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**CITY OF PICAYUNE, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**CITY OF PICAYUNE, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	4 - 5
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	7 - 14
<b><i>GOVERNMENT-WIDE FINANCIAL STATEMENTS:</i></b>	
Statement of Net Position (Exhibit A)	16
Statement of Activities (Exhibit B)	17 - 18
<b><i>FUND FINANCIAL STATEMENTS:</i></b>	
<u>Governmental Funds:</u>	
Balance Sheet (Exhibit C)	20
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1)	21
Statement of Revenues, Expenditures, and Changes in Fund Balance (Exhibit D)	22 - 23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities (Exhibit D-1)	24
<u>Proprietary Funds:</u>	
Statement of Net Position (Exhibit E)	25-26
Statement of Revenues, Expenses and Changes in Fund Net Position (Exhibit F)	27
Statement of Cash Flows (Exhibit G)	28
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	29-58
<b><i>Required Supplementary Information (RSI) (Other than MD&amp;A):</i></b>	
Budgetary Comparison Schedule – General Fund (Schedule 1a)	60
Budgetary Comparison Schedule – Airport Fund (Schedule 1b)	61
Budgetary Comparison Schedule – Economic Development Fund (Schedule 1c)	62

**CITY OF PICAYUNE, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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**TABLE OF CONTENTS (CONTINUED)**

	<b>PAGE</b>
Schedule of the Municipality's Proportionate Share of the Net Pension Liability	63
Schedule of the Municipal Contributions	64
Notes to the Required Supplementary Information	65
 <b><i>Other Supplementary Information:</i></b>	
Schedule of Surety Bonds for Municipal Officials	67
 <b><i>Reports on Compliance and Internal Control:</i></b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69-70
Independent Auditor's Report on Compliance with State Laws and Regulations	71



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Founder (1915-1997)

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Picayune, Mississippi as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Picayune, Mississippi's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and the aggregate remaining fund information of the City of Picayune, MS as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the Schedule of the Municipalities' Proportionate Share of the Net Pension Liability, and the Schedule of Municipal Contributions on pages 7-14, and 60-65 respectively, 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 City of Picayune, Mississippi's financial statements. The accompanying Schedule of Surety Bonds for Municipal Officials is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2017 on our consideration of the City of Picayune, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of 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 City of Picayune, Mississippi's internal control over financial reporting and compliance.

***Holt & Associates, PLLC***

January 11, 2017

**CITY OF PICAYUNE, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF PICAYUNE, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

The following discussion and analysis of City of Picayune, Mississippi's financial performance provides an overview of the City's financial activities for the year ended September 30, 2016. The intent of this discussion and analysis is to look at the City's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

### **FINANCIAL HIGHLIGHTS**

- Total net position for 2016 decreased \$13,292,027 including a prior period adjustment of \$(12,543,852) which represents a 30% decrease from fiscal year 2015. Total net position for 2015 increased \$1,497,825 including a prior period adjustment of \$877 which represents a 3% increase from fiscal year 2014.
- General revenues amounted to \$9,828,992 and \$10,124,662, or 59% and 59% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,695,826, or 41% of total revenues for 2016, and \$7,025,051, or 41% of total revenues for 2015.
- The City had \$17,272,993 and \$15,652,765 in expenses for fiscal years 2016 and 2015; only \$6,695,826 for 2016 and \$7,025,051 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,828,992 for 2016 were not adequate to provide for these programs and general revenues of \$10,124,662 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,261,913 in revenues and \$8,577,135 in expenditures for 2016, and \$8,940,818 in revenues and \$7,880,320 in expenditures in 2015. The General Fund's fund balance increased by \$442,790 including a prior period adjustment of (\$291,595) from 2015 to 2016, and increased by \$534,102 including a prior period adjustment of (\$46,251).
- Capital assets, net of accumulated depreciation, decreased by \$1,008,231 for 2016 and increased by \$51,367 for 2015. The decrease for 2016 was due to depreciation of capital assets.
- Long-term debt decreased by \$1,631,742 for 2016 and decreased by \$1,488,286 for 2015. This decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$64,342 for 2016 and increased by \$68,258 for 2015.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the City's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.



CITY OF PICAYUNE, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

The Statement of Net Position presents information on all the City's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the City's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Picayune, Mississippi that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Picayune, Mississippi include general government, public safety, public works, human & cultural services, employee benefits and interest on long term debt. The business-type activities of the City of Picayune, Mississippi include water/sewer and cemetery.

The government-wide financial statements can be found on Exhibits A and B of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** – Most of the City's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the City's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds in accordance with the *Municipal Audit and Accounting Guide* issued by the Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on Exhibits C and D of this report.

CITY OF PICAYUNE, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

**Proprietary funds** – Proprietary funds are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The City uses enterprise funds to account for the water and sewer service.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Utility and Cemetery Funds are considered to be a major fund of the City.

The proprietary fund financial statements can be found on Exhibits E, F, and G of this report.

### **Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, the Schedule of City's Proportionate Share of Net Pension Liability and the Schedule of City's Contributions as required supplementary information. The City adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

### **Supplementary Information**

Additionally, a Schedule of Surety Bonds for Municipal Officials can be found in this report.

CITY OF PICAYUNE, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net position

Net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31,523,651 as of September 30, 2016.

The City's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the City's net position at September 30, 2016 and September 30, 2015.

**Table 1**  
**Condensed Statement of Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<b>Sept 30, 2016</b>	<b>Sept 30, 2015</b>	<b>Sept 30, 2016</b>	<b>Sept 30, 2015</b>
Current assets	\$ 12,227,676	12,328,514	\$ 7,120,329	6,761,812
Restricted assets	-	-	842,095	956,192
Capital assets, net	32,948,578	33,537,213	11,344,703	11,764,299
<b>Total assets</b>	<b>45,176,254</b>	<b>45,865,727</b>	<b>19,307,127</b>	<b>19,482,303</b>
<b>Deferred outflow of resources</b>	<b>778,950</b>	<b>69,957</b>	<b>305,831</b>	<b>-</b>
Current liabilities	3,112,250	3,435,077	3,399,057	3,570,046
Long-term debt outstanding	18,378,066	8,559,455	9,091,876	5,037,731
<b>Total liabilities</b>	<b>21,490,316</b>	<b>11,994,532</b>	<b>12,490,933</b>	<b>8,607,777</b>
<b>Deferred inflow of resources</b>	<b>44,283</b>	<b>-</b>	<b>18,978</b>	<b>-</b>
<b>Net position:</b>				
Net investment in capital assets	26,121,959	25,592,266	7,042,049	6,883,889
Restricted	2,429,746	2,575,227	842,095	956,192
Unrestricted	(4,131,101)	5,773,659	(781,097)	3,034,445
<b>Total net position</b>	<b>\$ 24,420,604</b>	<b>33,941,152</b>	<b>\$ 7,103,047</b>	<b>10,874,526</b>

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Decrease in net capital assets in the amount of \$1,008,231.
- The principal retirement of \$1,631,742 of long-term debt.
- Addition of the pension liability of \$15,504,469.

### Changes in net position

The City's total revenues for the fiscal years ended September 30, 2016 and September 30, 2015 were \$16,524,818 and 17,149,713 respectively. The total cost of all programs and services was \$17,272,993 for 2016 and \$15,604,059 for 2015.

CITY OF PICAYUNE, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Table 2 presents a summary of the changes in net position for the fiscal years ended September 30, 2016 and September 30, 2015.

**Table 2**  
**Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Year Ended	Year Ended	Year Ended	Year Ended
	Sept 30, 2016	Sept 30, 2015	Sept 30, 2016	Sept 30, 2015
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 1,226,818	1,355,719	\$ 5,469,008	5,669,332
General revenues:				
General purpose Tax Levies	3,203,509	3,167,828	-	-
Sales Tax	5,652,142	5,038,511	-	-
Intergovernmental Revenue	723,538	1,528,133	-	-
Transfers	62,075	(69,000)	(62,075)	69,000
Other	168,706	183,981	81,097	206,209
<b>Total revenues</b>	<b>11,036,788</b>	<b>11,205,172</b>	<b>5,488,030</b>	<b>5,944,541</b>
<b>Expenses:</b>				
General Government	2,872,362	2,721,981	-	-
Public Safety	6,004,192	4,952,230	-	-
Public Works	1,911,001	1,744,820	-	-
Health and welfare	385,543	290,974	-	-
Culture and recreation	211,295	227,881	-	-
Economic Development	35,329	24,896	-	-
Utility	-	-	5,427,944	5,249,003
Cemetery	-	-	99,487	76,810
Interest on long-term liabilities	199,669	228,285	126,171	135,885
<b>Total expenses</b>	<b>11,619,391</b>	<b>10,191,067</b>	<b>5,653,602</b>	<b>5,461,698</b>
<b>Increase (Decrease) in net position</b>	<b>(582,603)</b>	<b>1,014,105</b>	<b>(165,572)</b>	<b>482,843</b>
<b>Net Position, Oct 1, as previously reported</b>	<b>33,941,152</b>	<b>32,825,117</b>	<b>10,874,526</b>	<b>10,492,736</b>
<b>Prior Period Adjustment</b>	<b>(8,937,945)</b>	<b>101,930</b>	<b>(3,605,907)</b>	<b>(101,053)</b>
<b>Net Position, Oct 1, as restated</b>	<b>25,003,207</b>	<b>32,927,047</b>	<b>7,268,619</b>	<b>10,391,683</b>
<b>Net Position, Sept 30</b>	<b>\$ 24,420,604</b>	<b>33,941,152</b>	<b>\$ 7,103,047</b>	<b>10,874,526</b>

**Governmental activities**

The following table presents the cost of seven major City functional activities: general government, public safety, public works, health and welfare, culture and recreation, economic development, utility, cemetery, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and City's taxpayers by each of these functions.

