginning, as previously reported					17,491,760	1,542,916	19,034,676
Prior period adjustment					(3,138,538)	(381,531)	(3,520,069)
Net Position- Beginning, as restated					14,353,222	1,161,385	15,514,607
Net Position- End of Year					\$ 16,398,364	\$ 1,181,705	\$ 17,580,069

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



**City of Magee
Balance Sheet
Governmental Funds
September 30, 2015**

EXHIBIT 3

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,124,622	\$ 758,437	\$ 1,883,059
Accounts Receivable	233,191	59,731	292,922
Fines Receivable - Net	884,622	-	884,622
Property Tax Receivable	796,228	144,772	941,000
Prepaid Expenses	15,418	8,054	23,472
Due from Other Funds	334,178	143,749	477,927
Total Assets	\$ 3,388,259	\$ 1,114,743	\$ 4,503,002
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 45,465	\$ 635	\$ 46,100
Due to Other Funds	37,222	394,216	431,438
Unearned Revenue	1,680,850	144,772	1,825,622
Total Liabilities	1,763,537	539,623	2,303,160
FUND BALANCES:			
Nonspendable:			
Prepaid Items	15,418	8,054	23,472
Unassigned:			
	1,609,304	553,298	2,162,602
Restricted:			
Public Works	-	13,768	13,768
Total Fund Balances	1,624,722	575,120	2,199,842
Total Liabilities and Fund Balances	\$ 3,388,259	\$ 1,114,743	\$ 4,503,002

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

City of Magee
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
September 30, 2015

EXHIBIT 3.1

Fund Balances - Total Governmental Funds

\$ 2,199,842

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

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

Governmental Capital Assets

19,502,086

Other long-term assets are not available to pay for current period expenditures
and, therefore are deferred in the funds.

884,622

Deferred outflows related to pension liability are applicable to future periods,
and, therefore are not reported in the funds.

697,249

Net pension obligations are not due and payable in the current period,
and, therefore are not reported in the funds.

(3,938,705)

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

Bonds Payable

(2,635,000)

Capital Leases Payable

(213,157)

Compensated Absences

(98,573)

(2,946,730)

Net Position of Governmental Activities

\$ 16,398,364

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

City of Magee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2015

EXHIBIT 4

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	\$ 787,216	\$ 144,612	\$ 931,828
Licenses and Permits	245,683	-	245,683
Intergovernmental	2,466,286	1,261,082	3,727,368
Fines and Forfeitures	504,882	-	504,882
Miscellaneous	82,101	47,724	129,825
Total Revenues	4,086,168	1,453,418	5,539,586
EXPENDITURES			
Current:			
General Government	998,922	39,723	1,038,645
Public Safety	1,523,794	-	1,523,794
Public Works	525,054	156,516	681,570
Culture and Recreation	504,249	-	504,249
Capital Improvements	79,950	829,132	909,082
Debt Service:			
Principal	81,587	260,000	341,587
Interest and Fiscal Charges	4,832	81,676	86,508
Total Expenditures	3,718,388	1,367,047	5,085,435
Excess of Revenues Over Expenditures	367,780	86,371	454,151
OTHER FINANCING SOURCES AND (USES)			
Proceeds from Issuance of Debt	79,950	-	79,950
Transfers In	-	30,500	30,500
Transfers Out	(30,500)	-	(30,500)
Total Other Financing Sources	49,450	30,500	79,950
Net Change in Fund Balances	417,230	116,871	534,101
Fund Balances - Beginning	1,207,492	458,249	1,665,741
Fund Balances - Ending	\$ 1,624,722	\$ 575,120	\$ 2,199,842

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

City of Magee
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2015

EXHIBIT 4.1

Net Change in Fund Balances - Total Governmental Funds	\$ 534,101
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Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures.

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

Expenditures for Capital Assets	909,082
---------------------------------	---------

Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	355,092
--	---------

Debt proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the Statement
of Net Position. Repayment of debt principal is an expenditure in
governmental funds, but the repayment reduces long-term liabilities
in the Statement of Net Position.

Proceeds from Issuance of Lease	(79,950)
---------------------------------	----------

Principal Payments	341,587
--------------------	---------

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

Change in Long-term Compensated Absences	88,148
--	--------

Some items reported in the Statement of Activities relating to the implementation
of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(469,425)
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Recording of contributions made subsequent to the measurement date	66,872
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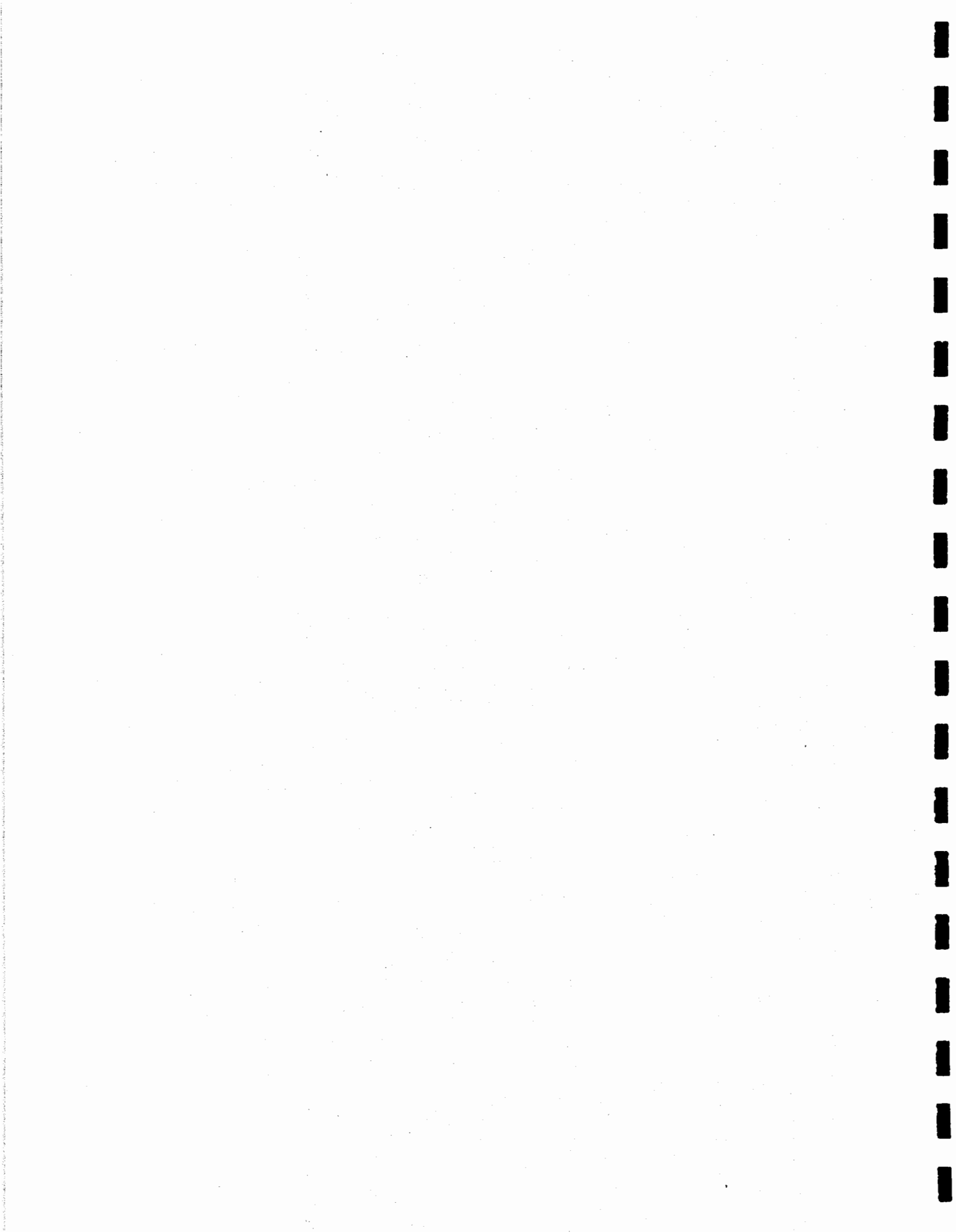
Recording of reduction in pension expense for amounts included in net pension liability	299,635
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Change in Net Position of Governmental Activities	<u>\$ 2,045,142</u>
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The notes to the financial statements are an integral part of this statement.

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City of Magee
Statement of Net Position
Proprietary Funds
September 30, 2015

EXHIBIT 5

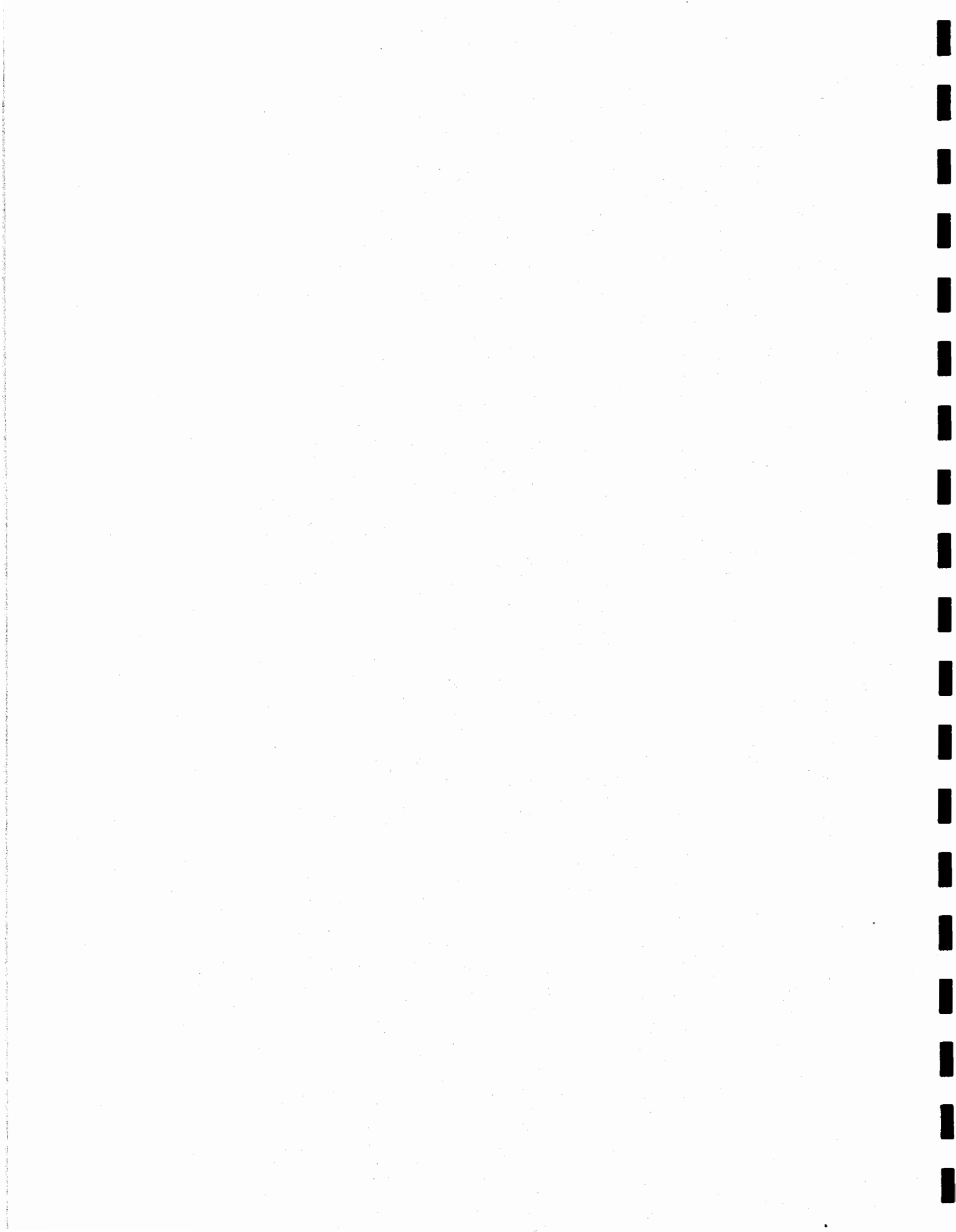
	<u>Enterprise Fund</u> <u>Water & Sewer</u>
ASSETS	
Current Assets:	
Cash	\$ 156,130
Accounts Receivable	69,455
Due from other Funds	3,954
Total Current Assets	<u>229,539</u>
Noncurrent Assets:	
Capital Assets:	
Property, Plant, and Equipment	2,084,941
Other Assets	36,811
Total Noncurrent Assets	<u>2,121,752</u>
Total Assets	<u>2,351,291</u>
Deferred Outflows of Resources:	
Deferred outflows related to pension	68,959
Total Deferred Outflows of Resources	68,959
Total Assets and Deferred Outflows of Resources	<u>\$ 2,420,250</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 10,706
Customer Deposits	61,155
Due to Other Funds	50,443
Compensated Absences Payable	6,399
Revenue Bonds Payable-Current Portion	100,000
Notes Payable-Current Portion	62,431
Total Current Liabilities	<u>291,134</u>
Noncurrent Liabilities:	
Long-term Debt	557,869
Net Pension Liability	389,542
Total Noncurrent Liabilities	<u>947,411</u>
Total Liabilities	<u>1,238,545</u>
NET POSITION	
Net Investment in Capital Assets	1,364,641
Unrestricted	(182,936)
Total Net Position	<u>1,181,705</u>
Total Liabilities and Net Position	<u>\$ 2,420,250</u>

