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FINANCIAL STATEMENTS
TOWN OF BYHALIA, MISSISSIPPI
Year Ended September 30, 2016

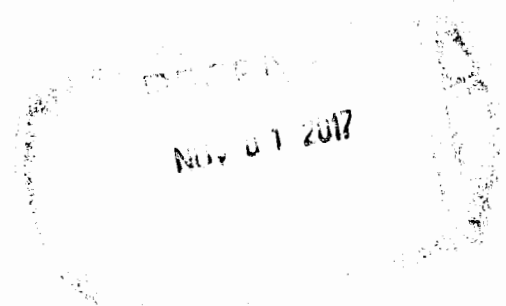
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Franks, Franks, Jarrell & Wilemon, P.A.
Certified Public Accountants

**TOWN OF BYHALIA, MISSISSIPPI
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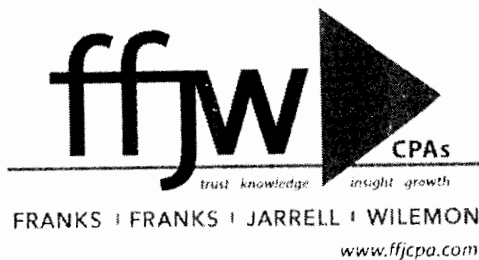
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INDEPENDENT AUDITORS' REPORT



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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, 2016, 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, 2016, 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.

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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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual fund financial statements, the other supplementary information, and the schedule of expenditures of federal awards 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, the other supplementary schedules, and the schedule of expenditures of federal awards 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 September 12, 2017 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
September 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2016

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, 2016. 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 \$11,651,963. Of this amount, \$452,223 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 \$9,711,772, of which \$611,845 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 \$961,651, a decrease of \$200,129 in comparison to the prior year. Approximately 82% of the combined fund balances, \$791,842, is considered unassigned and is available for spending at the Town of Byhalia's discretion.
- The Town of Byhalia's total debt is \$3,452,357. New debt in the amount of \$102,325 was issued in the current fiscal year. Debt in the amount of \$268,902 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 \$11,651,963 at the close of the most recent fiscal year, compared to \$9,711,772 in the prior year.

A large portion, 96 percent and 93 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 for the years ended September 30, 2016 and 2015. 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 2,695,089	\$ 1,961,819	\$ 3,352,396	\$ 3,025,937	\$ 6,047,485	\$ 4,987,756
Noncurrent Assets	<u>6,320,283</u>	<u>4,339,905</u>	<u>8,282,755</u>	<u>8,342,798</u>	<u>14,603,038</u>	<u>12,682,703</u>
Total Assets	9,015,372	6,301,724	11,635,151	11,368,735	20,650,523	17,670,459
Deferred Outflows	<u>331,098</u>	<u>344,602</u>	<u>129,660</u>	<u>114,265</u>	<u>460,758</u>	<u>458,867</u>
Total Deferred Outflows	331,098	344,602	129,660	114,265	460,758	458,867
Current and Other Liabilities	1,577,847	647,164	1,675,265	1,656,653	3,253,112	2,303,817
Long-Term Liabilities	<u>2,581,764</u>	<u>2,470,019</u>	<u>3,572,958</u>	<u>3,575,923</u>	<u>6,154,722</u>	<u>6,045,942</u>
Total Liabilities	4,159,611	3,117,183	5,248,223	5,232,576	9,407,834	8,349,759
Deferred Inflows	<u>36,996</u>	<u>50,913</u>	<u>14,488</u>	<u>16,882</u>	<u>51,484</u>	<u>67,795</u>
Total Deferred Inflows	36,996	50,913	14,488	16,882	51,484	67,795
Net Position:						
Net Investment in Capital						
Assets	5,801,081	3,806,397	5,349,600	5,257,372	11,150,681	9,063,769
Restricted	49,059	36,158	0	0	49,059	36,158
Unrestricted	<u>(700,277)</u>	<u>(364,325)</u>	<u>1,152,500</u>	<u>976,170</u>	<u>452,223</u>	<u>611,845</u>
Total Net Position	\$ 5,149,863	\$ 3,478,230	\$ 6,502,100	\$ 6,233,542	\$ 11,651,963	\$ 9,711,772

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The \$452,223 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 \$1,152,500 at the end of the current fiscal year compared to \$976,170 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 12.45% of the Town of Byhalia's revenue comes from sales tax and 8.90% from property taxes, with 28.07% of all revenue coming from some type of tax for the year ended September 30, 2016. (See Table A-2.) Another 37.88% comes from fees charged for services, 5.47% 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 Byhalla's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 158,945	\$ 148,275	\$ 2,153,978	\$ 2,727,306	\$ 2,312,923	\$ 2,875,581
Operating Grants & Contributions	0	5,327	0	0	0	5,327
Capital Grants & Contributions	1,438,110	93,489	204,280	163,010	1,642,390	256,499
General Revenues:						
Property Taxes	543,582	538,125	0	0	543,582	538,125
Sales Tax	760,071	759,061	0	0	760,071	759,061
Other Taxes	104,652	113,360	0	0	104,652	113,360
Intergovernmental Revenues	334,072	329,972	0	0	334,072	329,972
Investment Income	10,192	11,302	7,913	8,164	18,105	19,466
Other	<u>389,565</u>	<u>44,827</u>	<u>0</u>	<u>71,620</u>	<u>389,565</u>	<u>116,447</u>
Total Revenues	3,739,189	2,043,738	2,366,171	2,970,100	6,105,360	5,013,838
Expenses						
General Government	538,400	537,646	0	0	538,400	537,646
Public Safety	1,336,335	1,291,081	0	0	1,336,335	1,291,081
Public Works	294,591	286,003	0	0	294,591	286,003
Culture & Recreation	18,087	11,780	0	0	18,087	11,780
Interest on Long-Term Debt	17,143	13,250	0	0	17,143	13,250
Water, Sewer & Gas System	<u>0</u>	<u>0</u>	<u>1,960,613</u>	<u>2,331,909</u>	<u>1,960,613</u>	<u>2,331,909</u>
Total Expenses	2,204,556	2,139,760	1,960,613	2,331,909	4,165,169	4,471,669
Excess (Deficit) of Revenue Over Expenses	1,534,633	(96,022)	405,558	638,191	1,940,191	542,169
Transfers	<u>137,000</u>	<u>338,856</u>	<u>(137,000)</u>	<u>(338,856)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	1,671,633	242,834	268,558	299,335	1,940,191	542,169
Net Position-Beginning, as Previously stated	3,478,230	4,702,351	6,233,542	6,420,634	9,711,772	11,122,985
Prior Period Adjustment	<u>0</u>	<u>(1,466,955)</u>	<u>0</u>	<u>(486,427)</u>	<u>0</u>	<u>(1,953,382)</u>
Net Position-Beginning, as restated	<u>3,478,230</u>	<u>3,235,396</u>	<u>6,233,542</u>	<u>5,934,207</u>	<u>9,711,772</u>	<u>9,169,603</u>
Net Position-Ending	<u>\$ 5,149,863</u>	<u>\$ 3,478,230</u>	<u>\$ 6,502,100</u>	<u>\$ 6,233,542</u>	<u>\$ 11,651,963</u>	<u>\$ 9,711,772</u>

