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City of Poplarville

200 Hwy 26 East

Poplarville, MS 39470

Phone 601-795-8161

Fax 601-795-0141

October 2, 2017

Office of the State Auditor
Attention: Technical Assistance
Post Office Box 956
Jackson, MS 39205

Re: 2015-2016 Final Audit Report for the City of Poplarville, Mississippi

To Whom It May Concern:

Enclosed please find two copies of the 2015-2016 Audit Report for the City of Poplarville, Mississippi, conducted and compiled by Topp, McWhorter, Harvey (TMH), PLLC.

The delay was due to a complete computer software and hardware conversion that was done over the past year, thus requiring a significant amount of time to verify all beginning and ending balances.

Please let me know if you need additional information.

Sincerely,


Jane C. O'Neal
City Clerk

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CITY OF POPLARVILLE, MISSISSIPPI

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INTRODUCTORY SECTION

CITY OF POPLARVILLE, MISSISSIPPI
LIST OF CITY OFFICIALS
SEPTEMBER 30, 2016

ELECTED OFFICIALS

Mayor
Aldersperson
Aldersperson
Aldersperson
Aldersperson
Aldersperson

Brad Necaize
Glenn Bolin
Jason Pearson
Margaret Ann Smith
Byron Wells
Shirley Wiltshire

APPOINTED OFFICIALS

City Clerk and Tax Collector

Jody Stuart
(through December 31, 2015)

Police Chief

Jane C. O'Neal
(effective January 1, 2016)
Charles Fazende
(through December 31, 2015)

Fire Chief
Superintendent
City Attorney

Don T. "Butch" Raby, Jr.
(effective January 1, 2016)
Jonathan Head
Sam Hale
Nick Thompson

INDEPENDENT AUDITORS' REPORT

HATTIESBURG
2 SOUTHERN POINTE PARKWAY
SUITE 100
HATTIESBURG, MS 39401
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GULFPORT
2019 23RD AVENUE
GULFPORT, MS 39501
P. O. BOX 1842
GULFPORT, MS 39502
T 228.864.1779
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the
Board of Alderpersons
Poplarville, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Poplarville, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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

To the Honorable Mayor and Members of the Board of Alderpersons
Poplarville, Mississippi

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the City of Poplarville, Mississippi, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison information on pages 59 through 64, and pension plan information on pages 67 through 68 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.

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To the Honorable Mayor and Members of the Board of Alderpersons
Poplarville, Mississippi

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Poplarville, Mississippi's basic financial statements. The introductory section, schedule reconciling original ad valorem tax rolls to fund collections (Schedule 4), and schedule of surety bonds for City officials (Schedule 5) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedule 4 and Schedule 5 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule 4 and Schedule 5 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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 September 12, 2017, on our consideration of the City of Poplarville, 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 and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Poplarville, Mississippi's internal control over financial reporting and compliance.

Topp McWhorter Harvey, PCC
Hattiesburg, Mississippi
September 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish functions of the City 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 include general government, court, public safety, highways and streets, public works and culture and recreation. The business-type activities of the City are comprised of water operations.

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, like other state and local governments, uses fund accounting not only to ensure and demonstrate compliance with finance-related legal requirements, but also to help control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants, and other money. All of the funds of the City can be divided into two categories:

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund, which are both considered to be major funds.

Proprietary Funds

The City maintains one type of proprietary fund for water operations. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information for this fund is presented in the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Refer to Note 1 in the financial statements for more detailed information on the elements of the financial statements.

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Government-wide Financial Analysis

Table 1 below presents the City's condensed statement of net position as of September 30, 2016 and 2015, derived from the government-wide Statement of Net Position.