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

City of Magee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ending September 30, 2015

	EXHIBIT 6
	Enterprise Fund
	Water & Sewer
Operating Revenues:	
Charges for Services	\$ 844,268
Miscellaneous Income	4,728
Total Operating Revenue	<u>848,996</u>
Operating Expenses:	
Personnel Services	224,830
Contractual Services, Materials, and Supplies	247,523
Other Services and Charges	162,232
Depreciation	177,818
Total Operating Expenses	<u>812,403</u>
Operating Income (Loss)	<u>36,593</u>
Nonoperating Revenues (Expenses):	
Insurance Proceeds	15,456
Interest Income	187
Interest Expense	(31,916)
Total Nonoperating Revenues (Expenses)	<u>(16,273)</u>
Change in Net Position	<u>20,320</u>
Net Position-Beginning, as previously reported	1,542,916
Prior Period Adjustment	(381,531)
Net Position-Beginning, as restated	<u>1,161,385</u>
Net Position-Ending	<u><u>\$ 1,181,705</u></u>

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



City of Magee
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

EXHIBIT 7

	<u>Enterprise Fund</u> <u>Water & Sewer</u>
CASH FLOWS OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 852,147
Cash payments to suppliers	(407,799)
Cash payments to employees	(269,320)
Net cash provided by operating activities	<u>175,028</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Insurance Proceeds	15,456
Principal paid on long-term debt	(156,893)
Interest expense	(31,916)
Net cash (used) by capital and related financing activities	<u>(173,353)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on money market account	187
Net cash provided by investing activities	<u>187</u>
Net increase in cash and cash equivalents	1,862
Cash and cash equivalents, October 1	154,268
Cash and cash equivalents, September 30	<u>\$ 156,130</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	\$ 36,593
Adjustment:	
Depreciation expense	177,818
Changes in assets and liabilities:	
Decrease in accounts receivable	3,151
Decrease in due from other funds	3,464
Increase in accounts payable	1,956
Increase in due to other funds	6,838
(Decrease) in customer deposits	(243)
Increase in compensated absences payable	6,399
(Decrease) in pension liability	(60,948)
Total adjustments	<u>138,435</u>
Net cash provided by operating activities	<u>\$ 175,028</u>

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



City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates under a Mayor/Aldermen form of government and provides the following services as authorized by its charter: public safety (police and volunteer fire protection), highways and streets, sanitation, culture and recreation, public improvements, planning and zoning, and general administrative services.

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

A. Government-wide and Fund Financial Statements

The government-wide and fund financial statements along with the notes to the financial statements comprise the basic financial statements.

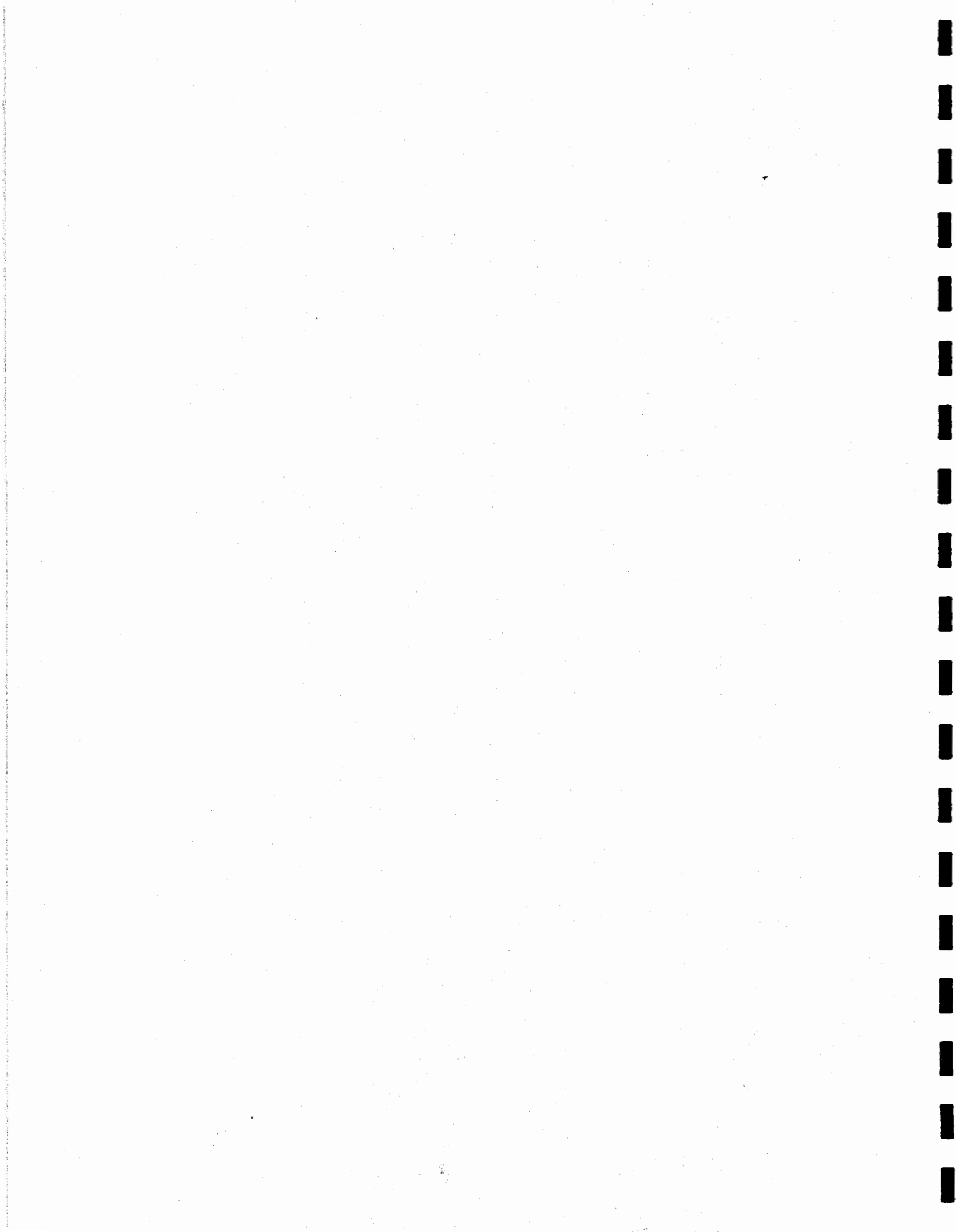
The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods and services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

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

B. 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 the 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.



City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Governmental 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 within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Franchise and utility taxes, state revenue sharing, charges for garbage and water service, fines and forfeitures, and investment earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

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

C. Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following is a summary of the City's funds by fund type:

GOVERNMENTAL FUNDS: Governmental Funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

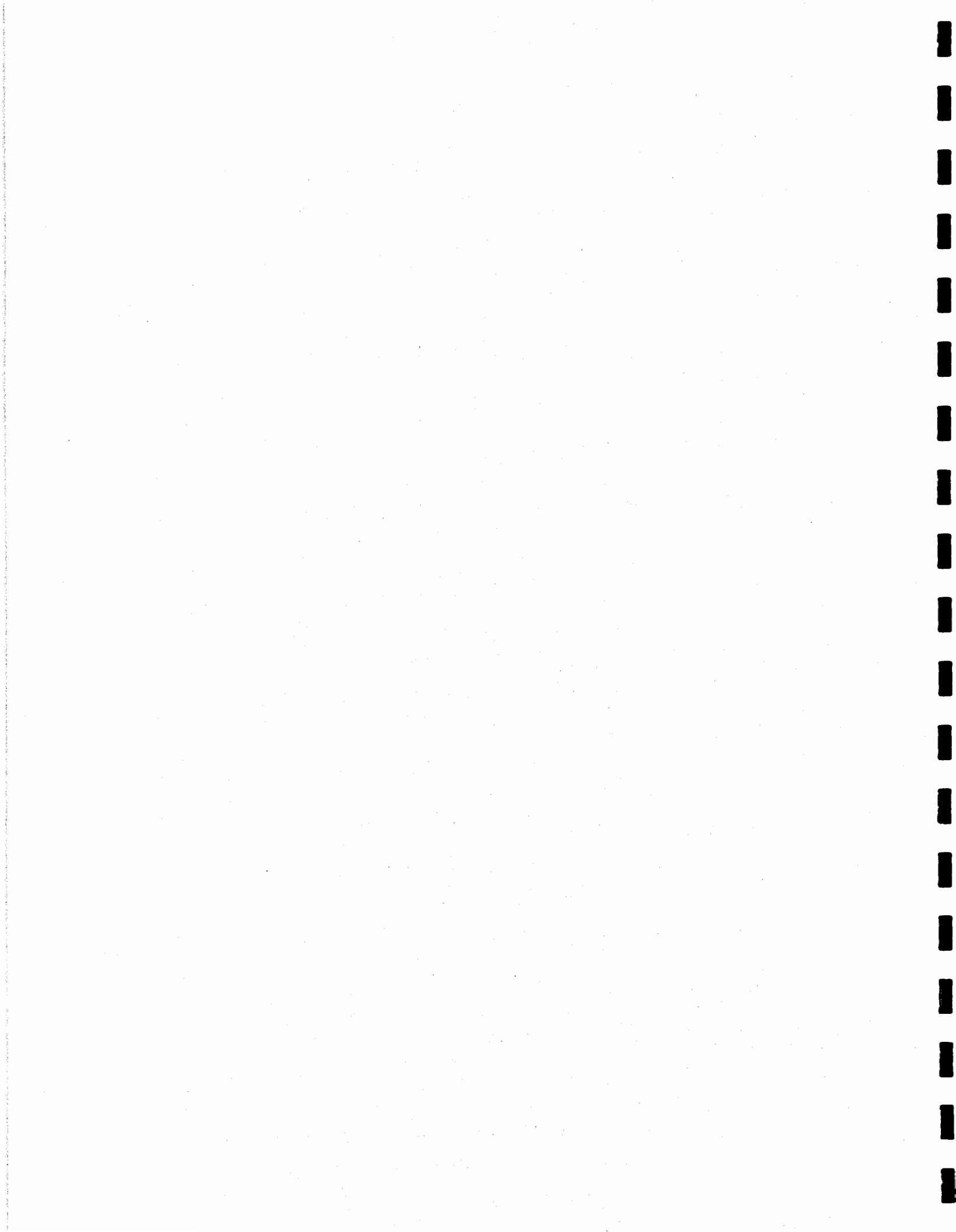
- The *General Fund* is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

PROPRIETARY FUNDS: Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The City's proprietary fund is an enterprise fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City's enterprise fund is a major fund.

- The *Water, Sewer, and Garbage Fund* accounts for the provision of water, sewer, and garbage services to customers within the service area.

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City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Capital Assets

Property and equipment purchased or acquired are carried at historical cost or estimated historical cost.

Contributed assets are recorded at fair market value as of the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Pursuant to GASB Statement 34, small governmental entities (less than \$10 million in annual revenue) are not required to retroactively state the values of infrastructure purchased or constructed in prior years. Therefore, infrastructure acquired prior to October 1, 2002 has not been recorded, unless the value was already included in the City's inventory of capital assets.

Depreciation has not been provided for governmental activities.