CITY OF PICAYUNE, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Total Expenses		Total Expenses	
	2016	2015	2016	2015
General Government	\$ 2,872,362	\$ 2,721,981	\$ -	\$ -
Public Safety	6,004,192	4,952,230	-	-
Public Works	1,911,001	1,744,820	-	-
Health and Welfare	385,543	290,974	-	-
Culture and Recreation	211,295	227,881	-	-
Economic Development	35,329	24,896	-	-
Utility	-	-	5,527,431	5,292,653
Interest on long-term liabilities	199,669	212,739	126,171	135,885
<b>Total Expenses</b>	<b>\$ 11,619,391</b>	<b>\$ 10,175,521</b>	<b>\$ 5,653,602</b>	<b>\$ 5,428,538</b>
	Net (Expense) Revenue		Net (Expense) Revenue	
	2016	2015	2016	2015
General Government	\$ (2,086,074)	\$ (1,935,688)	\$ -	\$ -
Public Safety	(5,710,807)	(4,530,125)	-	-
Public Works	(1,896,286)	(1,597,499)	-	-
Health and Welfare	(266,874)	(227,881)	-	-
Culture and Recreation	(211,295)	(290,974)	-	-
Economic Development	(21,568)	(24,896)	-	-
Utility	-	-	(58,423)	376,679
Interest on long-term liabilities	(199,669)	(212,739)	(126,171)	(135,885)
<b>Total Net (Expense) Revenues</b>	<b>\$ (10,390,557)</b>	<b>\$ (8,819,802)</b>	<b>\$ (184,594)</b>	<b>\$ 240,794</b>

Net cost of governmental activities (\$10,390,557 for 2016 and \$8,819,802 for 2015) was financed by general revenue, which is primarily made up of property and sales taxes (\$8,855,651 for 2016 and \$8,206,339 for 2015) and state and federal revenues (\$723,538 for 2016 and \$1,528,133 for 2015).

Investment earnings amounted to \$18,755 for 2016.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$9,133,272, an increase

CITY OF PICAYUNE, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

of \$218,624, which includes a prior period adjustment of (\$291,595). \$6,977,095 or 76% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,156,177 or 24% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the City. The increase in fund balance in the General Fund for the fiscal year was \$442,790 which includes a prior period adjustment of (\$291,595). The fund balance of Other Governmental Funds showed a decrease in the amount of (\$272,101). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>	
Airport Fund	\$	(15,475)
Economic Development Fund	\$	82,712
Debt Service Fund	\$	(19,302)

## BUDGETARY HIGHLIGHTS

During the year, the City revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the City.

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of September 30, 2016, the City's total capital assets were \$32,948,578 in the governmental activities and \$11,344,703 in the business type activities, including land, buildings, building improvements, vehicles, furniture and equipment, and infrastructure. This amount represents a decrease of \$588,635 in governmental activities and \$419,596 in the business-type activities from 2015. Total accumulated depreciation as of September 30, 2016, was \$36,757,837 and \$5,213,436, and total depreciation expense for the year was \$1,791,161 and \$522,891 in the governmental activities and business-type activities, respectively.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Sept. 30, 2016</b>	<b>Sept. 30, 2015</b>	<b>Sept. 30, 2016</b>	<b>Sept. 30, 2015</b>
Land	\$ 2,531,751	\$ 2,402,438	\$ 172,599	\$ 172,599
Construction in progress	123,042	-	181,150	1,961,209
Buildings & improvements	5,582,381	5,644,026	108,010	105,280
Machinery & equipment	232,855	15,571	184,943	457,273
Mobile Equipment	1,165,646	1,048,120	103,037	100,961
Infrastructure	23,312,903	24,427,058	10,594,964	8,966,977
<b>Total</b>	<b>\$ 32,948,578</b>	<b>\$ 33,537,213</b>	<b>\$ 11,344,703</b>	<b>\$ 11,764,299</b>

Additional information on the City's capital assets can be found in Note 5 included in this report.

CITY OF PICAYUNE, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

**Debt Administration.** At September 30, 2016, the City had \$7,480,824 in outstanding long-term debt in its governmental funds, of which \$1,432,292 is due within one year and \$4,484,650 in outstanding long-term debt in its business-type activities of which \$265,178 is due within one year. The liability for compensated absences increased \$39,696 in the governmental funds and increased \$24,645 in the business-type activities from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Sept 30, 2016</u>	<u>Sept 30, 2015</u>	<u>Sept 30, 2016</u>	<u>Sept 30, 2015</u>
General obligation bonds payable	5,887,361	7,099,038	2,837,639	2,990,962
Notes Payable	571,342	747,261	1,454,362	1,612,290
Obligations under capital lease	367,916	98,648	10,653	277,158
Compensated Absences payable	654,204	614,508	181,996	157,351
<b>Total</b>	<u>\$ 7,480,823</u>	<u>\$ 8,559,455</u>	<u>\$ 4,484,650</u>	<u>\$ 5,037,761</u>

Additional information on the City's long-term debt can be found in Note 6 included in this report.

## CURRENT ISSUES

Fiscal Year 2016 was a challenging year with unexpected capital construction projects. Fortunately, sales tax continued to rise over prior years allowing for the funding of the Emergency Angler Drive Project and the Highland Parkway Reconstruction Project.

The City completed major grant funded capital projects which included the Highway 43 Lighting and Memorial Boulevard Overlay Projects. The City also received additional grant funding for the completion of the Crosby Commons Project which will be under construction in FY 2017.

With the GEO Resources Project underway, the City continues its efforts in declining the unaccounted for natural gas. As of September 30, 2016, unaccounted for natural gas was less than 6%. This is a major accomplishment for the City.

In addition to the MDA CDBG Water Project, the City awarded another construction contract for major repairs of the water system.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the City Clerk's office at 203 Goodyear Blvd., Picayune, MS 39466.

**CITY OF PICAYUNE, MISSISSIPPI**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**CITY OF PICAYUNE, MISSISSIPPI**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

**EXHIBIT A**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and other deposits	\$ 4,114,565	\$ 3,933,695	\$ 8,048,260
Restricted cash	-	842,095	842,095
Investments	1,721,877	1,478,397	3,200,274
Receivables, accounts	3,427,328	1,214,414	4,641,742
Notes receivable	872,752	-	872,752
Prepaid expenses	193,092	13,414	206,506
Inventory	389,727	229,027	618,754
Capital assets, net	32,948,578	11,344,703	44,293,281
Due from other funds	<u>1,508,335</u>	<u>251,382</u>	<u>1,759,717</u>
<b>TOTAL ASSETS</b>	<u>45,176,254</u>	<u>19,307,127</u>	<u>64,483,381</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflows of resources related to bond issuance	62,184	-	62,184
Deferred outflows of resources related to pension	<u>716,766</u>	<u>305,831</u>	<u>1,022,597</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>778,950</u>	<u>305,831</u>	<u>1,084,781</u>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	685,503	289,981	975,484
Customer deposits	-	721,617	721,617
Accrued interest	17,847	36,775	54,622
Other payables	234,626	590,969	825,595
Due to other funds	-	1,759,715	1,759,715
Deferred revenue	1,993,900	-	1,993,900
Due to other governments	180,375	-	180,375
Long-term liabilities, due within one year			
Capital Related Debt	1,432,292	265,178	1,697,470
Long-term liabilities, due beyond one year			
Capital Related Debt	5,394,327	4,037,476	9,431,803
Non-capital Related Debt	654,204	181,996	836,200
Net pension liability	<u>10,897,243</u>	<u>4,607,226</u>	<u>15,504,469</u>
<b>TOTAL LIABILITIES</b>	<u>21,490,317</u>	<u>12,490,933</u>	<u>33,981,250</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows of resources related to pension	<u>44,283</u>	<u>18,978</u>	<u>63,261</u>
<b>NET POSITION:</b>			
Investment in capital assets (net of related debt)	26,121,959	7,042,049	33,164,008
Restricted	2,429,746	842,095	3,271,841
Unrestricted	<u>(4,131,101)</u>	<u>(781,097)</u>	<u>(4,912,198)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 24,420,604</u>	<u>\$ 7,103,047</u>	<u>\$ 31,523,651</u>