**TABLE 1
CONDENSED STATEMENTS OF NET POSITION
SEPTEMBER 30, 2016 AND 2015**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current and other assets	\$ 1,508,129	\$ 1,302,073	\$ 1,328,850	\$ 1,230,266	\$ 2,836,979	\$ 2,532,339
Capital assets, net	4,086,613	4,183,394	1,191,504	1,140,631	5,278,117	5,324,025
Total assets	5,594,742	5,485,467	2,520,354	2,370,897	8,115,096	7,856,364
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows for pensions	459,994	314,340	115,287	67,660	575,281	382,000
LIABILITIES						
Other liabilities	188,814	153,456	205,869	252,742	394,683	406,198
Long-term liabilities	2,976,620	2,628,236	970,415	802,740	3,947,035	3,430,976
Total liabilities	3,165,434	2,781,692	1,176,284	1,055,482	4,341,718	3,837,174
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows for pensions	-	100,196	-	21,567	-	121,763
NET POSITION						
Invested in capital assets, net of related debt	3,989,331	4,047,725	849,805	885,177	4,839,136	4,932,902
Restricted	46,375	30,514	10,608	9,459	56,983	39,973
Assigned	39,178	-	-	-	39,178	-
Unrestricted	(1,185,582)	(1,160,320)	598,944	466,872	(586,638)	(693,448)
Total net position	\$ 2,889,302	\$ 2,917,919	\$ 1,459,357	\$ 1,361,508	\$ 4,348,659	\$ 4,279,427

**TABLE 2
CONDENSED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues:						
Fees, fines and charges for services	\$ 359,334	\$ 433,754	\$ 663,059	\$ 701,998	\$ 1,022,393	\$ 1,135,752
Operating grants and contributions	2,836	-	-	-	2,836	-
Capital grants and contributions	131,573	340,126	-	150,000	131,573	490,126
Total program revenues	493,743	773,880	663,059	851,998	1,156,802	1,625,878
General revenues:						
Property taxes	805,901	830,366	-	-	805,901	830,366
Sales taxes	759,529	766,582	-	-	759,529	766,582
Franchise taxes	138,066	200,648	-	-	138,066	200,648
Unrestricted grants and contributions	28,686	25,872	-	-	28,686	25,872
Gain/loss on sale of assets	3,251	-	(401)	-	2,850	-
Interest earnings	4,282	2,037	189	189	4,471	2,226
Other	43,580	52,475	-	-	43,580	52,475
Total general revenues	1,783,295	1,877,980	(212)	189	1,783,083	1,878,169
Total revenues	2,277,038	2,651,860	662,847	852,187	2,939,885	3,504,047
PROGRAM EXPENSES						
General government	389,405	373,492	-	-	389,405	373,492
Court	78,557	73,084	-	-	78,557	73,084
Public safety	1,281,239	1,155,905	-	-	1,281,239	1,155,905
Highways and streets	337,450	341,653	-	-	337,450	341,653
Public works	167,865	152,292	-	-	167,865	152,292
Culture and recreation	44,143	41,381	-	-	44,143	41,381
Miscellaneous	35,898	22,182	-	-	35,898	22,182
Interest and fiscal charges	3,214	5,183	-	-	3,214	5,183
Water	-	-	618,446	593,627	618,446	593,627
Total program expenses	2,337,771	2,165,172	618,446	593,627	2,956,217	2,758,799
Changes in net position before transfers	(60,733)	486,688	44,401	258,560	(16,332)	745,248
Transfers	-	7,687	-	(7,687)	-	-
Change in net position after transfers	(60,733)	494,375	44,401	250,873	(16,332)	745,248
Net position - beginning, as previously reported	2,917,919	2,423,544	1,361,508	1,110,635	4,279,427	3,534,179
Restatement of due to/from balances	32,116	-	53,448	-	85,564	-
Net position - beginning, as restated	2,950,035	2,423,544	1,414,956	1,110,635	4,364,991	3,534,179
Net Position - ending	\$ 2,889,302	\$ 2,917,919	\$ 1,459,357	\$ 1,361,508	\$ 4,348,659	\$ 4,279,427

Governmental Activities

Governmental activities decreased the City's net position by \$28,617 due to decreases in capital grants and general revenues in combination with increased expenses. A prior period adjustment was recorded to beginning net position for a total of \$32,116 to record cumulative net effect of reciprocal inter-fund balances attributable to the prior period.