Depreciation has been provided for proprietary funds using the straight-line method, over the following estimated useful lives:

Building & Improvements	30-40 Years
Machinery & Equipment	3-10 Years

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Receivables

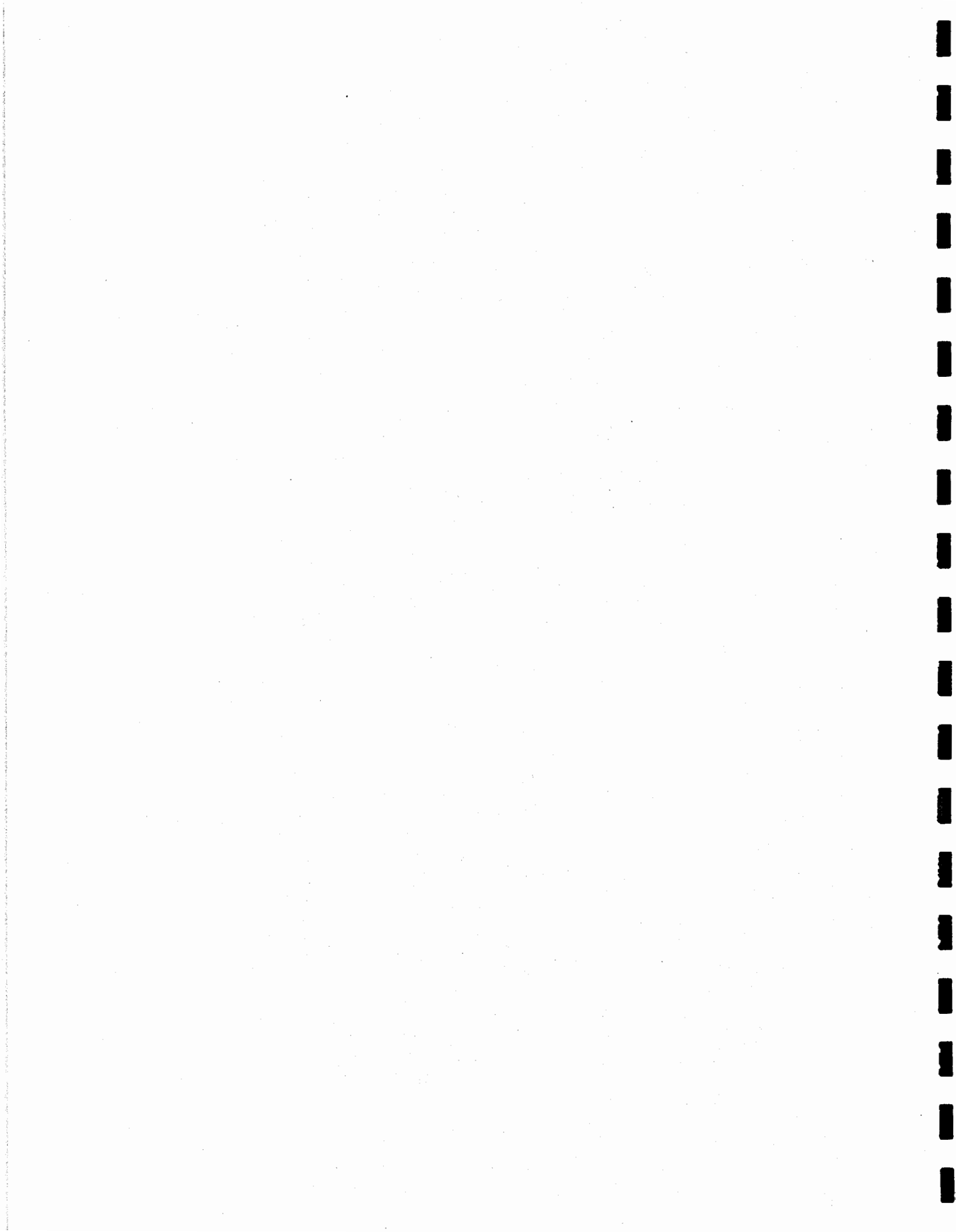
Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

H. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer utility services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund.

J. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The city has incurred deferred outflows that are related to pension reporting.

K. Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from service to the City. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. For governmental activities, an accrual of \$98,573 was reported. For business type activities, an accrual of \$6,399 was reported.

L. Deferred Inflows of Resources

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

M. Equity Classifications

Government-wide Financial Statements:

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

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."



City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. Equity Classifications-Continued

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. The following are descriptions of fund classifications used by the City:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portions of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

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

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

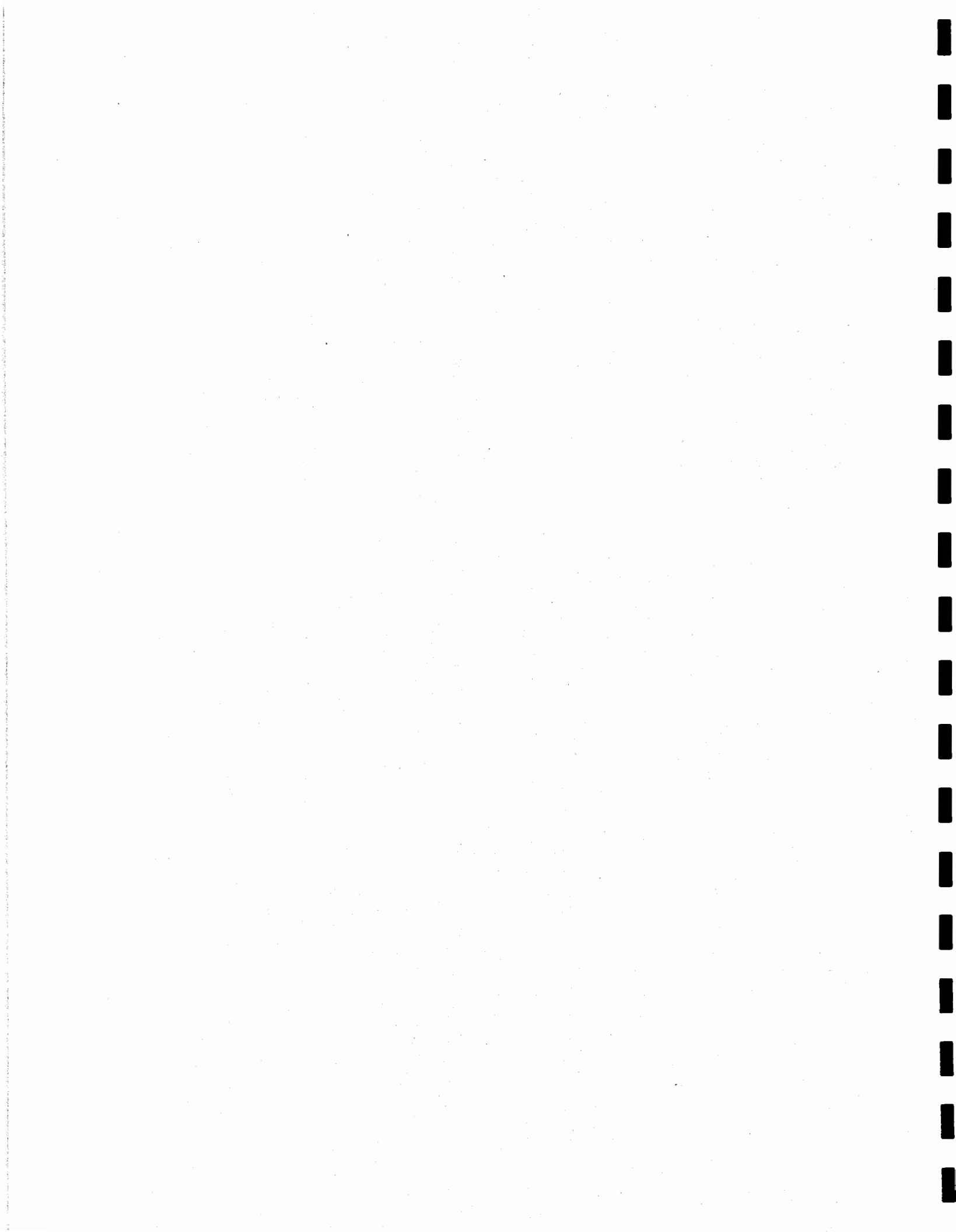
When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned or unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

N. Surety Bonds

Surety bond coverage meets the legal requirements for the year ended September 30, 2015.

O. Mississippi Municipal Compliance Questionnaire

The Mississippi Municipal Compliance Questionnaire was completed and entered into the City's Minute Book as prescribed by law.



City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

P. Change in Accounting Standards

The City of Magee adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68*. The City of Magee provides its employees with pension benefits through the Public Employees' Retirement system of Mississippi (PERS), a multiple-employer cost-sharing defined benefit retirement program administered by PERS. GASB 68 requires employers participating in benefit multiple-employer cost-sharing plans, such as PERS, to record their proportionate share, as defined in GASB 68, of PERS's unfunded pension liability. The City of Magee has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERS. The cumulative effect of adopting GASB 68 resulted in a \$(3,520,069) restatement of net position as of October 1, 2014, which decreased previously reported net position. Information regarding PERS' current funding status can be found in their Comprehensive Annual Financial Report. Information related to beginning balances for fiscal year 2014 was not available thus the effects of GASB 68 including the related pension liability were not reported on the balance sheet or statements of revenues, expenses and changes in net position for that year.

NOTE 2 – PRIOR PERIOD ADJUSTMENT

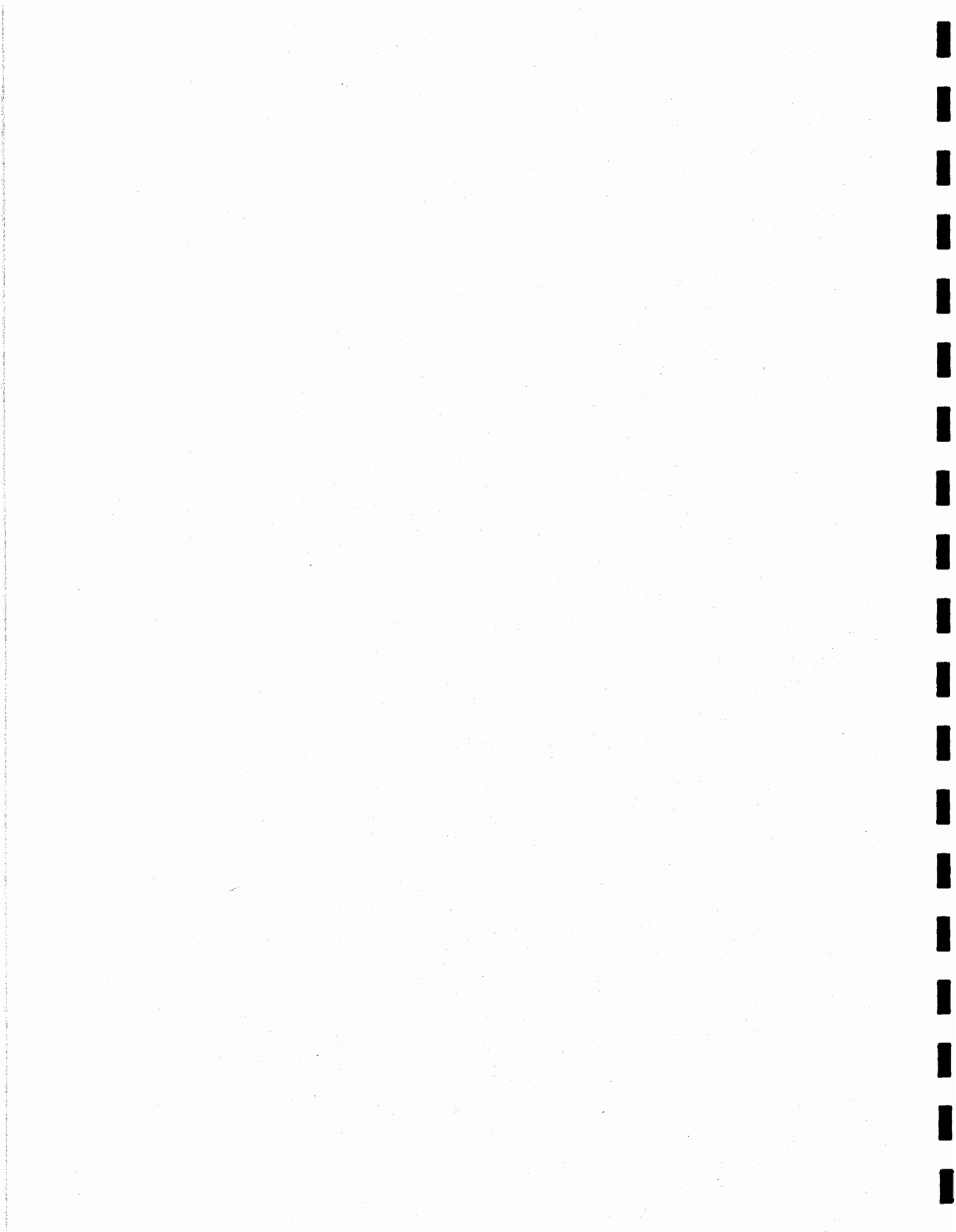
Significant adjustments were made to beginning net position as described below:

Statement of Activities:	
Implementation of GASB 68	<u>\$(3,520,069)</u>

NOTE 3 – CASH AND INVESTMENTS

The City deposits funds in financial institutions selected by the Board of Aldermen in accordance with state statutes. Various restrictions on deposits are imposed by statutes.