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**EXHIBIT B**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Operating	Capital	Primary Government		
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 2,872,362	\$ 786,288	\$ -	\$ -	\$ (2,086,074)	\$ -	\$ (2,086,074)
Public safety	6,004,192	293,385	-	-	(5,710,807)	-	(5,710,807)
Public works	1,911,001	14,715	-	-	(1,896,286)	-	(1,896,286)
Health & welfare	385,543	118,669	-	-	(266,874)	-	(266,874)
Culture & recreation	211,295	-	-	-	(211,295)	-	(211,295)
Economic development	35,329	13,761	-	-	(21,568)	-	(21,568)
Interest on long-term liabilities	199,669	-	-	-	(199,669)	-	(199,669)
						-	-
Total governmental activities	11,619,391	1,226,818	-	-	(10,392,573)	-	(10,392,573)
Business -type activities:							
Utility	5,527,431	5,469,008	-	-	-	(58,423)	(58,423)
Interest on debt	126,171	-	-	-	-	(126,171)	(126,171)
Total business-type activities	5,653,602	5,469,008	-	-	-	(184,594)	(184,594)
Total primary government	\$ 17,272,993	\$ 6,695,826	\$ -	\$ -	\$ (10,392,573)	\$ (184,594)	\$ (10,577,167)

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

## EXHIBIT B

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**FUND FINANCIAL STATEMENTS**

**CITY OF PICAYUNE, MISSISSIPPI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2016**

**EXHIBIT C**

	<b>MAJOR FUNDS</b>					
	<b>General Fund</b>	<b>Airport Fund</b>	<b>Economic Development Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>						
Cash and other deposits	\$ 2,901,169	\$ 304,936	\$ 652,992	\$ 85,135	\$ 170,333	\$ 4,114,565
Investments	1,512,785	-	151,990	-	57,102	1,721,877
Due from other funds	2,954,622	-	-	-	63,788	3,018,410
Receivables, other	3,348,344	-	78,485	-	500	3,427,329
Notes receivable	113,216	-	759,536	-	-	872,752
Prepaid expenses	171,903	2,926	18,263	-	-	193,092
Inventory	-	-	389,727	-	-	389,727
<b>TOTAL ASSETS</b>	<b>\$ 11,002,039</b>	<b>\$ 307,862</b>	<b>\$ 2,050,993</b>	<b>\$ 85,135</b>	<b>\$ 291,723</b>	<b>\$ 13,737,752</b>
<b>LIABILITIES &amp; FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 664,286	\$ 1,996	\$ 10,998	\$ 5,791	\$ 2,431	\$ 685,502
Deferred Revenue	1,993,900	-	-	-	-	1,993,900
Due to other funds	313,234	1,078,167	8,533	226	109,917	1,510,077
Due to other governments	180,375	-	-	-	-	180,375
Other payables	193,792	-	-	-	40,834	234,626
<b>Total Liabilities</b>	<b>3,345,587</b>	<b>1,080,163</b>	<b>19,531</b>	<b>6,017</b>	<b>153,182</b>	<b>4,604,480</b>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Prepaid expenses	171,903	2,926	18,263	-	-	193,092
Inventory	-	-	389,727	-	-	389,727
Notes receivable	113,216	-	759,536	-	-	872,752
<b>Restricted:</b>						
Debt Service	408,823	-	398,593	79,118	53,909	940,443
Unemployment benefits	-	-	-	-	34,917	34,917
<b>Committed:</b>						
City Projects	17,166	-	-	-	-	17,166
<b>Assigned:</b>						
Airport	-	(775,227)	-	-	-	(775,227)
Economic Development	-	-	465,343	-	-	465,343
Projects	-	-	-	-	17,964	17,964
<b>Unassigned:</b>	<b>6,945,344</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,751</b>	<b>6,977,095</b>
<b>Total Fund Balance</b>	<b>7,656,452</b>	<b>(772,301)</b>	<b>2,031,462</b>	<b>79,118</b>	<b>138,541</b>	<b>9,133,272</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 11,002,039</b>	<b>\$ 307,862</b>	<b>\$ 2,050,993</b>	<b>\$ 85,135</b>	<b>\$ 291,723</b>	<b>\$ 13,737,752</b>

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

**CITY OF PICAYUNE, MISSISSIPPI  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

**EXHIBIT C-1**

Total Fund Balance - Governmental Funds	\$	9,133,272
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Amounts reported for net assets in the statement of net assets  
are different because:

- |   |  |                    |
|---|--|--------------------|
| 1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$36,757,837. |  | 32,948,578         |
| 2. Some liabilities, including net pension obligations, are not due and payable in the current period, and therefore, are not reported in the funds.                        |  |                    |
| Net Pension Liability   |  | (10,897,243)       |
| Deferred outflows and inflows are applicable to future periods and, therefore, are not reported in the funds:   |  |                    |
| Deferred inflows of resources related to bond issuance  |  | 62,184             |
| Deferred outflows of resources related to pensions  |  | 716,766            |
| Deferred inflows of resources related to pensions   |  | (44,283)           |
| 3. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.   |  | <u>(7,498,670)</u> |

Total Net Assets - Governmental Activities	\$	<u><u>24,420,604</u></u>
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The notes to the financial statements  
are an integral part of this statement.

**CITY OF PICAYUNE, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES -- GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b><u>MAJOR FUNDS</u></b>		
	<b><u>General Fund</u></b>	<b><u>Airport Fund</u></b>	<b><u>Economic Development Fund</u></b>
<b>REVENUES</b>			
Property and Advalorem taxes	\$ 2,250,584	\$ -	\$ -
License and permits	786,288	-	-
Intergovernmental revenue	5,882,897	-	492,783
Charges for services	2,326	118,669	13,761
Fines and forfeitures	250,518	-	-
Miscellaneous	89,300	-	41,238
<b>TOTAL REVENUES</b>	<b><u>9,261,913</u></b>	<b><u>118,669</u></b>	<b><u>547,782</u></b>
<b>EXPENDITURES</b>			
General government	1,182,059	-	21,521
Public safety	5,046,832	-	-
Public works	1,612,456	-	-
Health and welfare	-	-	324,854
Culture & recreation	19,280	99,041	-
Capital Outlay	716,508	35,103	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<b>TOTAL EXPENDITURES</b>	<b><u>8,577,135</u></b>	<b><u>134,144</u></b>	<b><u>346,375</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>684,778</u></b>	<b><u>(15,475)</u></b>	<b><u>201,407</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	196,915	-	92,700
Operating transfers out	(482,341)	-	(211,395)
Sale of Assets	10,014	-	-
Loan Proceeds	325,019	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>49,607</u></b>	<b><u>-</u></b>	<b><u>(118,695)</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>734,385</b>	<b>(15,475)</b>	<b>82,712</b>
<b>FUND BALANCE, OCTOBER 1, 2015</b>	<b>7,213,662</b>	<b>(756,826)</b>	<b>1,948,750</b>
<b>Prior Period Adjustment</b>	<b><u>(291,595)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND BALANCE, OCTOBER 1, 2015,restated</b>	<b><u>6,922,067</u></b>	<b><u>(756,826)</u></b>	<b><u>1,948,750</u></b>
<b>FUND BALANCE, SEPTEMBER, 2016</b>	<b><u>\$ 7,656,452</u></b>	<b><u>\$ (772,301)</u></b>	<b><u>\$ 2,031,462</u></b>

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES -- GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**EXHIBIT D**

	<u><b>MAJOR FUNDS</b></u>		
	<u><b>Debt Service Fund</b></u>	<u><b>Other Governmental Fund</b></u>	<u><b>Total Governmental Funds</b></u>
<b>REVENUES</b>			
Property and Advalorem taxes	\$ 952,925	\$ -	\$ 3,203,509
License and permits	-	-	786,288
Intergovernmental revenue	-	-	6,375,680
Charges for services	-	12,389	147,145
Fines and forfeitures	-	42,867	293,385
Miscellaneous	<u>1,142</u>	<u>16,207</u>	<u>147,887</u>
<b>TOTAL REVENUES</b>	<u>954,067</u>	<u>71,463</u>	<u>10,953,894</u>
<b>EXPENDITURES</b>			
General government	-	78,868	1,282,448
Public safety	-	-	5,151,251
Public works	-	13,005	1,521,042
Health and welfare	-	-	324,854
Culture & recreation	-	-	118,321
Capital Outlay	-	63,454	815,065
Debt Service:			
Principal	1,415,893	26,269	1,442,162
Interest	<u>195,058</u>	<u>1,387</u>	<u>196,445</u>
<b>TOTAL EXPENDITURES</b>	<u>1,610,951</u>	<u>182,983</u>	<u>10,851,588</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(656,884)</u>	<u>(111,520)</u>	<u>102,306</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	637,582	96,564	1,023,761
Operating transfers out	-	(267,950)	(961,686)
Sale of Assets	-	10,805	20,819
Loan Proceeds	<u>-</u>	<u>-</u>	<u>325,019</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>637,582</u>	<u>(160,581)</u>	<u>407,913</u>
<b>NET CHANGE IN FUND BALANCE</b>	(19,302)	(272,101)	510,219
<b>FUND BALANCE, OCTOBER 1, 2015</b>	98,420	410,642	8,914,648
<b>Prior Period Adjustment</b>	<u>-</u>	<u>-</u>	<u>(291,595)</u>
<b>FUND BALANCE, OCTOBER 1, 2015, restated</b>	<u>98,420</u>	<u>410,642</u>	<u>8,623,053</u>
<b>FUND BALANCE, SEPTEMBER, 2016</b>	<u>\$ 79,118</u>	<u>\$ 138,541</u>	<u>\$ 9,133,272</u>