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the Town's net position by \$1,671,633, thereby accounting for 86 percent of the total change in the net position of the Town for the year ended September 30, 2016. 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 capital grants (38%), sales tax (20%), property taxes (15%), intergovernmental revenues (9%), and other taxes (3%) for the year ended September 30, 2016.

The largest expense categories for the Town's governmental activities are public safety (61%) and general government (24%) for the year ended September 30, 2016.

Business-type Activities

Business-type activities increased the Town's net position by \$268,558, thereby accounting for 14 percent of the total growth in the net position of the Town for the year ended September 30, 2016.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$2,153,978 for water, sewer and gas system charges for services for the year ended September 30, 2016.

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 \$911,093. 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 27 percent of total fund expenditures. The fund balance of the Town's general fund decreased by \$205,429 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, 2016, the fund balance (deficit) was (\$119,251).

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 \$6,502,100.

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 2015-16 general fund operating budget increased by approximately \$423,347 during the current fiscal year. This increase was primarily related to an increase in capital outlay related to the Stonewall and Oak Street projects.

The Town's tax millage for the 2016 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, 2016, amounted to \$14,603,038, net of accumulated depreciation of \$7,935,166. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3
Town of Byhalla's Capital Assets

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 463,696	\$ 463,696	\$ 75,374	\$ 75,374	\$ 539,070	\$ 539,070
Plant, Buildings & Improvements	2,271,949	2,158,298	12,614,191	12,560,346	14,886,140	14,718,643
Machinery & Equipment	1,500,450	1,454,070	801,803	798,472	2,302,253	2,252,596
Infrastructure	1,819,583	1,819,583	0	0	1,819,583	1,819,529
Construction in Progress	2,066,878	122,617	924,280	698,900	2,991,158	821,518
Accumulated Depreciation	<u>(1,802,273)</u>	<u>(1,678,359)</u>	<u>(6,132,893)</u>	<u>(5,790,294)</u>	<u>(7,935,166)</u>	<u>(7,468,653)</u>
Total	\$ <u>6,320,283</u>	\$ <u>4,339,905</u>	\$ <u>8,282,755</u>	\$ <u>8,342,798</u>	\$ <u>14,603,038</u>	\$ <u>12,682,703</u>

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt—At September 30, 2016 and 2015, the Town had \$3,452,357 and \$3,618,934 in bonds and notes outstanding for the years ended September 30, 2016 and 2015, respectively. 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 Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Bonds Payable	\$ 0	\$ 0	\$ 2,873,623	\$ 3,054,013	\$ 2,873,623	\$ 3,054,013
CAP Loans	37,486	46,609	0	0	37,486	46,609
Promissory Notes	440,457	468,726	0	0	440,457	468,726
Capital Leases Payable	41,259	18,173	59,532	31,413	100,791	49,586
Total	<u>\$ 519,202</u>	<u>\$ 533,508</u>	<u>\$ 2,933,155</u>	<u>\$ 3,085,426</u>	<u>\$ 3,452,357</u>	<u>\$ 3,618,934</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 2017 budget. The total budgeted appropriations for the Town general fund operations are \$2,166,300. This budget reflects an increase of approximately \$39,800. The increase is primarily related to an increase employee insurance.

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.

BASIC FINANCIAL STATEMENTS

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 1,262,066	\$ 2,382,892	\$ 3,644,958
Accounts Receivable, Net	22,445	127,777	150,222
Due From Other Governments	699,337	-	699,337
Property Taxes Receivable	89,457	-	89,457
Court Fines Receivable, Net	123,380	-	123,380
Due From Other Funds	498,404	841,727	1,340,131
Capital Assets:			
Land	463,696	75,374	539,070
Plant, Buildings and Improvements	2,271,949	12,614,191	14,886,140
Machinery and Equipment	1,500,450	801,803	2,302,253
Infrastructure	1,819,583	-	1,819,583
Construction in Progress	2,066,878	924,280	2,991,158
Accumulated Depreciation	(1,802,273)	(6,132,893)	(7,935,166)
TOTAL ASSETS	\$ 9,015,372	\$ 11,635,151	\$ 20,650,523
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions	\$ 331,098	\$ 129,660	\$ 460,758
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 331,098	\$ 129,660	\$ 460,758

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable	\$ 1,131,385	\$ 62,013	\$ 1,193,398
Accrued Compensated Absences	43,477	12,523	56,000
Accrued Liabilities	-	58,189	58,189
Due to Other Funds	389,216	950,915	1,340,131
Refundable Meter Deposits	-	418,323	418,323
Net Pension Liability	2,076,331	813,105	2,889,436
Long-Term Liabilities:			
Due Within One Year	57,246	185,825	243,071
Due in More Than One Year	461,956	2,747,330	3,209,286
TOTAL LIABILITIES	\$ 4,159,611	\$ 5,248,223	\$ 9,407,834
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions	\$ 36,996	\$ 14,488	\$ 51,484
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 36,996	\$ 14,488	\$ 51,484
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 5,801,081	\$ 5,349,600	\$ 11,150,681
Restricted for:			
Public Safety	6,905	-	6,905
Hotel/Motel Tax	42,154	-	42,154
Unrestricted (Deficit)	(700,277)	1,152,500	452,223
TOTAL NET POSITION	\$ 5,149,863	\$ 6,502,100	\$ 11,651,963