Code Sec. 21-33-323 allows municipalities to invest their surplus funds. The City may only invest in direct obligations of the United States, or the State of Mississippi, or certain local Mississippi governments. They may also invest in certificates of deposit from municipal depositories or State of Mississippi depositories located within the municipality. There is no authority to invest in mutual funds or brokerage firm accounts.



City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 3 – CASH AND INVESTMENTS – Continued

The collateral for public entities' deposit 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 City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The City's deposits, which include all cash accounts and certificates of deposits, with a carrying value of \$2,039,189 and a bank balance of \$2,119,622 at September 30, 2015, are covered by federal depository insurance and by deposits held in banks that are members of the State of Mississippi's Collateral Pool.

NOTE 4 – INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund balances at September 30, 2015:

A. Due From/To Other Funds:

Major Funds:

<u>Due From:</u>	<u>Due To:</u>	<u>Amount</u>
General	Non-Major Governmental Funds	\$ 334,178
Non-Major Governmental Funds	Enterprise	50,443
Non-Major Governmental Funds	General	37,222
Enterprise	Non-Major Governmental Funds	3,954
Non-Major Governmental Funds	Non-Major Governmental Funds	56,084
Total Interfund Receivables		<u>\$ 481,881</u>

The interfund receivables and payables were the result of loans between funds.

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount/Purpose</u>
Other Governmental Funds	General Fund	\$ 30,500
		<u>\$ 30,500</u>

Transfers were the result of reimbursements between funds.

City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 5 – CAPITAL ASSETS

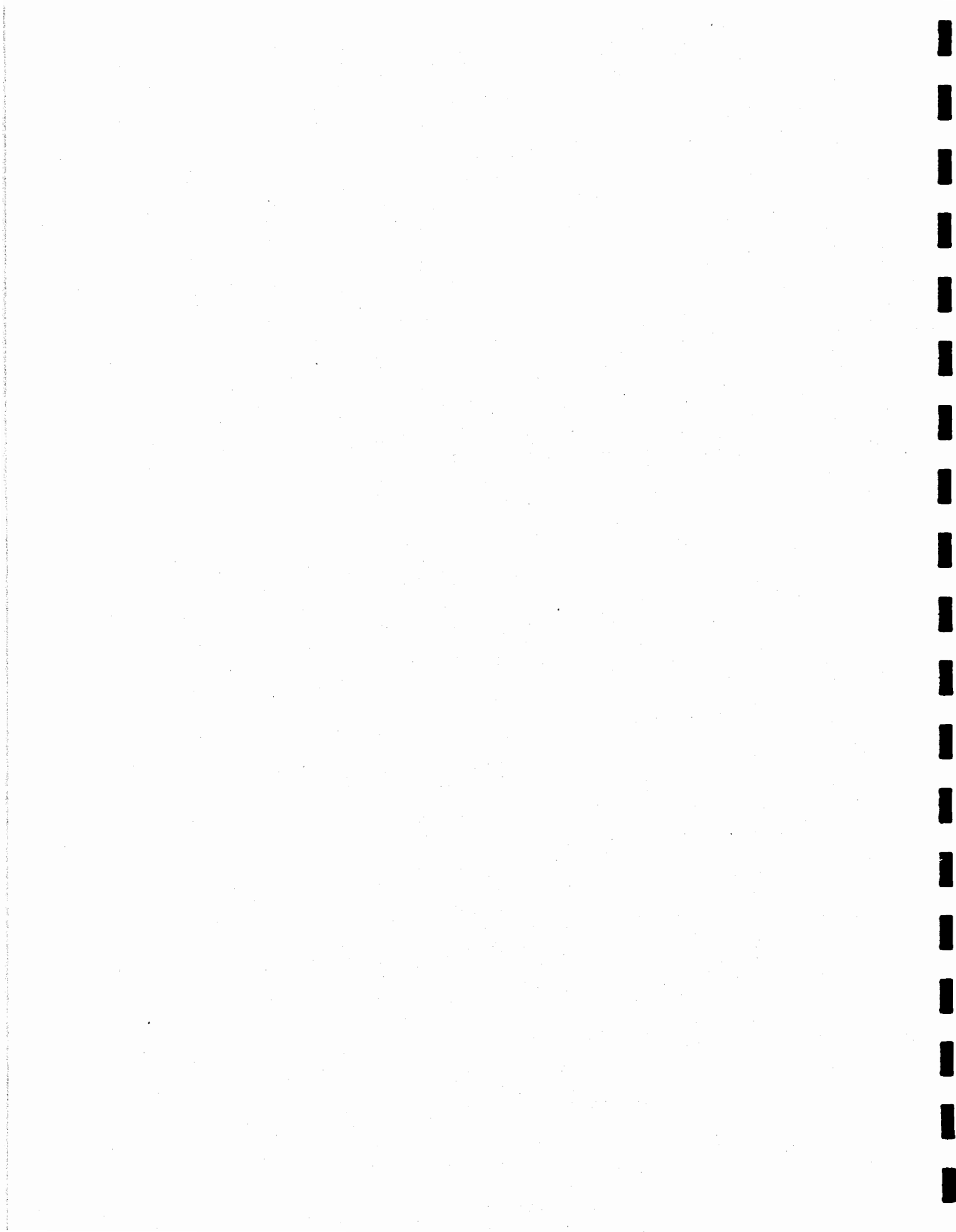
The following is a summary of changes in capital assets during the year ended September 30, 2015:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental Activities:					
<i><u>Capital assets not being depreciated:</u></i>					
Land	\$ 139,970	\$ -	\$ -	\$ -	\$ 139,970
Buildings	3,704,567	-	-	-	3,704,567
Improvements other than Buildings	4,899,610	550,011	-	-	5,449,621
Mobile Equipment	3,494,482	79,950	-	-	3,574,432
Infrastructure	6,354,375	279,121	-	-	6,633,496
Total capital assets not being depreciated	\$ 18,593,004	\$ 909,082	\$ -	\$ -	\$ 19,502,086

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Business-type Activities:					
<i><u>Capital assets being depreciated:</u></i>					
Buildings	\$ 19,844	\$ -	\$ -	\$ -	\$ 19,844
Improvements other than Buildings	83,252	-	-	-	83,252
Water and sewer lines and facilities	7,430,482	-	-	-	7,430,482
Mobile Equipment	1,273,116	-	-	-	1,273,116
Total capital assets being depreciated	8,806,694	-	-	-	8,806,694
Less accumulated depreciation	(6,543,935)	(177,818)	-	-	(6,721,753)
Business-type activities capital assets, net	\$ 2,262,759	\$ (177,818)	\$ -	\$ -	\$ 2,084,941

Depreciation expense was not computed for governmental functions. Also, certain general infrastructure assets have not been recorded for governmental functions.

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City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 6 – LONG-TERM DEBT

The amount of general obligation debt that can be incurred is limited by State statute. The City was within those limits for the year ended September 30, 2015.

On July 1, 2008, the City issued \$2,300,000 advance refunding of general obligations bonds to advance refund the 2000 recreational facilities bonds in the amount of \$755,000. The City advance refunded these bonds to provide additional funds for a second phase of recreational facilities.

These bonds are secured by an irrevocable pledge of the avails of a direct and continuing tax to be levied annually without limitation as to time, rate, or amount upon all the taxable property within the geographical limits of the City; provided, however that such tax levy for any year shall be abated pro rata to the extent the City on or prior to September 1 of that year has transferred money to the 2008 Bond Fund, or has made other provisions for funds, including, but not all inclusive of the pledge of the Sales Tax, as hereinafter defined, to be applied toward the payment of the principal of and the interest on the Bonds due during the ensuing fiscal year of the City, in accordance with the provisions of the Bond Resolution. The sales tax represents an amount of one percent (1%) on the gross proceeds of the sales of hotels and motels and one percent (1%) on the gross proceeds of the sales of restaurants derived from the sale of prepared foods (together the "Sales Tax") as authorized pursuant to an election held as required by Chapter 951, Local and Private Law of 1999, Regular Session of the Mississippi Legislature, which has been pledged in an amount sufficient for the repayment of the debt service on the Bonds. The City, when necessary, will levy annually a special tax upon all taxable property within the geographical limits of the City adequate and sufficient to provide for the payment of the principal of and the interest on the Bonds as the same falls due.

On January 1, 2006, the City issued \$1,345,000 of general obligation bonds for the purpose of retiring the 1981 FMHA Water Bonds and the 1990 FMHA Water Bonds. These bonds mature in various amounts through 2026, and carry various interest rates ranging from 3.60 to 4.45%.

On June 1, 2012 the City issued \$1,500,000 of general obligation bonds for the purpose of street improvements. These bonds mature in various amounts through 2024 and carry various interest rates ranging from 1.60 to 2.25%.

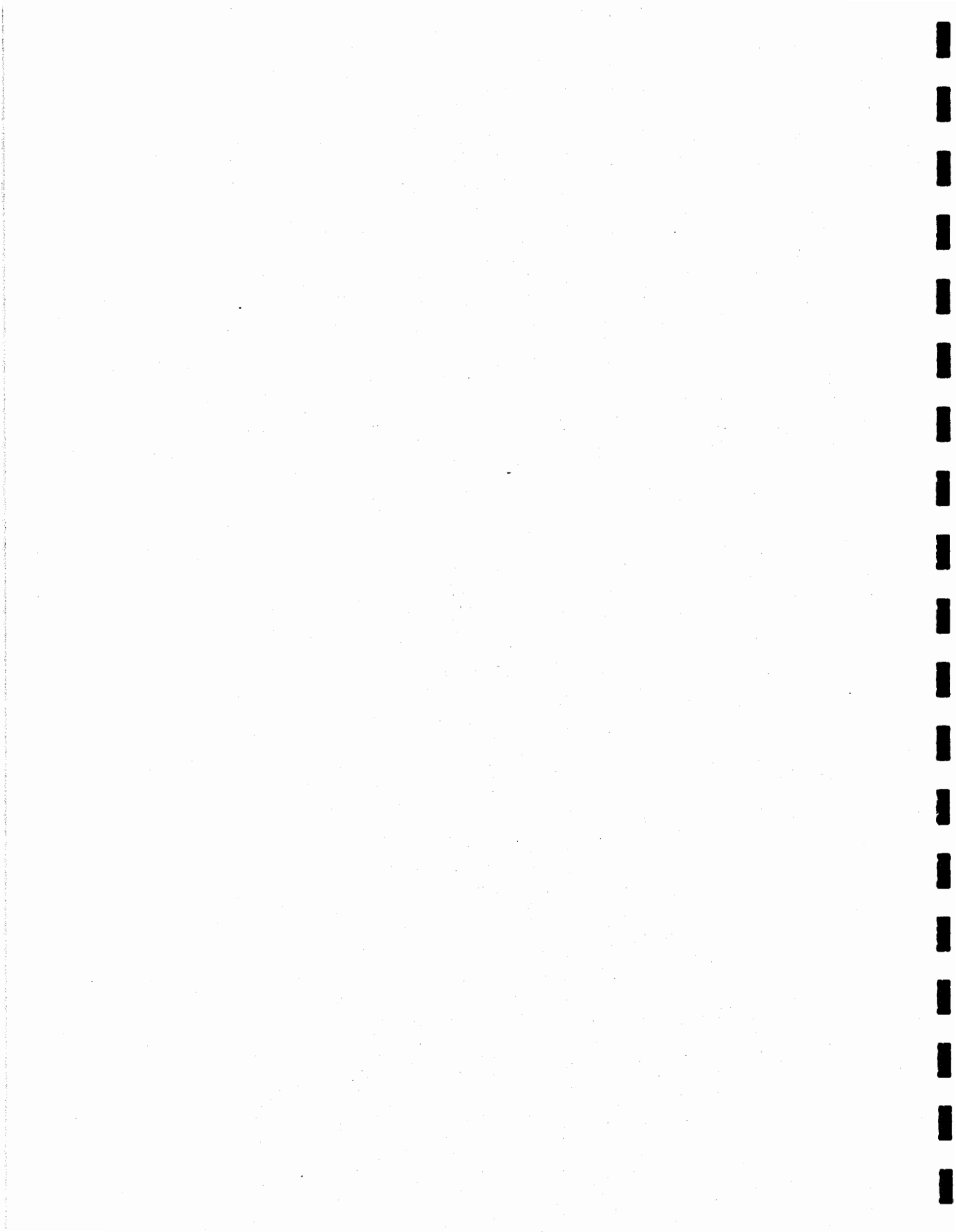
Capital Leases

The City has nine equipment leases with maturity dates in 2016, 2017, 2019 and 2020.