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



**CITY OF PICAYUNE, MISSISSIPPI**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**EXHIBIT D-1**

Net Change in fund balances - governmental funds	\$	510,219
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Amounts reported for governmental activities in the statement of activities are different because:

- |  |           |                         |
|--|-----------|-------------------------|
| 1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchases amounted to \$1,202,526 and the depreciation expense amounted to \$1,791,161.  |           | (588,635)               |
| 2. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenue/ expenditures in the governmental funds. These activities include:  |           |                         |
| Change in compensated absences   | (39,696)  |                         |
| Amortization of deferred inflows   | 7,773     |                         |
| 3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. |           |                         |
| Payments of debt principal   | 1,443,347 |                         |
| Accrued interest payable   | 3,364     |                         |
| 4. Proceeds from long-term liabilities is reported as income in the governmental funds, but as an addition to long-term liabilities in the State of Activities.  |           | (325,019)               |
| 5. The statement of activities uses the economic resources measurement focus and accrual basis of accounting, and therefore requires that pension expense and deferred outflows/inflows of resources related to pensions be recognized.  |           | <u>(1,593,956)</u>      |
| Change in net assets of governmental activities  | \$        | <u><u>(582,603)</u></u> |

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

**CITY OF PICAYUNE, MISSISSIPPI  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2016**

**EXHIBIT E**

		<u>Enterprise Funds</u>		
		<u>Utility</u>	<u>Cemetery</u>	
		<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$	3,794,888	\$ 138,807	3,933,695
Restricted cash		842,095	-	842,095
Investments		1,366,338	112,059	1,478,397
Accounts receivable (net)		1,173,071	41,343	1,214,414
Due from other funds		251,382	-	251,382
Prepaid Assets		13,414	-	13,414
Inventory		80,825	148,202	229,027
Total current assets		<u>7,522,013</u>	<u>440,411</u>	<u>7,962,424</u>
<b>NONCURRENT ASSETS</b>				
Capital assets (net)		<u>11,222,120</u>	<u>122,583</u>	<u>11,344,703</u>
<b>TOTAL ASSETS</b>		<u>\$ 18,744,133</u>	<u>\$ 562,994</u>	<u>\$ 19,307,127</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows of resources related to pensions	\$	<u>305,831</u>	<u>\$ -</u>	<u>\$ 305,831</u>

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

**CITY OF PICAYUNE, MISSISSIPPI  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2016**

**EXHIBIT E**

	<u>Enterprise Funds</u>		
	<u>Utility</u>	<u>Cemetery</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 285,317	\$ 4,664	\$ 289,981
Accrued interest	36,775	-	36,775
Other payables	590,969	-	590,969
Customer deposits	721,617	-	721,617
Due to other funds	1,759,493	222	1,759,715
Long-term liabilities, due within one year	265,178	-	265,178
Total current liabilities	<u>3,659,349</u>	<u>4,886</u>	<u>3,664,235</u>
<b>LONG-TERM LIABILITIES</b>			
Accrued compensation	177,505	4,491	181,996
Long-term liabilities, due beyond one year	4,037,476	-	4,037,476
Pension liability	4,607,226	-	4,607,226
Total long-term liabilities	<u>8,822,207</u>	<u>4,491</u>	<u>8,826,698</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 12,481,556</u>	<u>\$ 9,377</u>	<u>\$ 12,490,933</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows of resources related to pension liability	<u>\$ 18,978</u>	<u>\$ -</u>	<u>\$ 18,978</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 6,919,466	\$ 122,583	7,042,049
Net Position: Restricted	842,095	-	842,095
Net Position: Unrestricted	<u>(1,212,131)</u>	<u>431,034</u>	<u>(781,097)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 6,549,430</u>	<u>\$ 553,617</u>	<u>\$ 7,103,047</u>

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR YEAR ENDED SEPTEMBER 30, 2016**

**EXHIBIT F**

	<u>Enterprise Funds</u>		
	<u>Utility</u>	<u>Cemetery</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 5,440,624		\$ 5,440,624
Plot Sales	-	28,384	28,384
Total operating revenues	5,440,624	28,384	5,469,008
<b>OPERATING EXPENSES:</b>			
Personal services	2,124,571	79,090	2,203,661
Supplies	1,285,469	5,424	1,290,893
Contractual services	1,498,937	11,049	1,509,986
Depreciation	518,967	3,924	522,891
Total operating expenses	5,427,944	99,487	5,527,431
Operating income	12,680	(71,103)	(58,423)
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Other miscellaneous income	62,595	-	62,595
Interest income	18,033	469	18,502
Interest expense	(126,171)	-	(126,171)
Operating Transfers Out	(140,727)	-	(140,727)
Operating Transfers In	-	78,652	78,652
Total non-operating revenues (expenses)	(186,270)	79,121	(107,149)
<b>NET INCOME</b>	(173,590)	8,018	(165,572)
<b>Net position, October 1</b>	10,328,927	545,599	10,874,526
<b>Prior Period Adjustment</b>	(3,605,907)	-	(3,605,907)
<b>Net position, October 1, restated</b>	6,723,020	545,599	7,268,619
<b>Net position, September 30</b>	\$ 6,549,430	\$ 553,617	\$ 7,103,047

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

**CITY OF PICAYUNE, MISSISSIPPI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR YEAR ENDED SEPTEMBER 30, 2016**

**EXHIBIT G**

	<u>Enterprise Funds</u>		
	<u>Utility</u>	<u>Cemetery</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 5,125,372	\$ 28,384	\$ 5,153,756
Payments to suppliers	(2,780,113)	(17,283)	(2,797,396)
Payments to employees	(1,533,876)	(78,543)	(1,612,419)
Net cash flows from operating activities	<u>811,383</u>	<u>(67,442)</u>	<u>743,941</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interest income	18,033	469	18,502
Miscellaneous income	363,731	-	363,731
Cash payments (to) from governmental funds	(207,190)	78,260	(128,930)
Net cash provided by noncapital financing activities	<u>174,574</u>	<u>78,729</u>	<u>253,303</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Purchase of capital assets	(304,759)	-	(304,759)
Principal paid on capital debt	(577,757)	-	(577,757)
Interest paid on capital debt	(126,171)	-	(126,171)
Net cash provided by noncapital financing activities	<u>(1,008,687)</u>	<u>-</u>	<u>(1,008,687)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	(1,000,367)	(112)	(1,000,479)
Net cash provided by investing activities	<u>(1,000,367)</u>	<u>(112)</u>	<u>(1,000,479)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(1,023,097)	11,175	(1,011,922)
<b>Cash, October 1</b>	<u>5,660,080</u>	<u>127,632</u>	<u>5,787,712</u>
<b>Cash, September 30</b>	<u>\$ 4,636,983</u>	<u>\$ 138,807</u>	<u>\$ 4,775,790</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 12,680	\$ (71,103)	\$ (58,423)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	518,967	3,924	522,891
Change in assets and liabilities:			
Receivables, net of allowances	(330,443)	-	(330,443)
Prepaid assets	(312)	-	(312)
Inventory	74,920	-	74,920
Deferred outflows related to pensions	(53,335)		
Accounts payable	(147,857)	(810)	(148,667)
Other payables	29,345	-	29,345
Customer deposits	15,191	-	15,191
Accrued compensation	24,099	547	24,646
Deferred inflows related to pension	18,978	-	18,978
Pension liability	649,150	-	649,150
Net cash flows from operating activities	<u>\$ 811,383</u>	<u>\$ (67,442)</u>	<u>\$ 743,941</u>

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

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

The accompanying financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below.

**A. Financial Reporting Entity.**

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the City Council.

As defined by accounting principles generally accepted in the United States of America, the City is considered a "primary government." The City has no component units.

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

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

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

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**B. Basis of Presentation.**

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

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the City as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

The Statement of Net Position presents the financial condition of the governmental activities of the City at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

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

**C. Measurement Focus and Basis of Accounting.**

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**C. Measurement Focus and Basis of Accounting (continued).**

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

The City reports the following major governmental funds:

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

**Airport Fund** - This is the fund that accounts for financial resources used for the acquisition, construction, and maintenance of the City operated airport.

**Economic Development Fund** - This is the fund that accounts for the proceeds from the Tourism Sales tax and the sales of land in the industrial park that are used for economic development.