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Business-type Activities

Business-type activities increased the City's net position by \$97,849. Prior period adjustments were made to record updated sewer services contract balance payable and the net effect of reciprocal inter-fund balances determined to be due to the general fund attributable to prior periods in the amounts of \$53,448 and \$32,116, respectively.

Financial Analysis of the City's Funds

Governmental Funds

As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,383,340.

General Fund - Fund balance at September 30, 2016 totaled \$1,344,162, an increase of \$162,566 during the fiscal year in comparison to a \$298,486 increase in fiscal year 2015. Significant changes in revenues and expenses in comparison to fiscal year 2015 are as follows:

- As a result of a State sales tax audit in 2015, an additional payment of \$49,342 was received in 2015. In 2016, sales taxes decreased \$7,053 due to the 2015 sales tax revenue being significantly increased by the one-time payment from the state.
- Intergovernmental revenue (grants) decreased \$208,553 in 2016 due to the 2015 completion of a grant to extend the water line along Highway 26 to Love's Travel Stop and a grant for Library and City Park ADA renovations received in 2015.
- Licenses and permits decreased \$62,582 due to no new major commercial construction and a reduction in Mississippi Power franchise fees.
- Public safety expenditures increased \$125,334 due to overtime, the increased need for part-time labor, as well as the repair of a ladder truck and the purchase of a pickup truck that was not budgeted in the Fire Department, automotive repairs and tires purchased for the Police Department, and the purchase of computer equipment that was not budgeted.

Debt Service Fund

The debt service fund had a fund balance of \$39,178 at September 30, 2016, which is an increase of \$1,592 from prior year due primarily to principal and interest payments on notes payable and capital leases.

Proprietary Fund

The City's proprietary fund, the water fund, reported net position of \$1,459,357, an increase of \$97,849 during the fiscal year in comparison to a \$250,873 increase in the prior fiscal year.

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Budget Variances in the General Fund

Budget amendments are summarized below and are primarily related to capital outlay expenditures for office furniture and equipment, a decrease in outside services for culture and recreation and the cemetery, and the final City installment for hangar improvements at Pearl River County Airport. All significant differences in the original budget and the final amended budget are summarized as follows:

- \$28,853 (13.00%) increase in general administration expenditures.
- \$6,106 (12.00%) decrease in culture and recreation expenditures.
- \$3,730 (19.00%) increase in cemetery expenditures.
- \$10,287 (161.00%) increase in airport expenditures.

The City ended the year with an overall positive variance between the budget and actual by \$186,696 due to responsible budget management, increased revenue, and no additional unforeseen expenses that were not budgeted.

Capital Asset and Long-Term Debt Activity

Capital Asset Activity

At September 30, 2016, the City reported \$4,086,613 in net capital assets for governmental activities and \$1,191,504 in capital assets for business-type activities. Major capital asset events during the year included the following:

- The City incurred expenditures of \$28,719 for the purchase/lease of a vehicle and \$81,350 for the purchase of other equipment.

Additional information on the City's capital assets can be found in Note 4 to the financial statements.

Long-Term Liabilities Activity

At the end of the current fiscal year, the City had \$97,133 in outstanding governmental debt and \$341,699 in outstanding proprietary debt. As noted earlier, new proprietary debt totaling \$110,070 was issued for the lease-purchase of two vehicles. Refer to Note 5 to the financial statements for additional information on the City's long-term debt and other liabilities.

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Pursuant to the provisions of Governmental Accounting Standards Board Statements No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, the City of Poplarville recorded approximately \$3.1 million in pension liabilities for the defined benefit plans administered by the State of Mississippi's Public Employees' Retirement System for fiscal year ended September 30, 2016. The \$3.5 million is the City's proportionate share of the total net pension liability of the State of Mississippi's Public Employees' Retirement System. See Note 8 to the financial statements for further information.