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, 2016

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	PRIMARY GOVERNMENT		
						Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT								
Government Activities:								
General Government	\$ 538,400	\$ -	\$ -	\$ -	\$ -	\$ (538,400)	\$ -	\$ (538,400)
Public Safety	1,336,335	95,593	-	-	95,593	(1,240,742)	-	(1,240,742)
Public Works	294,591	63,352	-	1,438,110	1,501,462	1,206,871	-	1,206,871
Culture and Recreation	18,087	-	-	-	-	(18,087)	-	(18,087)
Interest on Long-Term Debt	17,143	-	-	-	-	(17,143)	-	(17,143)
TOTAL GOVERNMENTAL ACTIVITIES	2,204,556	158,945	-	1,438,110	1,597,055	(607,501)	-	(607,501)
Business-Type Activities:								
Water System	421,211	378,643	-	175,681	554,324	-	133,113	133,113
Sewer System	278,205	175,793	-	20,428	196,221	-	(81,984)	(81,984)
Gas System	1,261,197	1,599,542	-	8,171	1,607,713	-	346,516	346,516
TOTAL BUSINESS-TYPE ACTIVITIES	1,960,613	2,153,978	-	204,280	2,358,258	-	397,645	397,645
TOTAL PRIMARY GOVERNMENT	\$ 4,165,169	\$ 2,312,923	\$ -	\$ 1,642,390	\$ 3,955,313	\$ (607,501)	\$ 397,645	\$ (209,856)
GENERAL REVENUES:								
Taxes:								
Property Taxes						\$ 543,582	\$ -	\$ 543,582
Sales Taxes						760,071	-	760,071
Privilege and Franchise Taxes						86,766	-	86,766
Licenses and Permits						8,806	-	8,806
In Lieu Taxes						17,886	-	17,886
Intergovernmental Revenues						334,072	-	334,072
Penalties and Late Fees						2,826	-	2,826
Investment Earnings						10,192	7,913	18,105
Gain (Loss) on Sale of Assets						(5,285)	-	(5,285)
Miscellaneous						383,218	-	383,218
Transfers						137,000	(137,000)	-
TOTAL GENERAL REVENUES AND TRANSFERS						2,279,134	(129,087)	2,150,047
CHANGE IN NET POSITION						1,671,633	268,558	1,940,191
NET POSITION--BEGINNING						3,478,230	6,233,542	9,711,772
NET POSITION--ENDING						\$ 5,149,863	\$ 6,502,100	\$ 11,651,963

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

**TOWN OF BYHALIA, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ 1,211,237	\$ 50,829	\$ 1,262,066
Accounts Receivable	22,445	-	22,445
Due from Other Governments	699,337	-	699,337
Due from Other Funds	472,082	26,322	498,404
TOTAL ASSETS	\$ 2,405,101	\$ 77,151	\$ 2,482,252
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Accounts Payable	\$ 1,131,385	\$ -	\$ 1,131,385
Due to Other Funds	192,814	196,402	389,216
TOTAL LIABILITIES	1,324,199	196,402	1,520,601
<u>FUND BALANCES (DEFICIT):</u>			
Committed to:			
Cemetery	120,750	-	120,750
Restricted:			
Public Safety	6,905	-	6,905
Hotel/Motel Tax	42,154	-	42,154
Unassigned (Deficit)	911,093	(119,251)	791,842
TOTAL FUND BALANCES (DEFICIT)	1,080,902	(119,251)	961,651
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,405,101	\$ 77,151	\$ 2,482,252

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

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TOWN OF BYHALIA, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2016

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 961,651
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.	6,320,283
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(519,202)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(43,477)
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.	89,457
Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(2,076,331)
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	331,098
Deferred inflows of resources related to defined benefit pension plan	(36,996)
Accrual of court fine revenues to qualify as financial resources.	123,380
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,149,863</u>

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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, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property Taxes	\$ 526,673	\$ -	\$ 526,673
Sales and Use Taxes	760,071	-	760,071
Privilege and Franchise Taxes	86,766	-	86,766
Licenses and Permits	8,806	-	8,806
In Lieu of Taxes	17,886	-	17,886
Intergovernmental Revenues	289,775	44,297	334,072
Charges for Services	63,352	-	63,352
Penalties and Interest	2,826	-	2,826
Fines and Forfeitures	96,307	-	96,307
Interest Income	10,056	136	10,192
Sale of Cemetery Lots	13,000	-	13,000
Grant Income	1,438,110	-	1,438,110
Miscellaneous Revenues	370,218	-	370,218
TOTAL REVENUES	3,683,846	44,433	3,728,279
EXPENDITURES:			
Current:			
General Government	429,420	-	429,420
Public Safety	1,221,943	39,133	1,261,076
Public Works	2,317,441	-	2,317,441
Culture and Recreation	26,022	-	26,022
Debt Service	80,049	-	80,049
TOTAL EXPENDITURES	4,074,875	39,133	4,114,008
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(391,029)	5,300	(385,729)
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Issued	48,600	-	48,600
Transfers (to) from Other Funds	137,000	-	137,000
TOTAL OTHER FINANCING SOURCES (USES)	185,600	-	185,600
NET CHANGE IN FUND BALANCES	(205,429)	5,300	(200,129)
FUND BALANCES (DEFICIT) - Beginning	1,286,331	(124,551)	1,161,780
FUND BALANCES (DEFICIT) - Ending	\$ 1,080,902	\$ (119,251)	\$ 961,651

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

TOWN OF BYHALIA, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(200,129)
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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.		2,153,319
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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.		(167,656)
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Governmental funds only report the disposal of capital assets to the extent 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.		(5,285)
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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.		(714)
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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.		16,909
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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.		(137,263)
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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.		(48,600)
This amount represents long-term debt repayments.		62,906

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.		(1,854)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,671,633</u>
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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, 2016