**Debt Service Fund** – This is the fund that accounts for debt payments for the general obligation bonds.

The City reports the following major proprietary funds:

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

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



**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**C. Measurement Focus and Basis of Accounting (continued).**

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise fund are charges to customers for services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**D. Account Classifications.**

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

**E. Encumbrances.**

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**F. Cash and Other Deposits.**

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

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

**G. Investments.**

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

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

**H. Receivables.**

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

**I. Prepaid Expenses.**

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

**J. Restricted Assets.**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws. Restricted assets in the enterprise funds represent unspent 2013 Revenue Bond proceeds.

**K. Inventories.**

Inventories consist of natural gas stored with the City's supplier, cemetery plots, aviation fuel at the Picayune Municipal Airport, and parcels of land at the City industrial park.

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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Inventories are stated at cost utilizing the average cost method for natural gas and aviation fuel and at historical cost for cemetery plots and land.

**L. Capital Assets.**

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

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

The following schedule details those thresholds.

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

All proprietary fund capital assets continued to be carried on the books and depreciated at their actual cost. Depreciation is charged to expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using straight-line method. The estimated useful lives are as follows:

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

**M. Long-term Liabilities.**

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of non-current or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets. See Note 6 for details.

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**N. Inter-fund Transactions and Balances.**

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

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

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

Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 4 for details for inter-fund transactions, including receivables and payables at year-end.

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

**P. Equity Classifications.**

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at September 30, 2016, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the the City of Picayune’s Council, the City’s highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by the City of Picayune.
- Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The City of Picayune reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

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

**Q. Property Taxes.**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied as of January 1 and payable on or before February 1. Taxes are collected by Pearl River County and remitted to the City. The County retains a 5% collection fee on motor vehicle and mobile home taxes. The County retains a 2% collection fee on all other taxes. Lien dates for personal and real property are in August. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received. The millage rate for the City for January through December was 38.66 mills broken down as follows:

General Fund	26.37
Debt Service	<u>12.29</u>
	<u>38.66</u>

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

**R. Budgets and Budgetary Accounting.**

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

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

Proprietary funds are budgeted on a modified accrual basis. Modifications to the accrual basis include budgeting for capital expenditures, debt principal payments and for depreciation.

During the year, amendments were made to the original budget.

**S. Deferred outflows/inflows of resources**

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

Deferred outflows related to charges on refunding bonds	\$ 62,184
Deferred outflows related to pensions	\$ 1,022,597

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element,

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will be recognized as an inflow of resources (revenue) until that time.

Deferred inflows related to pensions	\$ 63,261
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**T. Compensated Absences.**

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

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

**U. Use of Estimates.**

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

***NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS.***

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

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

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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Participating interest-earning investment contracts and money market investments that had a remaining maturity at time of purchase of one year or less are reported at amortized cost.

**Cash and Cash Equivalents.**

The carrying amount of the City's deposits with financial institutions was \$8,890,355 for 2016 and \$9,675,256 for 2015, and the bank balance was \$8,986,309 and \$9,752,565 for 2016 and 2015, respectively.

**Custodial Credit Risk – Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the city will not be able to recover deposits or collateral securities that are in the possession of an outside party. The city does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the city. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the city. As of September 30, 2016, the City's bank balance did not have any exposure to custodial credit risk.

**Investments.**

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

<b>Certificate #</b>	<b>Value</b>	<b>Maturity Date</b>
<b>General Fund:</b>		
11005006	\$ 1,512,785	2/6/2017
<b>Economic Development Fund</b>		
11005019	151,990	3/12/2017
<b>Other Governmental Funds:</b>		
11005019	57,102	3/12/2017
<b>Total Governmental</b>	<u>\$ 1,721,877</u>	
<b>Enterprise Funds:</b>		
11005019	1,478,397	3/12/2017
<b>Total Business-type</b>	<u>\$ 1,478,397</u>	

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

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



**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk. As of September 30, 2016, the City did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. As of September 30, 2016, the City had three certificates of deposits with First National Bank of Picayune which comprised 100 % of the investment balance on Exhibit A and Exhibit E.

**NOTE 3 – ACCOUNTS RECEIVABLE AND ALLOWANCE ACCOUNT**

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

	<b>Governmental Activities</b>	<b>Businesss-type Activities</b>	<b>Total Government-wide</b>
Property and ad valorem tax	\$ 1,993,900	\$ -	\$ 1,993,900
Sales Tax	783,669	-	783,669
Franchise Tax	168,946	-	168,946
Fines Receivable, gross	4,675,963	-	4,675,963
Accounts Receivable, gross	78,485	1,251,710	1,330,195
Other receivables	605	-	605
Total Receivables, Gross	7,701,568	1,251,710	8,953,278
Less: Allowance for doubtful accounts	(4,274,240)	(37,296)	(4,311,536)
Total Receivables, Net	<u>\$ 3,427,328</u>	<u>\$ 1,214,414</u>	<u>\$ 4,641,742</u>

**NOTES RECEIVABLES:**

**Brockway Building**

On May 3, 2005, the City entered into an agreement with Farmer Fresh Produce International LLC for the sale of the City's Brockway Buildings. The sales price of the building was \$1,100,000 at 2% interest per annum for a period of thirty years. Monthly payments of \$4,066 are due on the first day of each month. The sale is financed by the City. The agreement includes a special provision that the City incur \$35,000 to repair and modernize the Brockway Building's administrative offices. The City and the buyer agree that the special provision will be met by the buyer not paying the first eight payments and reducing the ninth payment. The balance of notes receivable at September 30, 2016 was \$759,536 and is included as Notes Receivable in the Statement of Net Assets.

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**National Home Furnishings**

On September 20, 2006, the City entered into an agreement with National Home Furnishings for the sale of City Property and building. The sales price was \$157,000 at 7% interest per annum for a period of twenty years. Monthly payments of \$1,217 are due on the first day of each month. The sale is financed by the City. The balance of notes receivable as of September 30, 2016 was \$113,216 and is included as Notes Receivable in the Statement of Net Assets.

***NOTE 4 - INTER-FUND TRANSACTIONS AND BALANCES***

Timing differences between the payments of expenses for other funds and the subsequent reimbursements are reflected in the inter-fund accounts. The following is a summary of inter-fund balances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ 1,076,231
	Economic Dev Fund	8,533
	Debt Service Fund	226
	Other Governmental Funds	109,917
	Utility Fund	1,759,493
	Cemetery Fund	222
Other Governmental Funds	General Fund	63,788
Utility Fund	Airport Fund	1,936
	General Fund	249,446
		<u>\$ 3,269,792</u>

The primary purpose of the inter-fund balances outstanding at the end of the year include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 175,250
	Utility Fund	21,665
Economic Development Fund	Other Governmental Funds	92,700
Debt Service Fund	Economic Development Fund	211,395
	General Fund	307,125
	Utility Fund	119,062
Other Governmental Funds	General Fund	96,564
Cemetery Fund	General Fund	78,652
		<u>\$ 1,102,413</u>

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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The transfers represent board approved operating transfers for city operations and planning purposes.

**NOTE 5 - CAPITAL ASSETS**

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

	<u>Begin Balance 10/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Construction Completed</u>	<u>Adjustment</u>	<u>End Balance 9/30/2016</u>
<u>Non-depreciable capital assets:</u>						
Land	\$ 2,402,438	\$ -	\$ -	\$ -	\$ 129,313	\$ 2,531,751
Construction in Progress	-	815,065	-	(726,529)	34,506	123,042
Total non-depreciable capital assets	<u>2,402,438</u>	<u>815,065</u>	<u>-</u>	<u>(726,529)</u>	<u>163,819</u>	<u>2,654,793</u>
<u>Depreciable capital assets:</u>						
Buildings and Improvements	7,708,879	-	-	-	125,537	7,834,416
Machinery & Equipment	1,301,864	254,340	-	-	48,123	1,604,327
Mobile Equipment	3,846,351	290,765	-	-	4,330	4,141,446
Infrastructure	<u>53,244,357</u>	<u>-</u>	<u>-</u>	<u>726,529</u>	<u>(499,453)</u>	<u>53,471,433</u>
Total depreciable capital assets	<u>66,101,451</u>	<u>545,105</u>	<u>-</u>	<u>726,529</u>	<u>(321,463)</u>	<u>67,051,622</u>
<u>Less accumulated depreciation for:</u>						
Buildings and Improvements	2,064,853	187,182	-	-	-	2,252,035
Machinery & Equipment	1,286,293	85,179	-	-	-	1,371,472
Mobile Equipment	2,798,231	177,569	-	-	-	2,975,800
Infrastructure	<u>28,817,299</u>	<u>1,341,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,158,530</u>
Total accumulated depreciation	<u>34,966,676</u>	<u>1,791,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,757,837</u>
Governmental Activities, capital assets, net	<u>\$ 33,537,213</u>	<u>\$ (430,991)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (157,644)</u>	<u>\$ 32,948,578</u>

Adjustments were made to add additional construction in progress at the beginning of the year that was mistakenly expensed and to reclassify items and remove items not previously removed in prior years.