Notes Payable

The City has a 2.75% negotiable note in the amount of \$30,000 for water improvements. Yearly payments are \$30,000 plus interest, which began in October 2013 and will continue through fiscal year 2016.

The City also has a 1.66% negotiable note in the amount of \$91,461 for water improvements. Yearly payments will continue through 2018.



City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 6 – LONG-TERM DEBT – Continued

The following is a summary of changes in long-term debt transactions for the year ended September 30, 2015:

	Balance 10/1/2014	Additions	Reductions	Balance 9/30/2015	Balance Due Within one Year
<u>Governmental Activities:</u>					
Compensated Absences	\$ 186,721	\$ -	\$ (88,148)	\$ 98,573	\$ -
Lease Obligations Payable	214,794	79,950	(81,587)	213,157	85,919
General Obligation Bonds	2,895,000	-	(260,000)	2,635,000	270,000
Total Governmental Activities	3,296,515	79,950	(429,735)	2,946,730	355,919
<u>Business-Type Activities:</u>					
<u>Major Enterprise Fund:</u>					
Compensated Absences Payable	-	6,399	-	6,399	-
Notes Payable	202,193	-	(61,893)	140,300	62,431
Revenue Bonds	675,000	-	(95,000)	580,000	100,000
Total Business-Type Activities	877,193	6,399	(156,893)	726,699	162,431
Total Long-Term Debt	\$ 4,173,708	\$ 86,349	\$ (586,628)	\$ 3,673,429	\$ 518,350



City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 6 – LONG-TERM DEBT – Continued

The following is a schedule by years of the total capital lease payments due as of September 30, 2015:

Year	<u>Governmental-type Activities</u>	
	Principal	Interest
2016	\$ 85,919	\$ 4,293
2017	46,750	2,577
2018	36,892	1,590
2019	29,414	688
2020	14,182	163
Total	<u>\$ 213,157</u>	<u>\$ 9,311</u>

The annual debt service requirements to maturity for all long-term debt are detailed below:

Year Ending 30-Sep	<u>Governmental-type Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2016	\$ 270,000	\$ 71,852	\$ 162,431	\$ 27,491
2017	280,000	64,896	137,979	22,018
2018	290,000	57,536	68,517	17,157
2019	300,000	49,836	37,590	15,104
2020	315,000	41,711	42,642	13,412
2021-2025	1,180,000	74,128	221,141	40,415
2026	-	-	50,000	2,225
Total	<u>\$ 2,635,000</u>	<u>\$ 359,959</u>	<u>\$ 720,300</u>	<u>\$ 137,822</u>

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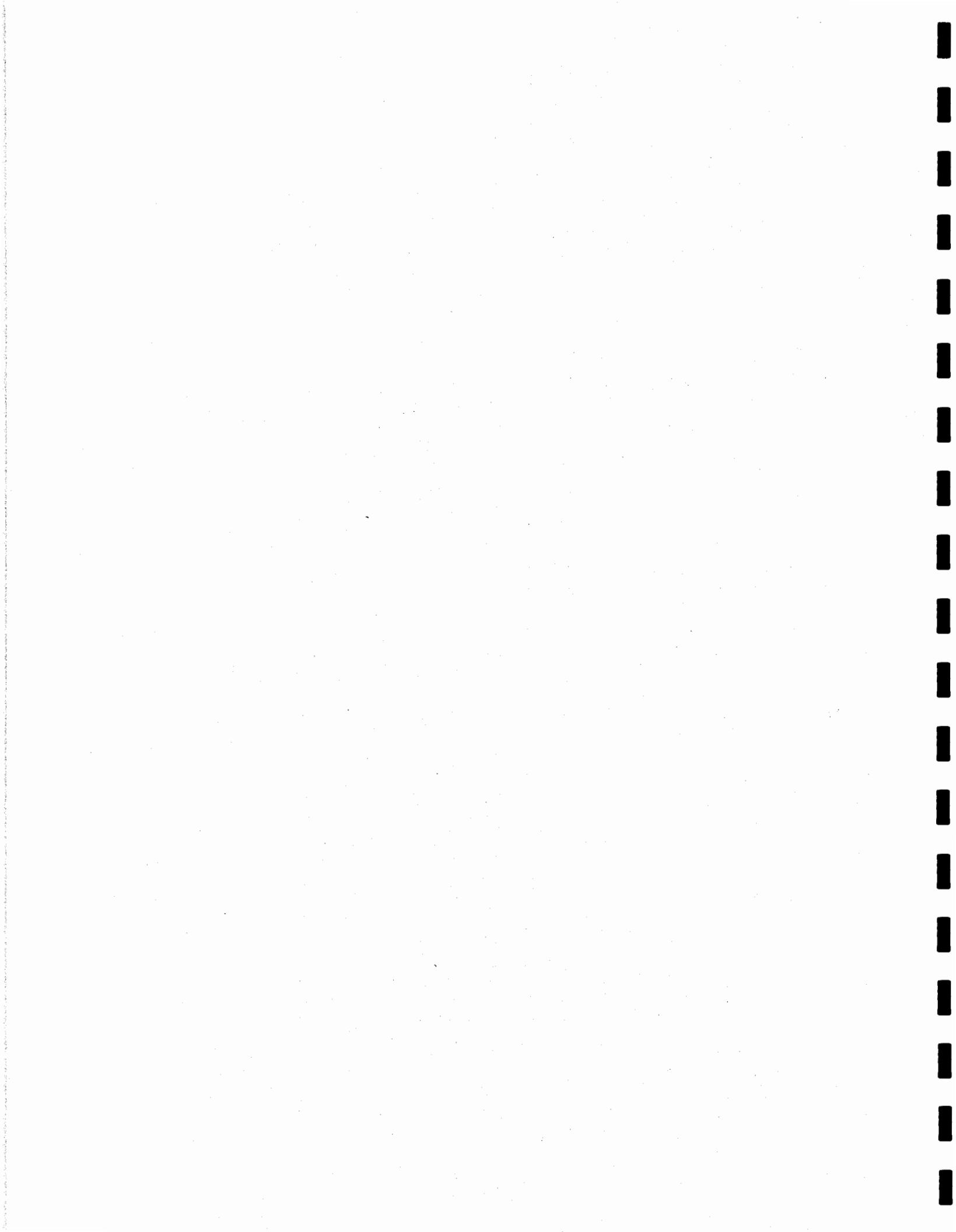


City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 6 - LONG-TERM DEBT - Continued

Debt outstanding as of September 30, 2015, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
<u>Governmental Activities:</u>			
<u>A. General Obligation Bonds</u>			
2008 Recreational Facilities Bonds			
Authorized and issued \$2,300,000;			
Issue date 7/1/08	\$ 1,455,000	3.30-4.25%	2022
2012 Street Improvements Bonds			
Authorized and issued \$1,500,000;			
Issued date 6/1/12	1,180,000	1.60-2.25%	2024
	<u>\$ 2,635,000</u>		
<u>B. Capital Leases</u>			
1999 Fire Truck	\$ 15,640	2.673%	2016
Kubota Tractor	10,090	2.60%	2016
C8500 Dump Truck	6,910	2.97%	2017
Fire Radio System	15,922	2.00%	2017
Police Radios	13,066	2.00%	2017
Dodge Charger, Chevy Truck & Mower	48,163	2.55%	2019
F250 Truck	25,772	2.73%	2019
Street Sweeper	44,284	2.50%	2020
Kubota Tractor and 2015 Dodge Ram	33,310	2.25%	2020
	<u>\$ 213,157</u>		
<u>Business-Type Activities:</u>			
<u>A. Notes Payable</u>			
Negotiable Notes, Series 2009	\$ 30,000	2.75%	2016
Negotiable Notes, Series 2012	91,461	1.66%	2018
	<u>\$ 121,461</u>		
<u>B. Cap Loan</u>			
Water Well #6 Repairs	\$ 18,839	2.00%	2023
	<u>\$ 18,839</u>		
<u>C. Revenue Bonds</u>			
General Obligation Refunding Bonds, Series 2006			
Authorized and issued \$1,345,000			
Issue date 1/1/06	\$ 580,000	3.60-4.45%	2026



City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – PROPERTY TAXES

Property taxes on real and personal property, exclusive of automobiles, become an enforceable lien on January 1, for the preceding year. Taxes are levied before September 15, and are due before February 1. The City bills and collects its own property taxes, except for automobile ad valorem. The City's levy on automobile taxes is collected by Simpson County and remitted to the City monthly. Simpson County also remits to the City a pro-rata share of road and bridge taxes collected by them. The City levies taxes based on 15% of fair value of property. The City may levy taxes as necessary to meet bonded debt retirement. Tax millage levies for the current fiscal year were as follows:

<u>Fund</u>	<u>Millage</u>	<u>Purpose</u>
General Fund	22.00	General Government
Street Bond Fund	4.00	Debt Service
	<u>26.00</u>	

NOTE 9 – PENSION PLAN OBLIGATIONS

General Information about the Pension Plan

Plan Description

The City of Magee is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple employer defined benefit pension plan as defined in GASB Statement Number 68, Accounting and Financial Reporting for Pensions. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees of the City. Code Section 25-11-15, Mississippi Code Ann. (1972) grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.pers.ms.gov.

City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 9 – PENSION PLAN OBLIGATIONS - Continued

Benefits Provided

For the cost-sharing plan, participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled upon application, to 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 that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. 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 allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefits are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

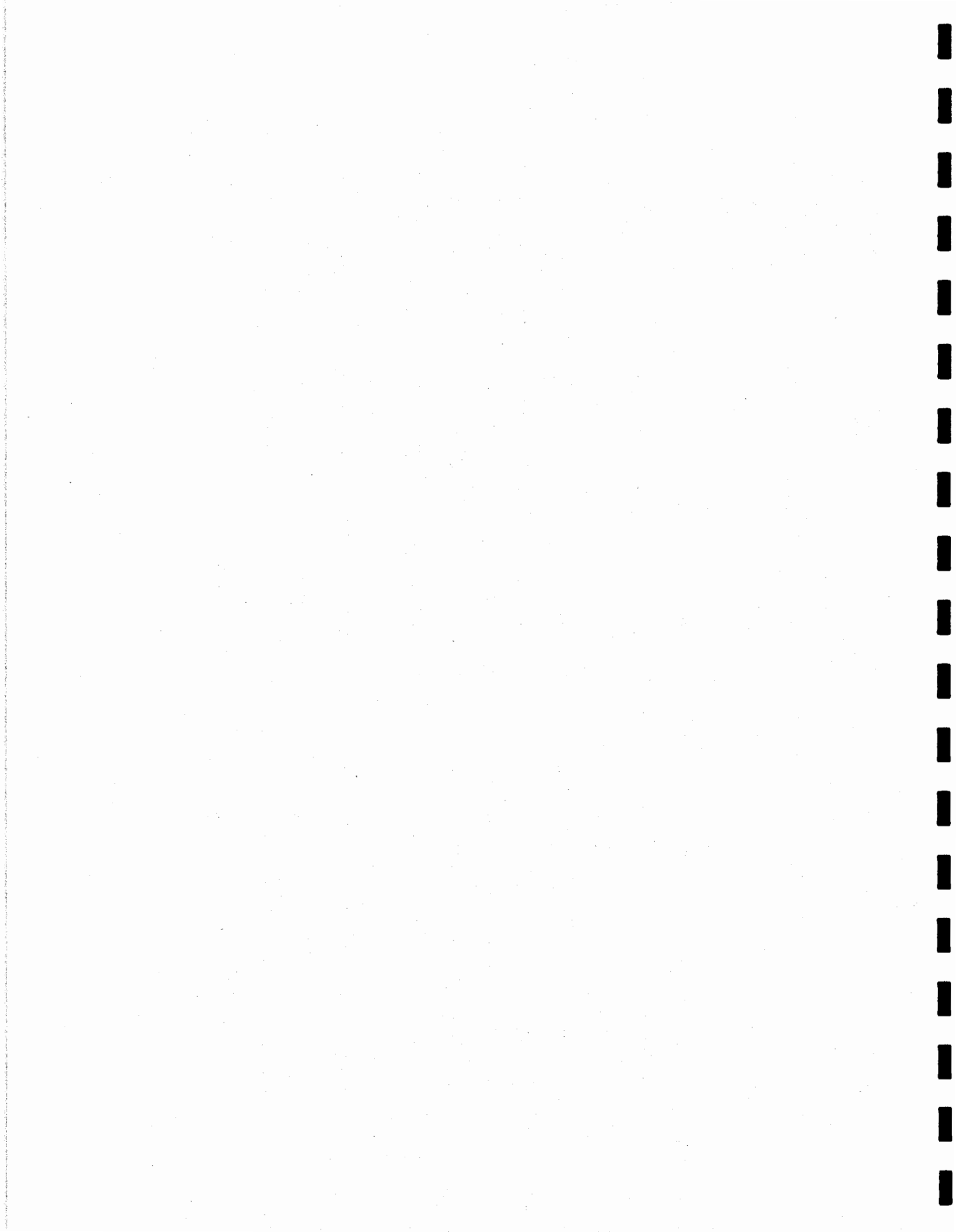
A Cost of Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.00% compounded for each fiscal year thereafter.