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
REVENUES:				
Property Taxes	\$ 536,500	\$ 516,500	\$ 523,789	\$ 7,289
Sales and Use Taxes	780,000	745,900	752,234	6,334
Privilege and Franchise Taxes	107,414	91,749	85,295	(6,454)
Licenses and Permits	8,250	8,950	8,806	(144)
In Lieu of Taxes	17,886	17,886	17,886	-
Intergovernmental Revenues	309,750	309,750	290,907	(18,843)
Charges for Services	60,000	62,665	63,352	687
Penalties and Interest	4,000	4,000	2,826	(1,174)
Fines and Forfeitures	100,000	100,000	96,307	(3,693)
Interest Income	10,000	10,000	10,056	56
Sale of Cemetery Lots	16,000	16,000	13,000	(3,000)
Grant Income	-	468,430	812,956	344,526
Miscellaneous Revenues	31,700	16,700	370,218	353,518
TOTAL REVENUES	1,981,500	2,368,530	3,047,632	679,102
EXPENDITURES:				
Current:				
General Government	489,040	489,040	429,420	59,620
Public Safety	1,264,253	1,230,073	1,221,943	8,130
Public Works	378,865	784,070	2,317,441	(1,533,371)
Culture and Recreation	14,400	15,215	26,022	(10,807)
Debt Service	28,542	80,049	80,049	-
TOTAL EXPENDITURES	2,175,100	2,598,447	4,074,875	(1,476,428)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(193,600)	(229,917)	(1,027,243)	(797,326)
OTHER FINANCING SOURCES (USES):				
Proceeds from Debt Issued	-	-	48,600	48,600
Transfers (to) from Other Funds	145,000	145,000	137,000	(8,000)
TOTAL OTHER FINANCING SOURCES (USES)	145,000	145,000	185,600	40,600
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ (48,600)	\$ (84,917)	\$ (841,643)	\$ (756,726)

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

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF FUND NET POSITION- PROPRIETARY FUNDS
September 30, 2016

ASSETS:	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Total</u>
Current Assets:				
Cash and Cash Equivalents	\$ 333,951	\$ 210,871	\$ 1,838,070	\$ 2,382,892
Due From Other Funds	617,103	8,936	215,688	841,727
Accounts Receivable, Net	24,585	12,330	90,862	127,777
Due from Other Governments	-	-	-	-
Total Current Assets	<u>975,639</u>	<u>232,137</u>	<u>2,144,620</u>	<u>3,352,396</u>
Noncurrent Assets:				
Water, Sewer, and Gas System,				
Buildings, Vehicles and Equipment	5,141,155	3,475,058	4,799,781	13,415,994
Construction in Progress	596,492	300,044	27,744	924,280
Land	7,734	56,640	11,000	75,374
Less: Accumulated Depreciation	(2,177,028)	(2,154,428)	(1,801,437)	(6,132,893)
Net Noncurrent Assets	<u>3,568,353</u>	<u>1,677,314</u>	<u>3,037,088</u>	<u>8,282,755</u>
TOTAL ASSETS	<u>\$ 4,543,992</u>	<u>\$ 1,909,451</u>	<u>\$ 5,181,708</u>	<u>\$ 11,635,151</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Amounts Related to Pensions	\$ 24,389	\$ 18,840	\$ 86,431	\$ 129,660
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 24,389</u>	<u>\$ 18,840</u>	<u>\$ 86,431</u>	<u>\$ 129,660</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 1,689	\$ 20,264	\$ 40,060	\$ 62,013
Due to Other Funds	17,015	334,634	599,266	950,915
Refundable Meter Deposits	63,381	-	354,942	418,323
Accrued Liabilities	11,129	(60)	47,120	58,189
Notes, Bonds and Capital Leases Payable -				
Within One Year	33,007	2,550	150,268	185,825
Total Current Liabilities	<u>126,221</u>	<u>357,388</u>	<u>1,191,656</u>	<u>1,675,265</u>
Noncurrent Liabilities:				
Notes, Bonds and Capital Leases Payable				
Less Current Portion	908,727	439	1,838,164	2,747,330
Net Pension Liability	152,944	118,147	542,014	813,105
Accrued Compensated Absences	4,918	1,931	5,674	12,523
Total Noncurrent Liabilities	<u>1,066,589</u>	<u>120,517</u>	<u>2,385,852</u>	<u>3,572,958</u>
TOTAL LIABILITIES	<u>\$ 1,192,810</u>	<u>\$ 477,905</u>	<u>\$ 3,577,508</u>	<u>\$ 5,248,223</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Amounts Related to Pensions	\$ 2,725	\$ 2,105	\$ 9,658	\$ 14,488
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,725</u>	<u>\$ 2,105</u>	<u>\$ 9,658</u>	<u>\$ 14,488</u>
NET POSITION (DEFICIT):				
Net Investment in Capital Assets	2,626,619	1,674,325	1,048,656	5,349,600
Unrestricted Net Position (Deficit)	746,227	(226,044)	632,317	1,152,500
TOTAL NET POSITION	<u>\$ 3,372,846</u>	<u>\$ 1,448,281</u>	<u>\$ 1,680,973</u>	<u>\$ 6,502,100</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, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Totals</u>
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 338,311	\$ 166,544	\$ 1,558,971	\$ 2,063,826
Service Charges and Penalties	39,442	4,057	36,222	79,721
Other Receipts	890	5,192	4,349	10,431
Total Operating Revenues	<u>378,643</u>	<u>175,793</u>	<u>1,599,542</u>	<u>2,153,978</u>
Less: Gas Purchased	<u>-</u>	<u>-</u>	591,940	591,940
Net Income Before Operating Expenses	<u>378,643</u>	<u>175,793</u>	<u>1,007,602</u>	<u>1,562,038</u>
<u>OPERATING EXPENSES</u>				
Personnel Services	107,065	117,768	360,446	585,279
Contractual Services	29,627	2,981	41,522	74,130
Supplies	33,907	6,708	24,948	65,563
Depreciation and Amortization	135,813	91,378	115,408	342,599
Other Services	83,210	59,065	51,602	193,877
Total Operating Expenses	<u>389,622</u>	<u>277,900</u>	<u>593,926</u>	<u>1,261,448</u>
Net Operating Income (Loss)	<u>(10,979)</u>	<u>(102,107)</u>	413,676	300,590
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest Income	1,215	835	5,863	7,913
Grant Income	175,681	20,428	8,171	204,280
Interest and Fiscal Charges	<u>(31,589)</u>	<u>(305)</u>	<u>(75,331)</u>	<u>(107,225)</u>
Total Non-Operating Revenues (Expenses)	<u>145,307</u>	<u>20,958</u>	<u>(61,297)</u>	<u>104,968</u>
Income (Loss) Before Operating Transfers	<u>134,328</u>	<u>(81,149)</u>	352,379	405,558
<u>OPERATING TRANSFERS IN (OUT)</u>				
Operating Transfers In (Out)	<u>(45,000)</u>	<u>(37,000)</u>	<u>(55,000)</u>	<u>(137,000)</u>
Total Operating Transfers In (Out)	<u>(45,000)</u>	<u>(37,000)</u>	<u>(55,000)</u>	<u>(137,000)</u>
CHANGE IN NET POSITION	89,328	(118,149)	297,379	268,558
NET POSITION - October 1,	<u>3,283,518</u>	<u>1,566,430</u>	<u>1,383,594</u>	<u>6,233,542</u>
NET POSITION - September 30,	<u>\$ 3,372,846</u>	<u>\$ 1,448,281</u>	<u>\$ 1,680,973</u>	<u>\$ 6,502,100</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, 2016