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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Depreciation expense was charged to the following governmental functions:

General Government	\$ 1,351,791
Public Safety	63,896
Public Works	247,171
Economic Development	35,329
Culture & Recreation	92,974
	<u>\$ 1,791,161</u>

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

	<u>Begin Balance 10/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Construction Completed</u>	<u>Adjustment</u>	<u>End Balance 9/30/2016</u>
<u>Non-depreciable capital assets:</u>						
Land	\$ 172,599	\$ -	\$ -	\$ -		\$ 172,599
Construction in Progress	1,961,209	304,759	-	(2,084,818)	-	181,150
Total non-depreciable capital assets	<u>2,133,808</u>	<u>304,759</u>	<u>-</u>	<u>(2,084,818)</u>	<u>-</u>	<u>353,749</u>
<u>Depreciable capital assets:</u>						
Buildings and Improvements	150,571	-			-	150,571
Machinery & Equipment	1,155,712	-	362,330	-	108,172	901,554
Mobile Equipment	649,692	-	-	-	-	649,692
Infrastructure	12,417,755	-	-	2,084,818	-	14,502,573
Total	<u>14,373,730</u>	<u>-</u>	<u>362,330</u>	<u>2,084,818</u>	<u>108,172</u>	<u>16,204,390</u>
<u>Less accumulated depreciation for:</u>						
Buildings and Improvements	45,291	2,777	-	-	(5,507)	42,561
Machinery & Equipment	698,439	50,769	61,194	-	28,597	716,611
Mobile Equipment	548,731	34,933	-	-	(37,009)	546,655
Infrastructure	3,450,778	434,412	-	-	22,419	3,907,609
Total accumulated depreciation	<u>4,743,239</u>	<u>522,891</u>	<u>61,194</u>	<u>-</u>	<u>8,500</u>	<u>5,213,436</u>
Proprietary Activities, capital assets, net	<u>\$ 11,764,299</u>	<u>\$ (218,132)</u>	<u>\$ 301,136</u>	<u>\$ -</u>	<u>\$ 99,672</u>	<u>\$ 11,344,703</u>

Depreciation expense charged to the enterprise fund totaled \$522,891.

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Construction Commitment:		Remaining		Funding
	<u>Contract amt</u>	<u>Paid</u>	<u>Commitment</u>	<u>Source</u>
AIP Project	\$ 84,000	\$ 35,103	\$ 48,897	Federal Grant
Highland Parkway	540,209	33,374	506,835	Cash Reserves
Crosby Commons	961,718	48,613	913,105	MDOT
Water Project	411,087	11,017	400,070	Cash Reserves
Water Project	168,168	90,168	78,000	CDBG/Cash Reserves

**NOTE 6 - LONG – TERM LIABILITIES**

The following are the changes in long-term liabilities and other obligations for governmental activities:

	Balance			Balance	Due within
	<u>10/1/2015</u>	<u>Additions</u>	<u>Payments</u>	<u>9/30/2016</u>	<u>One Year</u>
General Obligation Bonds Payable	\$ 7,099,038	\$ -	\$ (1,211,677)	\$ 5,887,361	\$ 1,260,440
Notes Payable	747,261	-	(175,919)	571,342	44,764
Obligations under Capital Leases	98,648	325,019	(55,751)	367,916	127,088
Compensated Absences Payable	614,508	39,696	-	654,204	-
Total	<u>\$ 8,559,455</u>	<u>\$ 364,715</u>	<u>\$ (1,443,347)</u>	<u>\$ 7,480,823</u>	<u>\$ 1,432,292</u>

The following are the changes in long-term liabilities and other obligations for proprietary activities:

	Balance				Balance	Due within
	<u>10/1/2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Adjustment</u>	<u>9/30/2016</u>	<u>One Year</u>
General Obligation Bonds Payable	\$ 2,990,962	\$ -	\$ (153,323)	\$ -	\$ 2,837,639	\$ 159,560
Notes Payable	1,612,290	-	(157,928)	-	1,454,362	97,653
Obligations under Capital Leases	277,158	-	(266,505)	-	10,653	7,965
Compensated Absences Payable	157,351	24,645	-	-	181,996	-
Total	<u>\$ 5,037,761</u>	<u>\$ 24,645</u>	<u>\$ (577,756)</u>	<u>\$ -</u>	<u>\$ 4,484,650</u>	<u>\$ 265,178</u>

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**General Obligation Bonds Payable**

General obligation bonds are direct obligations and pledge the full faith and credit of the city. General obligation bonds currently outstanding in the Governmental Funds are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation, Series 2008	2.90%	3/19/2008	3/1/2018	\$ 500,000	\$ 120,000
2. General Obligation, Series 2010	Variable	8/5/2010	7/1/2020	7,700,000	3,450,000
3. General Obligation Refunding , Series 2014	Variable	6/30/2014	7/1/2024	3,057,423	2,317,361
					<u>\$ 5,887,361</u>

The following is a schedule by years of the total payments due on this debt:

1. General Obligation Bonds, Series 2008:

<b>Year Ending Sept 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 60,000	\$ 2,610	\$ 62,610
2018	60,000	870	60,870
Total	<u>\$ 120,000</u>	<u>\$ 3,480</u>	<u>\$ 123,480</u>

2. General Obligation Bonds, Series 2010

<b>Year Ending Sept 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 810,000	\$ 94,240	\$ 904,240
2018	845,000	73,990	918,990
2019	880,000	51,175	931,175
2020	915,000	26,535	941,535
Total	<u>\$ 3,450,000</u>	<u>\$ 245,940</u>	<u>\$ 3,695,940</u>

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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3. General Obligation Refunding Bonds, Series 2015

<b>Year Ending Sept 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 390,440	\$ 47,522	\$ 437,962
2018	402,972	39,607	442,579
2019	407,226	31,526	438,752
2020	286,723	22,449	309,172
2021	200,000	19,238	219,238
2022 - 2024	630,000	31,238	661,238
Total	<u>\$ 2,317,361</u>	<u>\$ 191,580</u>	<u>\$ 2,508,941</u>

General obligation bonds are direct obligations and pledge the full faith and credit of the city.

General obligation bonds currently outstanding in the Proprietary Funds are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Utility System Revenue Bonds, Series 2013	Variable	4/1/2013	4/1/2033	\$ 3,000,000	\$ 2,670,000
2. General Obligation Refunding , Series 2014	Variable	6/30/2014	7/1/2024	242,578	167,639
					<u>\$ 2,837,639</u>

1. Utility System Revenue Bonds, Series 2013

<b>Year Ending Sept 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 120,000	\$ 72,150	\$ 192,150
2018	120,000	69,150	189,150
2019	125,000	66,150	191,150
2020	130,000	63,025	193,025
2021	135,000	59,775	194,775
2022 - 2026	750,000	246,126	996,126
2027 - 2031	890,000	140,113	1,030,113
2032 - 2033	400,000	18,150	418,150
Total	<u>\$ 2,670,000</u>	<u>\$ 734,639</u>	<u>\$ 3,404,639</u>

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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2. General Obligation Refunding Bonds, Series 2015

<b>Year Ending</b> <b><u>Sept 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 39,560.00	\$ 4,815.00	\$ 44,375.00
2018	42,028	4,131	46,159
2019	42,774	3,311	46,085
2020	43,277	3,388	46,665
Total	<u>\$ 167,639</u>	<u>\$ 15,645</u>	<u>\$ 183,284</u>

The amount of indebtedness that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a city issues bonds to repair or replace washed out or collapsed bridges on the public roads of the city. As of September 30, 2016 the amount of outstanding debt was equal to 9% of the latest property assessments.

**Notes Payable**

Debt currently outstanding in the Governmental Funds is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. MDA Loan No. 0524	3.00%	2/1/2008	2/1/2028	\$ 272,539	\$ 173,934
2. MDA for airport infrastructure	3.00%	7/1/2007	7/31/2027	650,000	397,408
					<u>\$ 571,342</u>

1. MDA Loan No. 0524

<b>Year Ending</b> <b><u>Sept 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 13,062	\$ 5,076	\$ 18,138
2018	13,459	4,679	18,138
2019	13,869	4,269	18,138
2020	14,290	3,848	18,138
2021	14,725	3,413	18,138
2022 - 2026	80,622	10,068	90,690
2027 - 2028	23,907	2,040	25,947
Total	<u>\$ 173,934</u>	<u>\$ 33,393</u>	<u>\$ 207,327</u>



**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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2. MDA for airport infrastructure

<b>Year Ending</b>			
<b><u>Sept 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 31,702.00	\$ 11,557.00	\$ 43,259.00
2018	32,666	10,593	43,259
2019	33,660	9,599	43,259
2020	34,683	8,576	43,259
2021	35,738	7,521	43,259
2022 - 2026	195,672	20,623	216,295
2027	33,287	402	33,689
Total	<u>\$ 397,408</u>	<u>\$ 68,871</u>	<u>\$ 466,279</u>

Debt currently outstanding in the Proprietary Funds is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. MS Dept of Health	3.50%	3/1/2004	7/1/2023	\$ 253,005	\$ 113,962
2. Cap Loan - AMR Project	2.00%	3/7/2011	3/1/1932	1,300,000	870,672
3. Cap Loan - Water Improvement	2.00%	11/1/2010	11/4/1932	562,530	469,728
					<u>\$ 1,454,362</u>