Contributions

Per Chapter 11 of Title 25, Mississippi Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of the rates is assessed annually by actuarial valuation. For the years ended September 30, 2015, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 15.75 percent of annual covered payroll. The City's employer contributions to PERS for the year ended September 30, 2015, 2014, and 2013 were \$279,856, \$278,639, and \$261,671 (employer share). The contributions for the year met the required contributions.

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

At September 30, 2015, the City of Magee reported a liability of \$4,328,247 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 those dates, the City of Magee's proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal year ended June 30, 2014, relative to the total employer contributions of participating employers to PERS. At June 30, 2015, the City of Magee's proportion was .028% and at June 30, 2014, the City of Magee's proportion was .029%. Information related to beginning balances for fiscal year 2013 was not available thus the effects of GASB 68 including the related pension liability were not reported on the balance sheet or statements of revenues, expenses and changes in net position for that year.



City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 9 – PENSION PLAN OBLIGATIONS - Continued

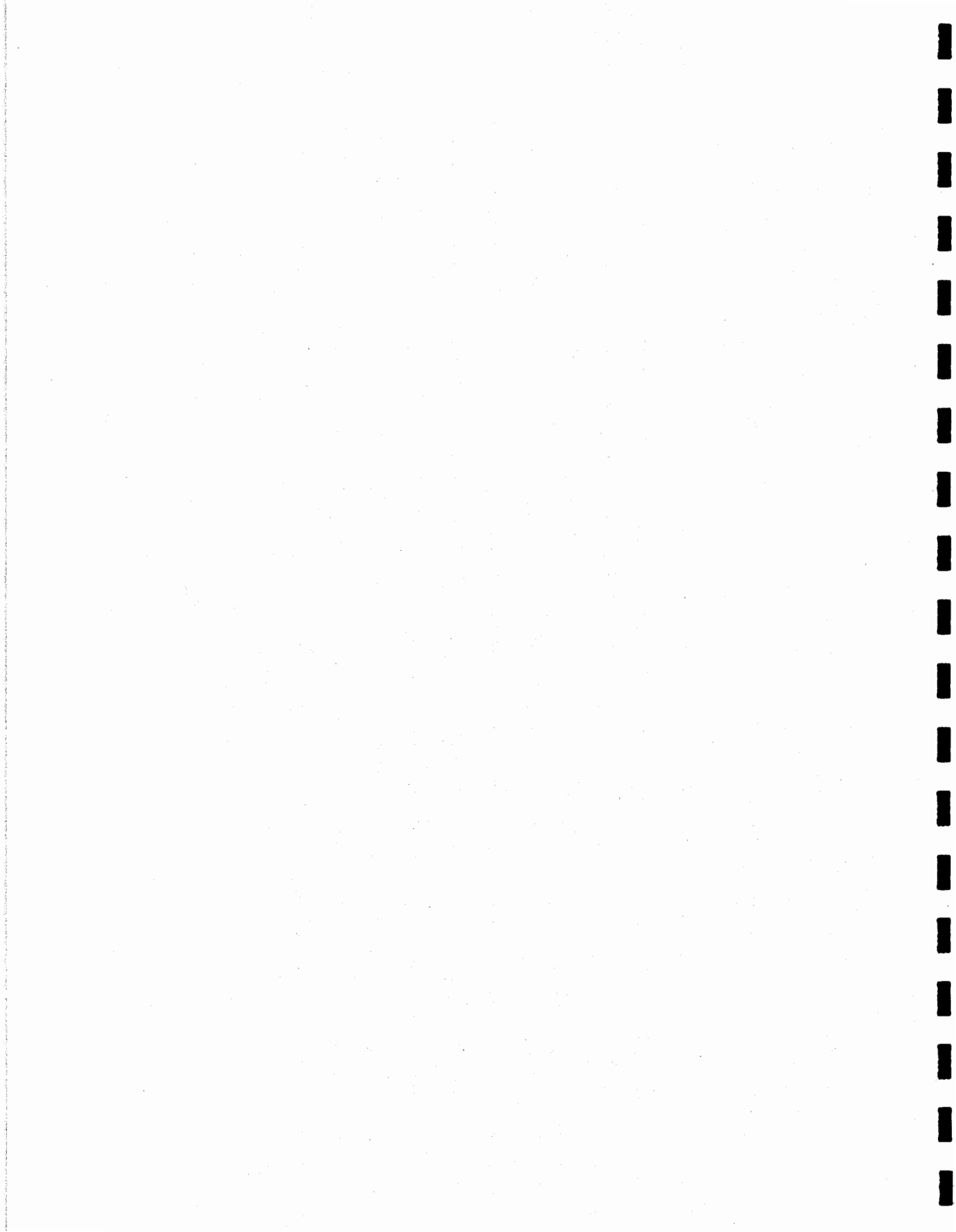
Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-Continued

For the year ended September 30, 2015, the City of Magee, recognized pension expense of \$515,852. At September 30, 2015, the City of Magee reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 66,609	\$ -
Net difference between projected and actual earnings on pension plan investments	253,249	-
Changes in assumptions	372,864	-
Contributions subsequent to the measurement date	73,486	-
	<u>\$ 766,208</u>	<u>\$ -</u>

At September 30, 2015, the City of Magee reported \$73,486 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that 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 related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Amount
2016	\$ 224,883
2017	224,883
2018	179,643
2019	63,313
	<u>\$ 692,722</u>



City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 9 – PENSION PLAN OBLIGATIONS - Continued

Actuarial Assumptions

The total pension liability in the September 30, 2014, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	3.00%
Salary increases	3.75%-19.00%, average, including inflation
Investment rate of return	7.75%, net of position 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, set forward one year for males.

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 through June 30, 2014. The experience report is dated May 4, 2015.

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

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Long-term Expected Real Rate of Return</u>
U. S. Broad	34.00 %	5.20 %
International equity	19.00	5.00
Emerging markets equity	8.00	5.45
Fixed income	20.00	.25
Real assets	10.00	4.00
Private equity	8.00	6.15
Cash	1.00	(.50)
	<u>100.00 %</u>	

City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 9 – PENSION PLAN OBLIGATIONS - Continued

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 employee contributions will be made at the current contribution rate (9.00%) and that participating 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 City of Magee's Proportionate share of the Net Pension Liability to changes in the Discount Rate

The City of Magee's proportionate share of the net pension liability has been calculated using a discount rate of 7.75%. The following presents the City of Magee's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase 8.75%
Proportionate share of the net pension liability	\$ 5,705,027	\$ 4,328,247	\$ 3,185,778

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued comprehensive annual financial report which can be obtained at www.pers.ms.gov.

Payable to the Pension Plan

At September 30, 2015, the City of Magee has no amounts payable for outstanding contributions to the pension plan required for the year ended September 30, 2015.

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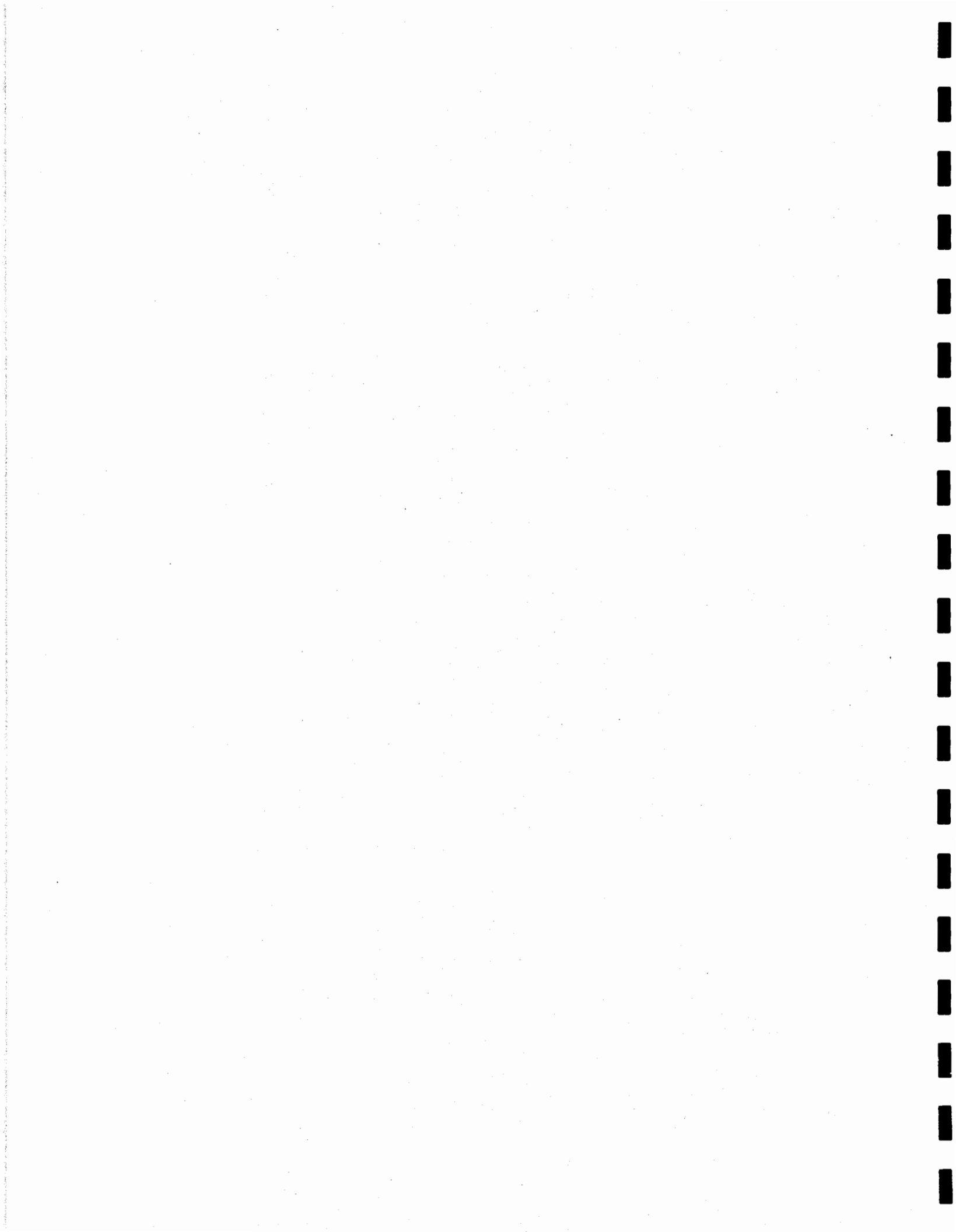
City of Magee, Mississippi
Notes to the Financial Statements
For the Year Ending September 30, 2015