Economic Conditions and Outlook

Assessed values of properties slightly increased in 2016, and, therefore, the City expects an increase in property tax revenue. In addition, sales tax collections are also expected to increase due to the new truck stop.

The City is actively pursuing grant funding and other funding sources which will be used to fund City projects as allowable by the grant agreements.

The City expects expenditures other than those funded by grants to remain consistent with the previous year.

Contact the City's Financial Management

This financial report is designed to provide a general overview of the City of Poplarville for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Clerk, Jane C. O'Neal, at 200 Highway 26 East, Poplarville, Mississippi 39470.

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FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EXHIBIT A
PAGE 1 OF 2

CITY OF POPLARVILLE, MISSISSIPPI

**Statement of Net Position
September 30, 2016**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 448,462	\$ 117,013	\$ 565,475
Pooled cash and cash equivalents	772,600	921,705	1,694,305
Receivables, net	209,580	189,927	399,507
Prepaid expenses	31,112	2,602	33,714
Restricted assets:			
Cash and cash equivalents	3,202	10,608	13,810
Pooled cash and cash equivalents	43,173	86,995	130,168
Capital assets			
Land, improvements, and construction in progress	628,932	24,010	652,942
Other capital assets, net of accumulated depreciation	3,457,681	1,167,494	4,625,175
Total capital assets	<u>4,086,613</u>	<u>1,191,504</u>	<u>5,278,117</u>
Total assets	<u>5,594,742</u>	<u>2,520,354</u>	<u>8,115,096</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pensions	<u>459,994</u>	<u>115,287</u>	<u>575,281</u>

EXHIBIT A
PAGE 2 OF 2

CITY OF POPLARVILLE, MISSISSIPPI

**Statement of Net Position
September 30, 2016**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Accounts payable	\$ 77,974	\$ 4,798	\$ 82,772
Accrued liabilities	46,815	9,281	56,096
Due to other governmental agencies	-	58,759	58,759
Payable from restricted assets:			
Customer deposits	-	86,995	86,995
Long-term liabilities:			
Due within one year			
Bonds, capital leases, and notes payable	31,538	32,758	64,296
Accrued interest	149	642	791
Compensated absences	32,338	12,636	44,974
Due in more than one year			
Bonds, capital leases, and notes payable	65,595	308,941	374,536
Net pension liability	2,911,025	661,474	3,572,499
Total liabilities	<u>3,165,434</u>	<u>1,176,284</u>	<u>4,341,718</u>
NET POSITION			
Invested in capital assets, net of related debt	3,989,331	849,805	4,839,136
Restricted for:			
Debt service	-	10,608	10,608
Other projects	46,375	-	46,375
Assigned	39,178	-	39,178
Unrestricted	(1,185,582)	598,944	(586,638)
Total net position	<u>\$ 2,889,302</u>	<u>\$ 1,459,357</u>	<u>\$ 4,348,659</u>

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

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

EXHIBIT C

CITY OF POPLARVILLE, MISSISSIPPI

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 448,462	\$ -	\$ 448,462
Pooled cash and cash equivalents	733,430	39,170	772,600
Receivables, net	209,572	8	209,580
Prepaid expenses	31,112	-	31,112
Restricted assets:			
Pooled cash and cash equivalents	46,375	-	46,375
Total assets	\$ 1,468,951	\$ 39,178	\$ 1,508,129
LIABILITIES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts payable	\$ 77,974	\$ -	\$ 77,974
Accrued liabilities	46,815	-	46,815
Total liabilities	124,789	-	124,789
FUND BALANCES			
Nonspendable:			
Prepays	31,112	-	31,112
Restricted for:			
Unemployment compensation fund	13,642	-	13,642
Police forfeiture fund	29,531	-	29,531
Cemetery perpetual care	3,202	-	3,202
Assigned	-	39,178	39,178
Unassigned	1,266,675	-	1,266,675
Total fund balances	1,344,162	39,178	1,383,340
Total liabilities and fund balances	\$ 1,468,951	\$ 39,178	\$ 1,508,129