	Water	Sewer	Gas	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash Received from Customers	\$ 382,776	\$ 206,602	\$ 1,629,983	\$ 2,219,361
Cash Payments for Gas Purchases	-	-	(591,940)	(591,940)
Cash Payments for Personal Services	(73,927)	(93,639)	(254,993)	(422,559)
Cash Payments for Contractual Services	(29,627)	(2,981)	(41,522)	(74,130)
Cash Payments for Supplies	(33,907)	(6,708)	(24,948)	(65,563)
Cash Payments for Other Services	(92,380)	(89,159)	(54,564)	(236,103)
Net Cash Provided By (Used in) Operating Activities	152,935	14,115	662,016	829,066
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Operating Transfers - In from (Out) to Other Funds	(45,545)	(37,000)	(54,455)	(137,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	(45,545)	(37,000)	(54,455)	(137,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Acquisition of Fixed Assets	(177,406)	(41,529)	(63,621)	(282,556)
Proceeds from Issuance of Capital Lease	-	-	53,725	53,725
Principal Paid on Bonds, Notes Payable and Capital Leases	(38,123)	(2,295)	(165,578)	(205,996)
Contributed Capital Received - Grants	175,681	20,428	8,171	204,280
Interest Paid on Bonds, Notes Payable and Capital Leases	(31,589)	(305)	(75,331)	(107,225)
Net Cash Provided By (Used In) Capital Financing Activities	(71,437)	(23,701)	(242,634)	(337,772)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest on Investments	1,215	835	5,863	7,913
Net Cash Provided By Investing Activities	1,215	835	5,863	7,913
NET INCREASE (DECREASE) IN CASH	37,168	(45,751)	370,790	362,207
CASH, OCTOBER 1	296,783	256,622	1,467,280	2,020,685
CASH, SEPTEMBER 30	\$ 333,951	\$ 210,871	\$ 1,838,070	\$ 2,382,892
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ (10,979)	\$ (102,107)	\$ 413,676	\$ 300,590
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used in) Operating Activities				
Depreciation	135,813	91,378	115,408	342,599
Net Pension Expense	33,256	24,113	95,111	152,480
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	2,083	5,564	3,401	11,048
(Increase) Decrease in Due from Other Governments	-	25,245	-	25,245
Increase (Decrease) in Accounts Payable - operating activities	(9,170)	(30,094)	(2,962)	(42,226)
Increase (Decrease) in Accrued Liabilities - operating activities	(118)	16	10,342	10,240
Increase in Meter Deposits	2,050	-	27,040	29,090
Total Adjustments	163,914	116,222	248,340	528,476
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 152,935	\$ 14,115	\$ 662,016	\$ 829,066

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, 2016**

	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ 100
TOTAL ASSETS	<u>100</u>
<u>LIABILITIES:</u>	
Payables to Others	<u>100</u>
TOTAL LIABILITIES	<u>\$ 100</u>

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

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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 governmental-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, 2016

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, 2016

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, 2016

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
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TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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, 2016

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, 2016**

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, 2016

NOTE 2 - Fixed Assets

The following is a summary of capital asset activity as of September 30, 2016:

Primary Government:

	<u>Balance</u> <u>10-01-15</u>	<u>Additions</u>	<u>Reclass/</u> <u>Disposals</u>	<u>Balance</u> <u>09-30-16</u>
Capital Assets, not being depreciated:				
Land	\$ 463,696	\$ 0	\$ 0	\$ 463,696
Construction in Progress	<u>122,617</u>	<u>1,944,261</u>	<u>0</u>	<u>2,066,878</u>
Total Capital Assets, not being				
Depreciated:	586,313	1,944,261	0	2,530,574
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	2,185,298	113,651	0	2,271,949
Infrastructure	1,819,583	0	0	1,819,583
Machinery and Equipment	<u>1,454,070</u>	<u>95,407</u>	<u>(49,027)</u>	<u>1,500,450</u>
Total Capital Assets being depreciated	5,431,951	209,058	(49,027)	5,591,982
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(318,299)	(62,507)	0	(380,806)
Infrastructure	(216,039)	(32,791)	0	(248,830)
Machinery and Equipment	<u>(1,144,021)</u>	<u>(72,358)</u>	<u>43,742</u>	<u>(1,172,637)</u>
Total Accumulated Depreciation	(1,678,359)	(167,656)	43,742	(1,802,273)
Total Capital Assets, depreciated, net				
Governmental Activities	<u>3,753,592</u>	<u>41,402</u>	<u>(5,285)</u>	<u>3,789,709</u>
Capital Assets, net	<u>\$ 4,339,905</u>	<u>\$ 1,985,663</u>	<u>\$ (5,285)</u>	<u>\$ 6,320,283</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, 2016 follows:

	<u>Balance</u> <u>10-01-15</u>	<u>Additions</u>	<u>Reclass/</u> <u>Disposals</u>	<u>Balance</u> <u>09-30-16</u>
Capital Assets, not being depreciated:				
Land	\$ 75,374	\$ 0	\$ 0	\$ 75,374
Construction in Progress	<u>698,900</u>	<u>225,380</u>	<u>0</u>	<u>924,280</u>
Total Capital Assets, not being				
Depreciated:	774,274	225,380	0	999,654

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - Fixed Assets (continued)