NOTE 10 – FEDERAL AND STATE GRANTS

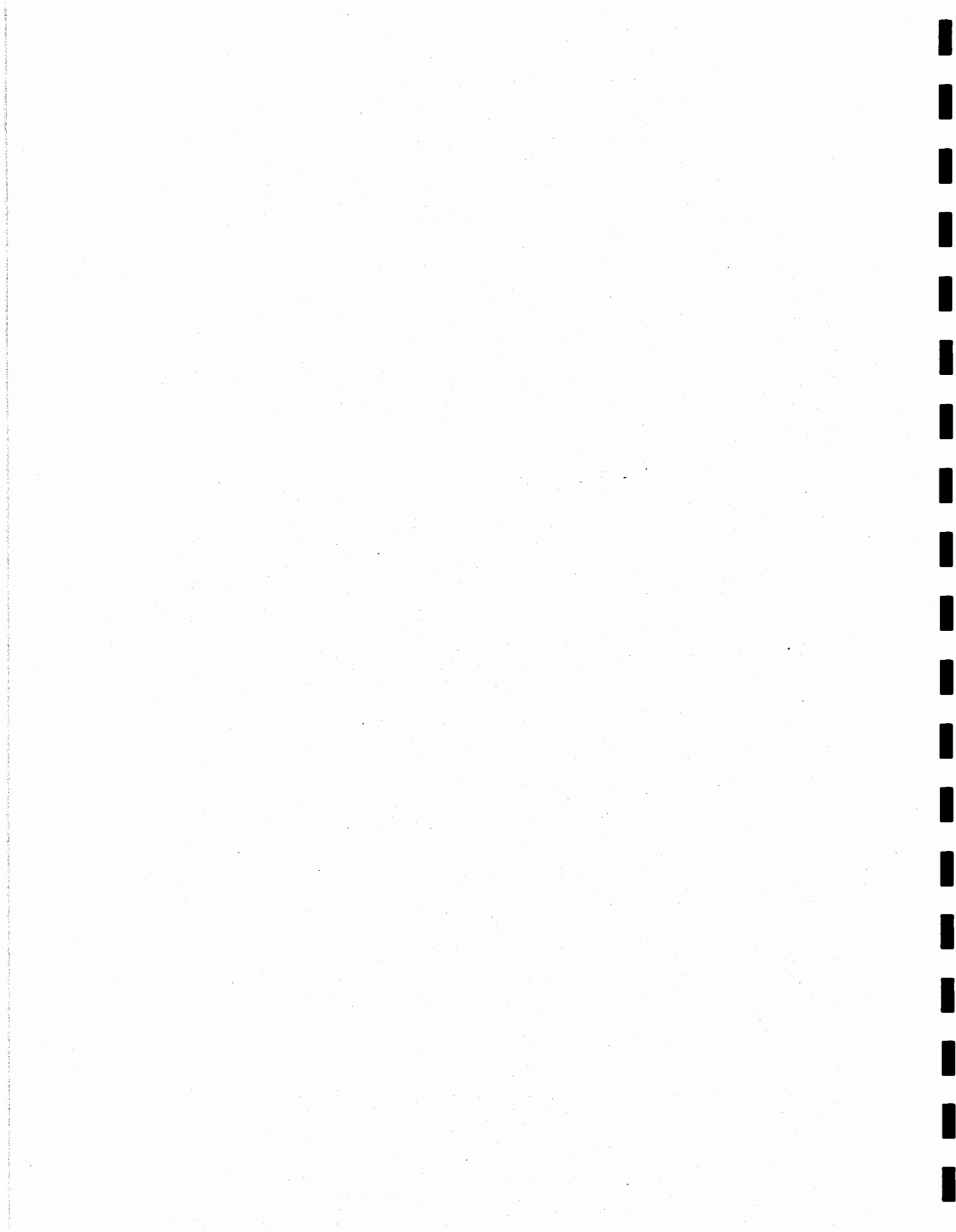
In normal course of operations, the City receives grant funds from various Federal and state agencies. The grant programs are subject to audit by agents of the granting authorities. The purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 11 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Magee, Mississippi evaluated the activity of the City through August 12, 2016, (the date the financial statements were available to be issued) and determined that no subsequent events require disclosure in the notes to the financial statements.



REQUIRED SUPPLEMENTARY INFORMATION



City of Magee, Mississippi
Schedule of the Employer's Proportionate
Share of the Net Pension Liability
For the Years Ending September 30, 2015 and 2014

	2015	2014
Employer's proportion of the net pension liability (asset)	.028%	.029%
Employer's proportionate share of the net pension liability (asset)	\$ 4,328,248	\$ 3,520,069
Employer's covered-employee payroll	1,776,863	1,769,137
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	243.59%	198.97%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

Information above is presented as of the measurement date of June 30 of the fiscal year presented.

Information is not currently available for prior years; additional years will be displayed as they become available.



City of Magee, Mississippi
Schedule of the City's Contributions
For the Years Ending September 30, 2015 and 2014

	2015	2014
Contractually required contribution	\$ 279,856	\$ 278,639
Contributions in relation to the contractually required	<u>279,856</u>	<u>278,639</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	1,776,863	1,769,137
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

Information above is presented as of the Employer's fiscal year.

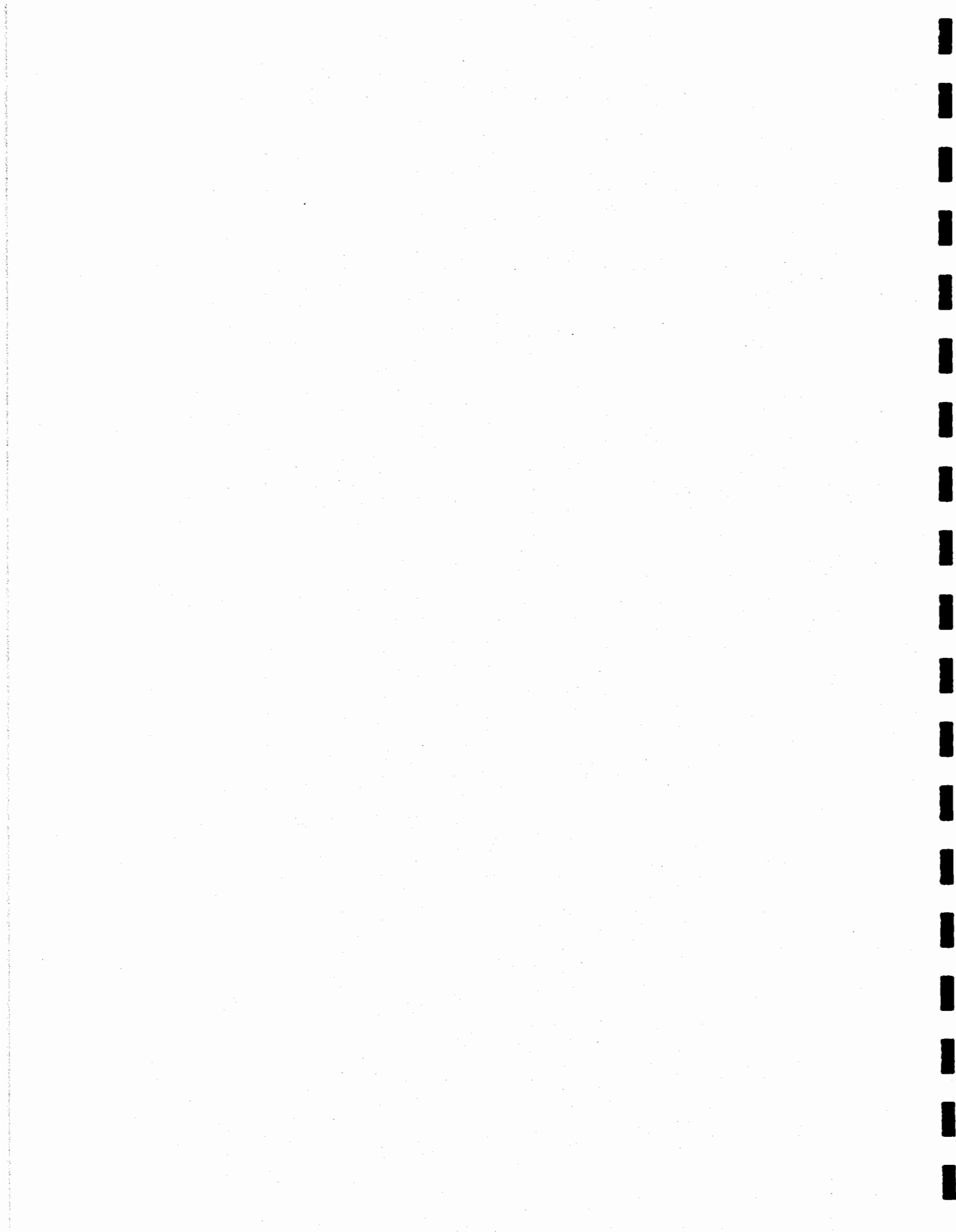
Information is not currently available for prior years; additional years will be displayed as they become available.

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SUPPLEMENTARY INFORMATION



CITY OF MAGEE, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration	20.106	3-28-0047-008-2013	\$ 31,334
Airport Improvement Program*		3-28-0047-009-2014	385,565
			<u>416,899</u>
Passed-through the Mississippi Department of Transportation: Highway Planning and Construction*	20.205	STP-0151-00(017) LPA/106740-701000	<u>287,021</u>
Passed-through the Mississippi Department of Wildlife, Fisheries and Park: Recreational Trails Program	20.219	28-RTP-0228	<u>100,000</u>
Passed-through the Mississippi Office of Highway Patrol: Alcohol Open Container Requirement	20.607	15-ST-303-1	<u>72,044</u>
Total U.S. Department of Transportation			<u>875,964</u>
Total Expenditures of Federal Awards			<u>\$ 875,964</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

* Denotes major federal award program.

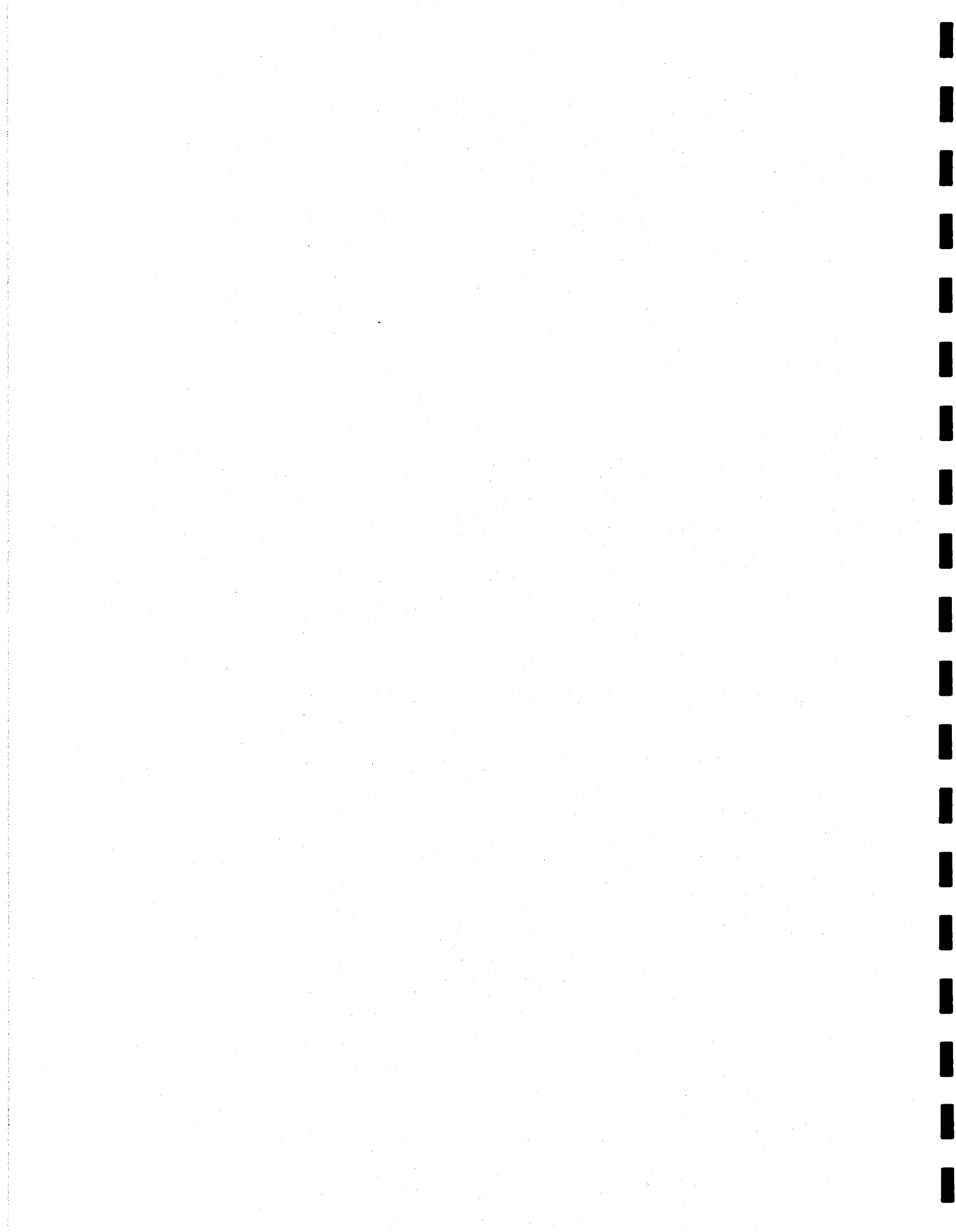
OTHER INFORMATION

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City of Magee, Mississippi
Schedule of Surety Bonds of Municipal Officials and Others
September 30, 2015