EXHIBIT C.1

CITY OF POPLARVILLE, MISSISSIPPI

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2016**

Total <i>fund balances</i> for governmental funds (Exhibit C)	\$ 1,383,340
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities but are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,695,325.	4,086,613
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Notes payable	(97,133)
Accrued interest	(149)
Compensated absences	(32,338)
Net pension liability	(2,911,025)
Deferred amounts for pension-related items are reported in the Statement of Net Position as deferred outflows or deferred inflows of resources but are not reported in the funds.	<u>459,994</u>
Total net position of governmental activities (Exhibit A)	<u><u>\$ 2,889,302</u></u>

EXHIBIT D
PAGE 1 OF 2

CITY OF POPLARVILLE, MISSISSIPPI

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 777,691	\$ 28,210	\$ 805,901
Sales and miscellaneous taxes	759,529	-	759,529
Franchise taxes	147,597	-	147,597
Fees and fines	108,109	-	108,109
Licenses and permits	22,636	-	22,636
Intergovernmental	228,596	-	228,596
Charges for services	163,959	-	163,959
Investment earnings	4,282	-	4,282
Miscellaneous	42,709	-	42,709
Total revenues	<u>2,255,108</u>	<u>28,210</u>	<u>2,283,318</u>
EXPENDITURES			
Current:			
General government	373,828	-	373,828
Court	69,799	-	69,799
Public safety	921,580	-	921,580
Highways and streets	317,884	-	317,884
Public works	167,865	-	167,865
Culture and recreation	44,143	-	44,143
Miscellaneous	35,898	-	35,898
Capital outlay	217,290	-	217,290
Debt service:			
Principal payments	14,225	24,316	38,541
Interest and other charges	756	2,302	3,058
Total expenditures	<u>2,163,268</u>	<u>26,618</u>	<u>2,189,886</u>
Excess of revenues over expenditures	<u>91,840</u>	<u>1,592</u>	<u>93,432</u>

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

EXHIBIT D
PAGE 2 OF 2

CITY OF POPLARVILLE, MISSISSIPPI

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2016**

	General Fund	Debt Service Fund	Total Governmental Funds
<i>OTHER FINANCING SOURCES (USES)</i>			
Proceeds from sale of assets	\$ 38,610	\$ -	\$ 38,610
<i>Total other financing sources (uses)</i>	<u>38,610</u>	<u>-</u>	<u>38,610</u>
<i>NET CHANGE IN FUND BALANCES</i>	130,450	1,592	132,042
<i>FUND BALANCES - BEGINNING</i>	1,181,596	37,586	1,219,182
Prior period adjustment	32,116	-	32,116
<i>FUND BALANCES - BEGINNING, as restated</i>	<u>1,213,712</u>	<u>37,586</u>	<u>1,251,298</u>
<i>FUND BALANCES - ENDING</i>	<u>\$ 1,344,162</u>	<u>\$ 39,178</u>	<u>\$ 1,383,340</u>

EXHIBIT D.1

CITY OF POPLARVILLE, MISSISSIPPI

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2016**

Net change in *fund balances* - total governmental funds (Exhibit D) \$ 132,042

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives and reported as depreciation expense for the period. This is the amount by which capital outlays (which exceed the capitalization thresholds) of \$186,665 did not exceed depreciation of \$248,087 in the current period. (61,422)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of net assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. (35,359)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (9,531)

Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments (\$38,541) exceeded proceeds (\$0-). 38,541

Pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Also, governmental funds report current pension contribution expenses, whereas these amounts are deferred and amortized in the Statement of Activities as follows:

Recognition of pension expense for the current period (264,852)
Recognition of contributions made subsequent to the measuring date 132,243

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EXHIBIT D.1
PAGE TWO

CITY OF POPLARVILLE, MISSISSIPPI

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2016**

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:

Change in compensated absences	\$ 7,759
Change in accrued interest payable	<u>(154)</u>
Change in <i>net position</i> of governmental activities (Exhibit B)	<u><u>\$ (60,733)</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