	<u>Balance</u> <u>10-01-15</u>	<u>Additions</u>	<u>Reclass/</u> <u>Disposals</u>	<u>Balance</u> <u>09-30-16</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	\$ 12,560,466	\$ 0	\$ 0	\$ 12,614,191
Machinery and Equipment	<u>798,352</u>	<u>57,176</u>	<u>0</u>	<u>801,803</u>
Total Capital Assets being depreciated	13,358,818	57,176	0	13,415,994
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(5,089,524)	(314,059)	0	(5,403,583)
Machinery and Equipment	<u>(700,770)</u>	<u>(28,540)</u>	<u>0</u>	<u>(729,310)</u>
Total Accumulated Depreciation	<u>(5,790,294)</u>	<u>(342,599)</u>	<u>0</u>	<u>(6,132,893)</u>
Total Capital Assets, depreciated, net				
Business-type Activities	<u>7,568,524</u>	<u>(285,423)</u>	<u>0</u>	<u>7,283,101</u>
Capital Assets, net	<u>\$ 8,342,798</u>	<u>\$ (60,043)</u>	<u>\$ 0</u>	<u>\$ 8,282,755</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	\$ 90,330
Public Safety	56,777
Public Works	17,281
Culture & Recreation	<u>3,268</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 167,656</u>
Depreciation expense for Water, Sewer and Gas funds	<u>\$ 342,599</u>

NOTE 3 - Receivables

Receivables at September 30, 2016, 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, court fines, and accrued interest on investments.

All accounts receivable are shown net of an allowance for uncollectible amounts of \$182,411 for Governmental activities and \$76,757 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, 2016

NOTE 4 - Long-Term Debt

The following is a summary of bond transactions of the Town for the year ended September 30, 2016:

	<u>Notes & Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/01/15	\$ 3,569,348	\$ 49,586	\$ 3,618,934
Add: Bonds and Other Long-Term Debt Acquired	0	102,325	102,325
Less: Bonds and Other Long-Term Debt Retired	<u>217,782</u>	<u>51,120</u>	<u>268,902</u>
Bonds and Other Long-Term Debt at 09/30/16	<u>\$ 3,351,566</u>	<u>\$ 100,791</u>	<u>\$ 3,452,357</u>

Bonds and other long-term debt at September 30, 2016 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.

\$ 1,843,360

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

921,739

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

100,000

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

8,524

\$ 2,873,623

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**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE 4 - Long-Term Debt (continued)

Notes Payable:

\$400,000 Note due in 30 annual installments of \$24,920 through December 2032; interest at 4.625 percent.	\$ 203,922
\$90,000 Note due in 120 monthly installments of \$869 through September 2020; interest at 3.0 percent.	37,486
\$250,000 Note due in 15 annual installments of \$19,456 through November 2029; interest at 2.0 percent.	<u>236,535</u>
	\$ <u>477,943</u>

Capital Leases:

Capital lease dated December 3, 2012 due in 60 monthly installments of \$576 through December 3, 2017; collateralized by a vehicle.	\$ 8,482
Capital lease dated December 6, 2013 due in 36 monthly installments of \$766 through December 6, 2016; collateralized by a vehicle.	2,293
Capital lease dated November 6, 2014 due in 36 monthly installments of \$867 through November 6, 2017; collateralized by equipment.	11,956
Capital lease dated October 20, 2015 due in 36 monthly installments of \$909 through October 28, 2018; collateralized by a vehicle.	22,174
Capital lease dated January 7, 2016 due in 36 monthly installments of \$1,542 through January 7, 2019; collateralized by a vehicle.	42,083
Capital lease dated February 16, 2016 due in 36 monthly installments of \$493 through February 24, 2019; collateralized by a vehicle.	<u>13,803</u>
	\$ <u>100,791</u>

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 - Long-Term Debt (continued)

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, 2016 including interest payments of \$2,190,913 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 57,246	\$ 19,464	\$ 185,825	\$ 107,232	\$ 243,071	\$ 126,696
2018	54,378	17,870	71,253	101,774	125,631	119,644
2019	41,949	16,397	56,362	99,547	98,311	115,944
2020	37,728	15,166	52,067	97,673	89,795	112,839
2021	30,389	14,121	53,982	95,758	84,371	109,879
2022 - 2026	167,520	55,085	301,189	447,510	468,709	502,595
2027 - 2031	129,992	22,958	360,822	387,879	490,814	410,837
2032 - 2036	0	0	432,295	316,405	432,295	316,405
2037 - 2041	0	0	517,967	230,733	517,967	230,733
2042 - 2046	0	0	620,666	128,034	620,666	128,034
2047 - 2048	0	0	280,727	17,307	280,727	17,307
	<u>\$ 519,202</u>	<u>\$ 161,061</u>	<u>\$ 2,933,155</u>	<u>\$ 2,029,852</u>	<u>\$ 3,452,357</u>	<u>\$ 2,190,913</u>

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:

	Budget	Actual	Overage
General Fund:			
General Government			
Personal Services	\$ 246,305	\$ 246,924	\$ 619
Supplies	6,635	16,493	9,858
Other Services and Charges	147,600	161,738	14,138
Culture and Recreation			
Supplies	1,000	5,032	4,032
Other Services and Charges	9,215	9,787	572
Capital Outlay	5,000	11,203	6,203
Public Works			
Capital Outlay	515,750	2,055,775	1,540,025

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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.

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.

**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE 7 - Defined Benefit Pension Plan (continued)

Employee membership data related to the Plan, as of June 30, 2016 was as follows:

Retirees and Survivors	99,483
Terminated Vested Employees	19,400
Inactive Nonvested Members	123,235
Active Members	154,104
Total	<u>396,222</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, 2016, the Town of Byhalia's total payroll for all employees was \$1,247,633. Total covered payroll was \$1,130,102. 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, 2016, the Town of Byhalia reported a liability of \$2,889,436 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Town of Byhalia's proportion was 0.016176%.

For the year ended September 30, 2016, the Town of Byhalia recognized pension expense of \$467,734. At September 30, 2016, 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	\$ 80,593	\$ 0
Town Pension Contributions Subsequent to the Measurement Date	48,206	0
Changes of Assumptions	136,214	7,678
Net Difference Between Projected and Actual Investment Earnings on Investments	195,745	0
Changes in Proportion and Differences Between ER Contributions and Proportionate Share Of ER Contributions	0	43,806
Total	<u>\$ 460,758</u>	<u>\$ 51,484</u>

**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE 7 - Defined Benefit Pension Plan (continued)

The \$48,208 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, 2017.