1. MS Dept of Health-Drinking Water Systems Improvements

<b>Year Ending</b>			
<b><u>Sept 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 14,134	\$ 3,733	\$ 17,867
2018	14,636	3,231	17,867
2019	15,157	2,710	17,867
2020	15,696	2,171	17,867
2021	16,254	1,613	17,867
2022 - 2024	38,085	1,496	39,581
Total	<u>\$ 113,962</u>	<u>\$ 14,954</u>	<u>\$ 128,916</u>

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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2. Cap Loan – AMR Project

<b>Year Ending Sept 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 58,528	\$ 20,390	\$ 78,918
2018	60,813	18,105	78,918
2019	62,041	16,877	78,918
2020	63,293	15,625	78,918
2021	64,570	14,348	78,918
2022 - 2026	342,936	51,654	394,590
2027 - 2029	218,491	18,263	236,754
Total	<u>\$ 870,672</u>	<u>\$ 155,262</u>	<u>\$ 1,025,934</u>

3. CAP Loan – Water Improvement

<b>Year Ending Sept 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 24,991	\$ 9,158	\$ 34,149
2018	25,495	8,654	34,149
2019	26,010	8,139	34,149
2020	26,535	7,614	34,149
2021	27,070	7,079	34,149
2022 - 2026	143,772	26,973	170,745
2027 - 2031	158,879	11,866	170,745
2032 - 2033	36,976	429	37,405
Total	<u>\$ 469,728</u>	<u>\$ 79,912</u>	<u>\$ 549,640</u>

Obligations under Capital Lease

Debt currently outstanding in the Governmental Funds is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Capital Lease-Special Police Drug Fund	1.73%	1/13/2014	1/1/2017	\$ 106,000	\$ 53,909
2. Capital Lease-1/2 Kubota Tractor	1.88%	1/20/2015	1/20/2018	23,600	10,653
3. Capital Lease - Kubota Tractor	1.87%	12/9/2015	12/9/2019	104,419	82,754
4. Capital Lease - 8 Dodge Chargers	1.72%	2/23/2016	2/23/2019	220,600	220,600
					<u>\$ 367,916</u>

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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1. Capital Lease-Special Police Drug Fund

<b>Year Ending Sept 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 26,723	\$ 933	\$ 27,656
2018	27,186	470	27,656
Total	<u>\$ 53,909</u>	<u>\$ 1,403</u>	<u>\$ 55,312</u>

2. Capital Lease – ½ Kubota Tractor

<b>Year Ending Sept 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 7,965	\$ 132	\$ 8,097
2018	2,688	11	2,699
Total	<u>\$ 10,653</u>	<u>\$ 143</u>	<u>\$ 10,796</u>

3. Capital Lease – Kubota Tractor

<b>Year Ending Sept 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 20,117	\$ 1,548	\$ 21,665
2018	20,493	1,171	21,664
2019	20,877	788	21,665
2020	21,267	398	21,665
Total	<u>\$ 82,754</u>	<u>\$ 3,905</u>	<u>\$ 86,659</u>

4. Capital Lease – 8 Dodge Chargers

<b>Year Ending Sept 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 72,283	\$ 3,794	\$ 76,077
2018	73,526	2,551	76,077
2019	74,791	1,286	76,077
Total	<u>\$ 220,600</u>	<u>\$ 7,631</u>	<u>\$ 228,231</u>

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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Debt currently outstanding in the Proprietary Funds is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Capital Lease-1/2 Kubota Tractor	1.88%	1/20/2015	1/20/2018	23,600	\$ 10,653
					<u>\$ 10,653</u>

1. Capital Lease – ½ Kubota Tractor

<b>Year Ending</b> <b>Sept 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 7,965	\$ 132	\$ 8,097
2018	<u>2,688</u>	<u>11</u>	<u>2,699</u>
Total	<u>\$ 10,653</u>	<u>\$ 143</u>	<u>\$ 10,796</u>

**NOTE 7 - DEFINED BENEFIT PENSION PLAN**

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

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public municipalities. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Funding Policy. PERS members are required to contribute 9% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2016, 2015 and 2014 were \$917,684 \$841,653 and \$856,149 respectively, which equaled the required contributions for each year.

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

At September 30, 2016, the municipality reported a liability of \$15,504,469 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 Municipality's proportion of the net pension liability was based on a projection of the municipality's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2016, the municipality's proportion was .086799 percent.

For the year ended September 30, 2016, the Municipality recognized pension expense of \$2,205,739. At September 30, 2016, the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 318,054	\$ -
Net difference between projected and actual earnings on pension plan investments	24,791	32,960
Changes in assumptions	537,550	-
Municipality contributions and proportionate share of contributions	94,811	-
Municipality contributions subsequent to the measurement date	<u>47,391</u>	<u>30,301</u>
	<u><u>\$ 1,022,597</u></u>	<u><u>\$ 63,261</u></u>

\$47,391 reported as deferred outflows of resources related to pensions resulting from municipality contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 344,943
2018	344,943
2019	267,910
2020	<u>1,539</u>
	<u><u>\$ 959,336</u></u>

*Actuarial assumptions.* The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, 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.

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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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 are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long-term expected real rate of return</u></b>
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	<u>1.00%</u>	-0.50%
Total	<u>100.00%</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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. 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 Municipality's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Municipality's proportionate share of the net pension liability	\$ 19,880,205	\$ 15,504,469	\$ 11,874,026

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

**NOTE 8 - RISK MANAGEMENT**

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

**Participation in Public Entity Risk Pool:**

The City participates in the Mississippi Municipal Liability Plan (MMLD), an insurance-purchasing pool. The City, along with other municipalities as a group, purchased insurance to insure against losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Settled claims resulting from these insured risks have not exceeded the City's insurance coverage since it joined the pool.

The City is a member of the Mississippi Municipal Workers Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the City's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust.

The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance, which will pay the excess up to the statutory limit. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The City has not had an additional assessment for excess losses incurred by the pool.



**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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**NOTE 9 - MISSISSIPPI MUNICIPAL COMPLIANCE QUESTIONNAIRE**

The Mississippi Compliance Questionnaire was completed and entered into the minutes as prescribed by law. A review of the questionnaire revealed that all items were answered yes or not applicable.

**NOTE 10 - RECONCILIATION OF BUDGETARY BASIS TO ACCRUAL**

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

The required budgetary basis is therefore not considered a generally accepted accounting principle.

The following schedule reconciles the fund balances on the budgetary basis to the GAAP basis for the general fund:

<u>General Fund:</u>	
Fund balance (budgetary basis)	\$ 7,618,806
Adjustment to GAAP basis:	
Accrued revenues	<u>37,646</u>
Fund balance (GAAP basis), Sept. 30	<u>\$ 7,656,452</u>
 <u>Economic Development Fund:</u>	
Fund balance (budgetary basis)	\$ 2,025,702
Adjustment to GAAP basis:	
Accrued revenues	<u>5,760</u>
Fund balance (GAAP basis), Sept. 30	<u>\$ 2,031,462</u>

**NOTE 12 - JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION**

Joint Venture

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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Jointly Governed Organization

The City is a member of the Municipal Gas Authority of Mississippi (MGAM), created as a local distribution company by Mississippi State Code Section 77-6-1 for the purpose of assisting municipal gas systems in the acquisition, transportation and management of adequate, dependable and economic natural gas Municipalities, all located in the State of Mississippi. Each voting member appoints one commissioner to MGAM's Board of Commissioners who has oversight responsibility of the operation of MGAM. The primary source of revenue for MGAM is from gas supply contracts with each of its members which require the members to take their entire gas supply or a fixed portion from GMAM and require MGAM to provide that supply. MGAM is considered to be a jointly governed organization since no member can unilaterally control the financial or operating policies of MGAM and its members do not have an ongoing financial responsibility. The City entered into a gas supply contract for purchases of gas effective April 1, 2001, for an initial term of ten years with an option to extend the term of the Agreement by an additional 24 months at the expiration of the primary term. For the fiscal year ended September 30, 2016, payments to MGAM for gas purchases amount to \$1,144,600.