<u>Name</u>	<u>Position</u>	<u>Bond Amount</u>	<u>Bonding Company</u>
Joe Worrell	Building Inspector	50,000	Western Surety
Ashley Steele	Airport Manager	50,000	Western Surety
Jimmy Clyde	Mayor	100,000	Travelers
Wanda Williams	Deputy Clerk	50,000	Western Surety
Deana Moseley	Deputy Clerk	50,000	Western Surety
Randy Crawford	Police Chief	50,000	EMC
Vernice Floyd	Deputy Clerk	50,000	Western Surety
Twylla Grant	City Clerk	50,000	EMC
Twylla Grant	Tax Collector	50,000	EMC
Brandi Hannah	Deputy Court Clerk	50,000	Western Surety
Faye Runnels	Deputy Clerk	50,000	Western Surety
Rontonagles McNair	Deputy Court Clerk	50,000	Western Surety
Beverly McWilliams	Deputy Court Clerk	50,000	Western Surety
Eddie Loftin	Alderman	100,000	Travelers
Dale Berry	Alderman	100,000	Travelers
Murry Keith	Alderman	100,000	Travelers
Lane Steele	Alderman	100,000	Travelers
Patrick Brown	Alderman	100,000	Travelers
Casey Bowen	Deputy Clerk	50,000	Western Surety
Jamie Freeman	Deputy Court Clerk	50,000	Western Surety
Corrie Cook	Deputy Clerk	50,000	Western Surety



SPECIAL REPORTS

HERZOG CPA COMPANY, PLLC

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

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

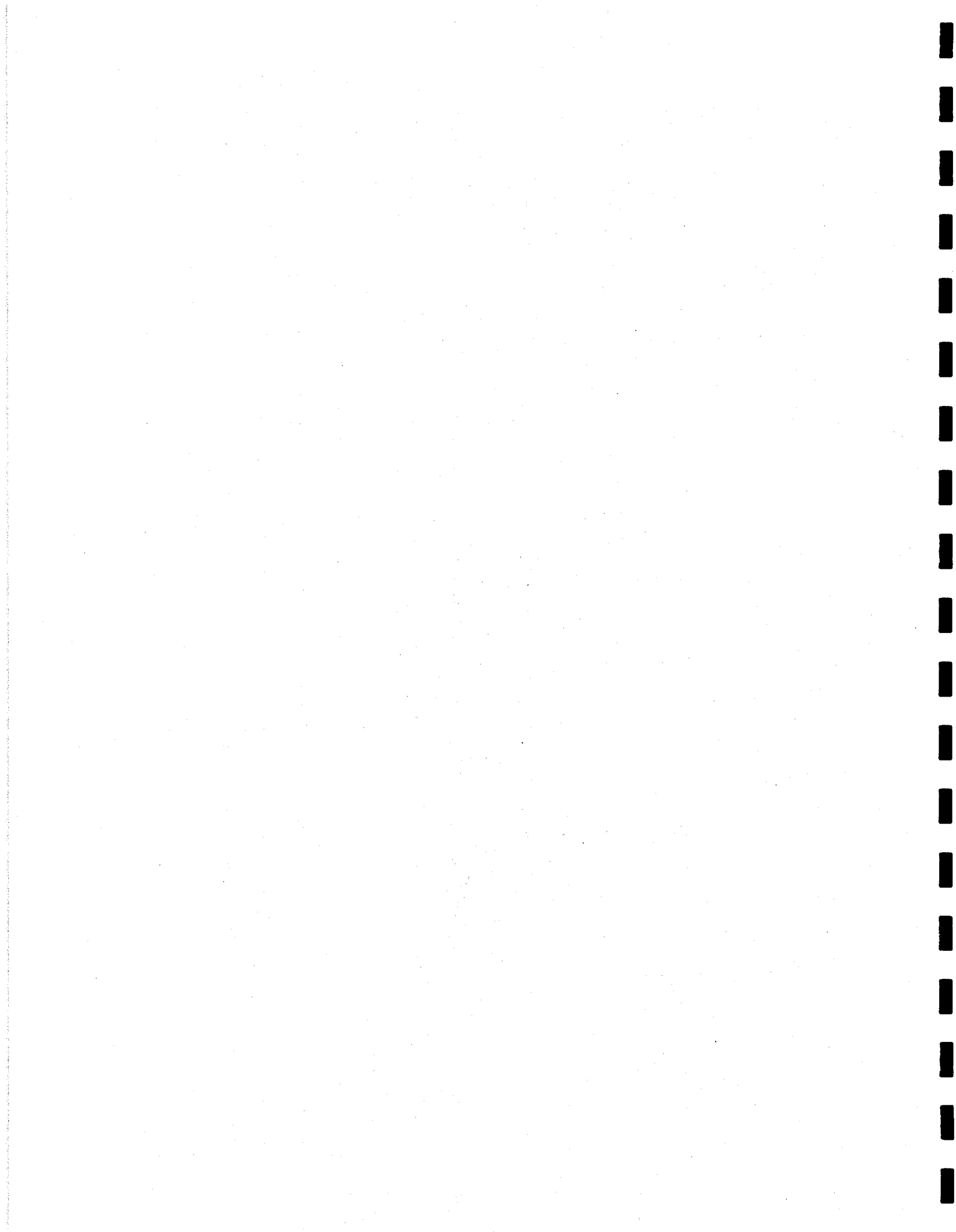
We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Magee, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 12, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as 2015-001 to be a material weakness.



Compliance and Other Matters

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

The City of Magee's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit City's response and, accordingly, we express no opinion on it.

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

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC
August 12, 2016

HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Magee, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of Auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the City of Magee, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2015.

Member of the American Institute of Certified Public Accountants and the Mississippi Society of Certified Public Accountants

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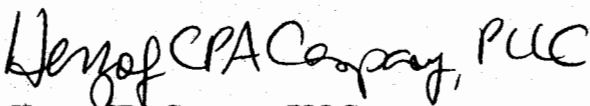
Report on Internal Control Over Compliance

The management of the City of Magee, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.


Herzog CPA Company, PLLC
August 12, 2016

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

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

We have audited the basic financial statements of City of Magee, Mississippi for the year ended September 30, 2015 and have issued our report dated August 12, 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 general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

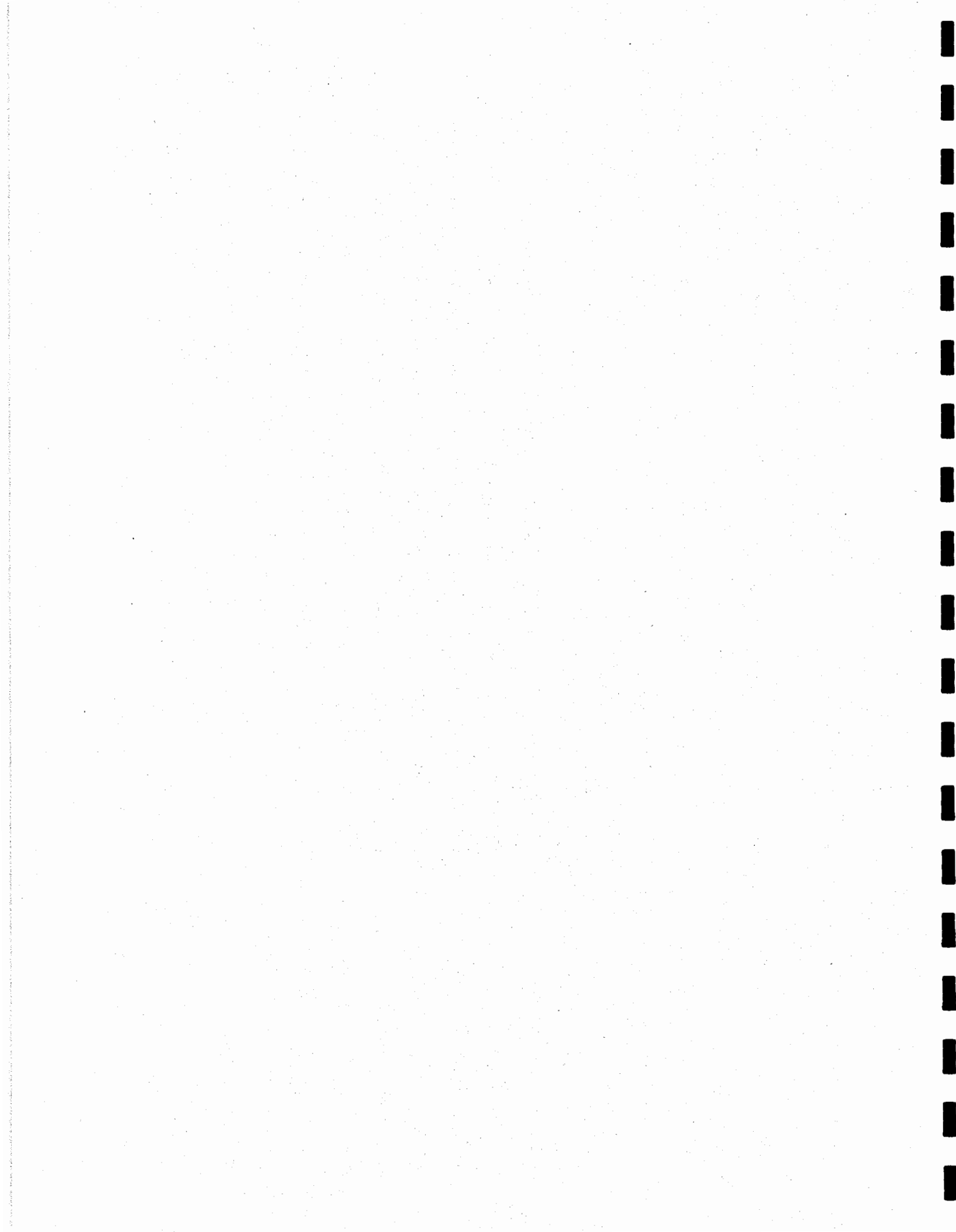
The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended solely for the information of the City'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.

Herzog CPA Company, PLLC

Herzog CPA Company, PLLC

August 12, 2016



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Magee, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Schedule 1

Section 1: Summary of Auditors' Results

Financial Statements

- | | | |
|----|---|-----------------------|
| 1. | Type of auditors' report issued on the financial statements:
Governmental Activities
Business-Type Activities | Adverse
Unmodified |
| 2. | Internal Control over financial reporting: | |
| | A. Material weakness identified? | Yes |
| | B. Reportable condition identified that is not considered to be a material weakness? | None reported |
| 3. | Noncompliance material to the financial statements? | None reported |

Federal Awards:

- | | | |
|----|--|--------------|
| 4. | Any audit finding reported as required by Section .510(a) of Circular A-133? | No |
| 5. | Federal programs identified as major programs: | |
| | Airport Improvement Program | CFDA# 20.106 |
| | Highway Planning and Construction | CFDA# 20.205 |
| 6. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 7. | Auditee qualified as a low-risk auditee? | No |
| 8. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section .315(b) of OMB Circular A-133? | No |

**City of Magee, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015**

Schedule 1

Section 2: Financial Statement Findings

2015-001. Finding

Significant Deficiency – Material Weakness

Capital asset control procedures are inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation, and completeness of capital assets. Therefore, the Independent Auditors' Report on the Financial Statements is adverse because we were unable to satisfy ourselves as to the fair presentation of the City's capital assets reported for Governmental Activities. We noted the following deficiencies in the policies and procedures of the internal control structure for capital assets:

- a. Records were not available to support the valuation and ownership of the land and buildings.
- b. The City did not properly maintain a capital assets account for leased property under capital leases.
- c. Most assets posted to the fixed asset inventory listing are not listed in detail by item.
- d. Depreciation expense was not recorded.

Recommendation

The City should maintain capital asset records.

Response

The City of Magee concurs with this finding and is working toward a solution.