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>
2017	\$ 122,899
2018	88,170
2019	92,919
2020	57,080
Total	\$ <u>361,068</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2016, 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, 2016 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.

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:

**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016**

NOTE 7 - Defined Benefit Pension Plan (continued)

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%	\$3,704,907
Current discount rate	7.75%	\$2,889,436
1% increase	8.75%	\$2,212,862

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.

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 \$636,214 more than cash revenues.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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, 2016, 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, 2016:

<u>FUND NAME</u>	<u>AMOUNT</u>
Fire Protection Fund	\$ <u>119,251</u>
TOTAL	\$ <u>119,251</u>

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 require recognition in the financial statements. Subsequent events that provide evidence about conditions that existed after the statement of net position date require disclosure in the notes to the financial statements. Management evaluated the activity of the Town through September 12, 2017, (the date the financial statements were available to be issued) and noted the following item which require disclosure in the notes to the financial statements. In December 2016, the Town awarded a bid for a drainage project in the amount of \$434,739.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF TOWN'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended September 30, 2016**

	<u>2016</u>	<u>2015</u>
A. Byhalia's proportion of net pension liability (%)	0.016176%	0.016700%
B. Byhalia's proportionate share of net pension liability	\$2,889,436	\$2,581,491
C. Byhalia's covered employee payroll	\$1,130,102	\$1,065,868
D. Byhalia's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	255.68%	242.20%
E. Plan fiduciary net position as a percentage of total pension liability	57.47%	61.70%

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TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. Statutorily required contributions	\$177,991	\$167,874	\$158,595
B. Contributions in relation to statutorily required contributions	\$177,991	\$167,874	\$158,595
C. Contribution deficiency (excess)	\$0	\$0	\$0
D. Byhalia's covered employee payroll	\$1,130,102	\$1,065,868	\$1,006,952
E. Contributions as a percentage of covered employee payroll	15.75%	15.75%	15.75%

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2016

Changes of Assumptions

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

Changes of Benefit Provisions

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

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, 2016

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Property Taxes	\$ 516,500	\$ 523,789	\$ 7,289
Homestead Exemption Reimbursement	16,000	16,423	423
Privilege Licenses and Fees	15,550	16,112	562
Road Maintenance	275,000	254,448	(20,552)
Sales Tax	745,900	752,234	6,334
Gasoline Tax	2,500	3,988	1,488
Hotel/Motel Tax	14,000	13,116	(884)
Alcoholic Beverage Licenses	2,250	1,800	(450)
Building Permits	8,700	8,676	(24)
Court Fines and Fees	100,000	95,788	(4,212)
TVA In Lieu Tax	17,886	17,886	-
Miscellaneous	16,700	371,869	355,169
Penalties and Interest	1,500	791	(709)
Cable Franchise Fees	76,449	69,313	(7,136)
Sale of Cemetery Lots	16,000	13,000	(3,000)
Interest Income	10,000	10,056	56
Late Charges - Utility	2,500	2,035	(465)
Grant Income	468,430	812,956	344,526
Sanitation Fees	62,665	63,352	687
Total revenues	2,368,530	3,047,632	679,102
EXPENDITURES			
General Government			
Personnel Services	246,305	246,924	(619)
Supplies	6,635	16,493	(9,858)
Other Services and Charges	147,600	161,739	(14,139)
Capital Outlay	88,500	4,264	84,236
Total	489,040	429,420	59,620
Public Safety			
Personnel Services	925,344	923,852	1,492
Supplies	46,988	44,308	2,680
Other Services and Charges	171,716	171,706	10
Capital Outlay	86,025	82,077	3,948
Total	1,230,073	1,221,943	8,130
Culture and Recreation			
Supplies	1,000	5,032	(4,032)
Other Services and Charges	9,215	9,787	(572)
Capital Outlay	5,000	11,203	(6,203)
Total	\$ 15,215	\$ 26,022	\$ (10,807)

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, 2016

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Public Works			
Personnel Services	\$ 113,440	\$ 112,024	\$ 1,416
Supplies	16,200	13,327	2,873
Other Services and Charges	78,800	78,436	364
Sanitation: Other Services and Charges	59,880	57,879	2,001
Capital Outlay	515,750	2,055,775	(1,540,025)
Total	<u>784,070</u>	<u>2,317,441</u>	<u>(1,533,371)</u>
 Debt Service			
Principal Retirement	62,906	62,906	-
Interest and Fiscal Charges	17,143	17,143	-
Total	<u>80,049</u>	<u>80,049</u>	<u>-</u>
 Total expenditures	<u>2,598,447</u>	<u>4,074,875</u>	<u>(1,476,428)</u>
 Excess (Deficit) revenues over (under) expenditures	<u>(229,917)</u>	<u>(1,027,243)</u>	<u>(797,326)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Issuance of Long-Term Debt	-	48,600	48,600
Operating Transfers In	145,000	137,000	(8,000)
 Total other financing sources (uses)	<u>145,000</u>	<u>185,600</u>	<u>40,600</u>
 Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	<u>(84,917)</u>	<u>(841,643)</u>	<u>(756,726)</u>
 Fund balances - Beginning	<u>1,286,331</u>	<u>1,286,331</u>	<u>-</u>
Fund balances - Ending	\$ <u>1,201,414</u>	444,688	\$ <u>(756,726)</u>
Adjustments To GAAP Basis:			
Add/Less: Accrued revenue		<u>636,214</u>	
Fund Balance GAAP - Ending		\$ <u>1,080,902</u>	

OTHER SUPPLEMENTARY INFORMATION

TOWN OF BYHALIA
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2016

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
Dayton 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, 2016