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

**Governmental Activities:**

1. Implementation of GASB 68 and 71:	\$ 9,235,507
Net pension liability (measurement date)	
Deferred outflows-contributions made during fiscal year 2015	(589,157)
2. Correction of error in accrued salaries	<u>291,595</u>
Total Prior Period Adjustment	\$ <u><u>8,937,945</u></u>

**Business-type Activities:**

1. Implementation of GASB 68 and 71:	\$ 3,958,074
Net pension liability (measurement date)	
Deferred outflows-contributions made during fiscal year 2015	(252,496)
2. Correction of error in property, plant and equipment	<u>(99,672)</u>
Total Prior Period Adjustment	\$ <u><u>3,605,906</u></u>

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Explanation	Amount
<b>General Fund</b>	
1. Correction of error in accrued salaries.	\$ 291,595
Total	\$ <u>291,595</u>

Exhibit F - Statement of Revenues, Expenditures and Changes in Fund Net Assets

Explanation	Amount
1. Implementation of GASB 68 and 71:	3,958,074
Net pension liability (measurement date)	
Deferred outflows-contributions made during fiscal	(252,496)
year 2015	
2. Correction of error in property, plant and equipment	(99,672)
Total Prior Period Adjustment	<u>3,605,906</u>

**NOTE 14 – SUBSEQUENT EVENTS**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes.

Management of the City of Picayune, Mississippi evaluated the activity of the city through January 11, 2017, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

**CITY OF PICAYUNE, MISSISSIPPI**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PICAYUNE, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**SCHEDULE 1a**

	Budgeted Amounts		Actual	Variances	
				Original	Final
	Original	Final		to Final	to Actual
REVENUES					
Property and Advalorem taxes	\$ 2,122,825	\$ 2,122,825	\$ 2,251,009	\$ -	\$ 128,184
License and permits	752,430	695,340	786,288	(57,090)	90,948
Intergovernmental revenues	5,993,821	6,395,476	5,844,826	401,655	(550,650)
Charges for services	21,817	21,817	2,326	-	(19,491)
Fines and forfeitures	392,362	286,498	250,518	(105,864)	(35,980)
Miscellaneous	30,000	43,866	89,300	13,866	45,434
TOTAL REVENUES	9,313,255	9,565,822	9,224,267	252,567	(341,555)
EXPENDITURES					
General government	1,293,880	1,312,880	1,182,059	(19,000)	130,821
Public safety	5,071,441	5,201,350	5,046,832	(129,909)	154,518
Public works	1,463,438	1,581,438	1,612,456	(118,000)	(31,018)
Culture & recreation	24,280	24,280	19,280	-	5,000
Capital outlay	1,058,280	1,099,655	716,508	(41,375)	383,147
TOTAL EXPENDITURES	8,911,319	9,219,603	8,577,135	(308,284)	642,468
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	401,936	346,219	647,132	(55,717)	300,913
OTHER FINANCING SOURCES (USES)					
Operating transfers in	130,280	196,915	196,915	66,635	-
Operating transfers out	(532,216)	(481,978)	(482,341)	50,238	(363)
Sale of Assets	-	-	10,014	-	10,014
Loan Proceeds	-	-	325,019	-	325,019
TOTAL OTHER FINANCING SOURCES (USES)	(401,936)	(285,063)	49,607	116,873	334,670
NET CHANGE IN FUND BALANCE	-	61,156	696,739	61,156	635,583
FUND BALANCE, OCTOBER 1, 2015	7,213,662	7,213,662	7,213,662	-	-
Prior Period Adjustment	-	-	(291,595)	-	(291,595)
FUND BALANCE, OCTOBER 1, 2015,restated	7,213,662	7,213,662	6,922,067	-	(291,595)
FUND BALANCE, SEPTEMBER, 2016	\$ 7,213,662	\$ 7,274,818	\$ 7,618,806	\$ 61,156	\$ 343,988

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE FOR THE AIRPORT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**SCHEDULE 1b**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>	
				<b>Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>		<b>Original to Final</b>	<b>Final to Actual</b>
<b>REVENUES</b>					
Intergovernmental revenues	\$ 79,800	\$ 79,800	\$ -	\$ -	\$ (79,800)
Charges for services	105,180	105,180	118,669	-	13,489
Miscellaneous	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>
<b>TOTAL REVENUES</b>	<u>188,980</u>	<u>188,980</u>	<u>118,669</u>	<u>-</u>	<u>(70,311)</u>
<b>EXPENDITURES</b>					
Culture & recreation	109,180	109,180	99,041	-	10,139
Capital outlay	<u>84,000</u>	<u>84,000</u>	<u>35,103</u>	<u>-</u>	<u>48,897</u>
<b>TOTAL EXPENDITURES</b>	<u>193,180</u>	<u>193,180</u>	<u>134,144</u>	<u>-</u>	<u>59,036</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(4,200)</u>	<u>(4,200)</u>	<u>(15,475)</u>	<u>-</u>	<u>(11,275)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(4,200)	(4,200)	(15,475)	-	(11,275)
<b>FUND BALANCE, OCTOBER 1, 2015</b>	(756,826)	(756,826)	(756,826)	-	-
<b>Prior Period Adjustment</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, OCTOBER 1, 2015, restated</b>	<u>(756,826)</u>	<u>(756,826)</u>	<u>(756,826)</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER, 2016</b>	<u>\$ (761,026)</u>	<u>\$ (761,026)</u>	<u>\$ (772,301)</u>	<u>\$ -</u>	<u>\$ (11,275)</u>

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE FOR THE ECONOMIC DEVELOPMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**SCHEDULE 1c**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>	
				<b>Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>		<b>Original to Final</b>	<b>Final to Actual</b>
<b>REVENUES</b>					
Intergovernmental revenues	\$ 440,000	\$ 440,000	\$ 487,023	\$ -	\$ 47,023
Charges for services	-	-	13,761	-	13,761
Miscellaneous	<u>7,700</u>	<u>9,200</u>	<u>41,238</u>	<u>1,500</u>	<u>32,038</u>
<b>TOTAL REVENUES</b>	<u>447,700</u>	<u>449,200</u>	<u>542,022</u>	<u>1,500</u>	<u>92,822</u>
<b>EXPENDITURES</b>					
General government	-	-	21,521	-	(21,521)
Health & welfare	<u>328,700</u>	<u>330,200</u>	<u>324,854</u>	<u>(1,500)</u>	<u>5,346</u>
<b>TOTAL EXPENDITURES</b>	<u>328,700</u>	<u>330,200</u>	<u>346,375</u>	<u>(1,500)</u>	<u>(16,175)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>119,000</u>	<u>119,000</u>	<u>195,647</u>	<u>-</u>	<u>76,647</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	92,700	92,700	92,700	-	-
Operating transfers out	<u>(211,395)</u>	<u>(211,395)</u>	<u>(211,395)</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(118,695)</u>	<u>(118,695)</u>	<u>(118,695)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	305	305	76,952	-	76,647
<b>FUND BALANCE, OCTOBER 1, 2015</b>	1,948,750	1,948,750	1,948,750	-	-
<b>Prior Period Adjustment</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, OCTOBER 1, 2015, restated</b>	<u>1,948,750</u>	<u>1,948,750</u>	<u>1,948,750</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, SEPTEMBER, 2016</b>	<u>\$ 1,949,055</u>	<u>\$ 1,949,055</u>	<u>\$ 2,025,702</u>	<u>\$ -</u>	<u>\$ 76,647</u>

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**Schedule of the Municipality's Proportionate Share of the Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years**

	<b><u>2016</u></b>
District's proportion of the net pension liability (asset)	0.086799%
District's proportionate share of the net pension liability (asset)	\$ 15,504,469
District's covered-employee payroll	\$ 5,343,829
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	290.14%
Plan fiduciary net position as a percentage of the total pension liability	57.47%

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

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

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



**CITY OF PICAYUNE, MISSISSIPPI**  
**Schedule of Municipal Contributions**  
**PERS**  
**Last 10 Fiscal Years**

	<b><u>2016</u></b>
Contractually required contribution	\$ 917,684
Contributions in relation to the contractually required contribution	<u>\$ 917,684</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered-employee payroll	5,826,565
Contributions as a percentage of covered-employee payroll	15.75%

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

Pension Schedules:

(1) There were no changes in benefit terms.

(2) In 2016 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2016, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2016. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2016, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.5% to 3.0% and 8.0% to 7.75% respectively.

**CITY OF PICAYUNE, MISSISSIPPI**  
**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF PICAYUNE, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS**  
**SEPTEMBER 30, 2016**

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**Coverage with Travelers:**

Mayor	\$100,000
Aldermen	100,000
Deputy Clerks	50,000
Accounting Department	50,000
Utility Supervisor	50,000
Utility Asst. Supervisor	50,000
Utility Clerks	50,000

**Coverage with RLU Insurance Company:**

City Clerk	50,000
City Manager	50,000
Deputy Clerk	50,000
Police Chief	50,000

**CITY OF PICAYUNE, MISSISSIPPI**  
**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**



**HOLT & ASSOCIATES, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA  
Julie M. Uher, CPA  
Kari M. Blackledge, CPA

H. I. Holt, CPA  
Founder (1915-1997)

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

Honorable Mayor, Members of the  
City Council, City Manager and City Clerk  
City of Picayune, 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 City of Picayune, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Picayune, State Mississippi's basic financial statements, and have issued our report thereon dated January 11, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Picayune, 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 City of Picayune, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Picayune, 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.

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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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Holt & Associates, PLLC*

Laurel, MS

January 11, 2017



**HOLT & ASSOCIATES, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA  
Julie M. Uher, CPA  
Kari M. Blackledge, CPA

H. I. Holt, CPA  
Founder (1915-1997)

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

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

We have audited the financial statements of the governmental activities, business-type activities and each major fund and the aggregate remaining fund information of the City of Picayune, Mississippi as of and for the year ended September 30, 2016, and have issued our report thereon dated January 11, 2017. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

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

*Holt & Associates, PLLC*

Laurel, MS

January 11, 2017

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