	BALANCE OUTSTANDING October 1, 2015	TRANSACTIONS DURING FISCAL YEAR ISSUED REDEEMED	BALANCE OUTSTANDING September 30, 2016
<u>Revenue Bonds</u>			
Combined Water and Sewer System	\$ 20,535	\$ - \$ 12,011	\$ 8,524
Gas System	195,000	- 95,000	100,000
Gas System	1,900,000	- 56,640	1,843,360
Water System	938,478	- 16,739	921,739
<u>Other Long Term Debt</u>			
Community Facility Loan	218,726	- 14,804	203,922
NEMPDD Loan - Town Hall	250,000	- 13,465	236,535
Capital Lease Payable - 2014 Chevrolet Tahoe	11,491	- 9,198	2,293
Capital Lease Payable - Mini Excavator	22,536	- 10,580	11,956
Capital Lease Payable - Ford Trucks	-	53,725 11,642	42,083
CAP Loan - Stonewall Road	46,609	- 9,123	37,486
Capital Lease Payable - Dodge Chargers	-	31,600 9,426	22,174
Capital Lease Payable - 2013 Chevy Silverado-Bancorpsouth	15,559	- 7,077	8,482
Capital Lease Payable - 2012 Chevy Tahoe	-	17,000 3,197	13,803
TOTAL	\$ 3,618,934	\$ 102,325 \$ 268,902	\$ 3,452,357

TOWN OF BYHALIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2016

Federal Grantor/ Pass Through Grantor/ Program Title	Grantor Agency Id Number	Federal CFDA Number	Federal Expenditures
PRIMARY GOVERNMENT:			
U.S. Department of Housing and Urban Development			
Passed through State Office of:			
Mississippi Development Authority:			
Community Development Block Grant*	1131-14-135-PF-01	14.228	\$ 339,851
Community Development Block Grant*	1130-13-135-ED-01	14.228	<u>777,251</u>
Total U.S. Department of Housing and Urban Development			\$ <u>1,117,102</u>
Appalachian Regional Commission			
Passed through State Office of:			
Mississippi Development Authority:			
Appalachian Area Development	ARC 2015	23.002	\$ <u>321,008</u>
Total Appalachian Regional Commission			\$ <u>321,008</u>
TOTAL FEDERAL EXPENDITURES			\$ <u>1,438,110</u>

SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of expenditures of federal awards includes the federal award activity of the Town of Byhalia, Mississippi under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

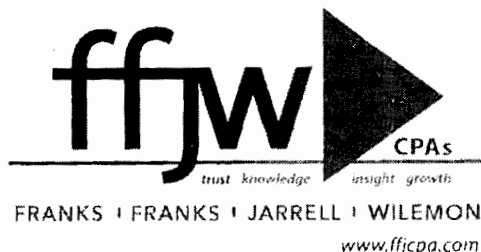
* - Major Program

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OTHER REPORTS

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Rudolph Franks, CPA (emeritus)

**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, 2016, 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 September 12, 2017.

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 questioned costs that we consider to be material weaknesses [Findings 2016-1 and 2016-2].

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 questioned costs as items 2016-1, 2016-2 and 2016-3.

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 questioned costs. 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.

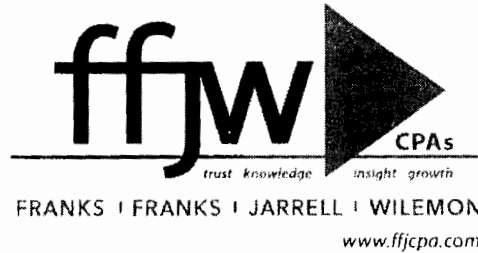
Franks, Franks, Jarrell & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
Tupelo, Mississippi
September 12, 2017

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12.01.2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and Board of Aldermen
Town of Byhalia, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the Town of Byhalia, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Byhalia, Mississippi's major federal programs for the year ended September 30, 2016. The Town of Byhalia, Mississippi's major federal programs are identified in the summary of auditor's 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 Town of Byhalia, 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Town of Byhalia, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Byhalia, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Byhalia, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of the Town of Byhalia, 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 Town of Byhalia, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the 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 Town of Byhalia, Mississippi'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 a 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
Tupelo, Mississippi
September 12, 2017

**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2016**

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified
Internal control over financial reporting:
Material weakness identified? X Yes No
Significant deficiency identified
not considered to be a material weakness? Yes X None reported
Noncompliance material to financial statements
noted? X Yes No

Federal Awards

Internal Control over major programs:
Material weakness identified? Yes X No
Significant deficiency identified
not considered to be a material weakness? Yes X None reported

Type of auditors' report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)? Yes X No

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.228</u>	<u>U.S. Department of Housing and Urban Development – CDBG Grant</u>

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2016**

SECTION 2 – FINANCIAL STATEMENT FINDINGS:

Finding No. 2016-1 Instance of Noncompliance (Material Weakness)

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 seven expenditure categories for the year ended September 30, 2016. 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. 2016-2 Instance of Noncompliance (Material Weakness)

Criteria: The Town is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. Mississippi Code Section 21-35-11, Miss. Code Ann. (1972) requires the Town Clerk to open and keep the books and records of the accounting system. The Town Clerk is responsible for the accounting records and at all times should assure that they are secure from loss, damage or alteration.

Cause of Condition: The Town did not maintain adequate internal controls over its general ledger accounting functions. The Town did not ensure that all bank reconciliations were properly prepared and agreed to the general ledger in a timely manner. Numerous adjustments were necessary to correct various general ledger accounts to supporting documentation and subsidiary ledgers.

Recommendation: The Town should implement adequate internal controls over all its accounting functions sufficient to provide timely information for management control and oversight. The Town should ensure that the Town Clerk is responsible for keeping the books and records of the accounting system. The Town should ensure that all bank accounts are reconciled on a monthly basis.

Response: The Town will take necessary steps to ensure that bank reconciliations are prepared on a monthly basis and necessary adjustments are posted in a timely manner.

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**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2016**

Finding No. 2016-3 Instance of Noncompliance

Criteria: The Town is required, by state statutes, to prepare and file a report with the State Treasurer within thirty days of year end reporting all bank accounts.

Cause of Condition: The Town did not file the required report with the State Treasurer for fiscal year 2016.

Recommendation: The Town should implement adequate controls to ensure that all relevant reports regarding the State Collateral Pool are maintained and should reconcile the reports with the financial records of the Town.

Response: The Town will file an annual report that includes all Town deposits at financial institutions with the State Treasurer in a timely manner going forward.

SECTION 3 – FEDERAL AWARD FINDINGS:

None

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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, 2016 and have issued our report dated September 12, 2017. 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 findings 2016-1, 2016-2 and 2016-3.

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
September 12, 2017