EXHIBIT E
PAGE 1 OF 2

CITY OF POPLARVILLE, MISSISSIPPI

**Statement of Net Position
Proprietary Fund
September 30, 2016**

	<u>Water Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and cash equivalents	\$ 117,013
Pooled cash and cash equivalents	921,705
Accounts receivable, net	189,927
Prepaid expenses	2,602
Total current assets	<u>1,231,247</u>
Non-Current Assets:	
Restricted assets:	
Cash and cash equivalents	10,608
Pooled cash and cash equivalents	86,995
Capital Assets:	
Land	24,010
Buildings and improvements	2,475,145
Machinery and equipment	338,916
Vehicles under lease	28,719
Equipment under lease	81,350
Less: accumulated depreciation	(1,756,636)
Total capital assets	<u>1,191,504</u>
Total assets	<u>2,520,354</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflows of resources for pensions	<u>115,287</u>
LIABILITIES AND NET POSITION	
Current Liabilities:	
Accounts payable	4,798
Accrued liabilities	9,281
Accrued interest payable	642
Due to other governmental agencies	58,759
Compensated absences	12,636
Bonds payable	12,323
Capital lease obligations	20,435
Payable from restricted assets:	
Customer deposits	86,995
Total current liabilities	<u>205,869</u>

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

CITY OF POPLARVILLE, MISSISSIPPI

**Statement of Net Position
Proprietary Fund
September 30, 2016**

	<u>Water Fund</u>
LIABILITIES AND NET POSITION (Cont.)	
Non-Current Liabilities:	
Bonds payable	\$ 231,022
Capital lease payable	77,919
Net pension liability	661,474
Total non-current liabilities	<u>970,415</u>
Total liabilities	<u>1,176,284</u>
NET POSITION	
Net investment in capital assets, net of related debt	849,805
Restricted for debt service	10,608
Unrestricted	<u>598,944</u>
Total net position	<u>\$ 1,459,357</u>

EXHIBIT F

CITY OF POPLARVILLE, MISSISSIPPI

**Statement of Revenues, Expenses, and Changes In Fund Net Position
Proprietary Fund
Year Ended September 30, 2016**

	<u>Water Fund</u>
OPERATING REVENUES	
Charges for services	\$ 663,059
Total operating revenues	<u>663,059</u>
OPERATING EXPENSES	
Personal services	339,740
Supplies	75,554
Materials	28,116
Utilities	27,004
Depreciation and amortization	85,997
Other operating expenses	50,993
Total operating expenses	<u>607,404</u>
OPERATING INCOME	<u>55,655</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	189
Loss on asset disposal	(401)
Interest expense	(11,042)
Total non-operating revenues (expenses)	<u>(11,254)</u>
CHANGE IN NET POSITION	44,401
NET POSITION - BEGINNING	1,361,508
Prior period adjustment	53,448
NET POSITION - BEGINNING, as restated	<u>1,414,956</u>
NET POSITION - ENDING	<u>\$ 1,459,357</u>

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EXHIBIT G
PAGE 1 OF 2

CITY OF POPLARVILLE, MISSISSIPPI

**Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2016**

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 677,324
Payments to suppliers	(186,814)
Payments to employees	(302,850)
Net cash provided by operating activities	<u>187,660</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases and construction of capital assets	(138,381)
Proceeds from sale of capital assets	1,110
Proceeds from capital leases	110,069
Principal paid on capital debt	(23,824)
Interest paid on capital debt	(10,896)
Net cash used by capital and related financing activities	<u>(61,922)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	189
Net cash provided by investing activities	<u>189</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	125,927
BALANCES - BEGINNING OF THE YEAR	<u>1,010,394</u>
BALANCES - END OF THE YEAR	<u>\$ 1,136,321</u>
RECONCILIATION TO STATEMENT OF NET POSITION	
Unrestricted:	
Cash and cash equivalents	\$ 117,013
Pooled cash and cash equivalents	921,705
Restricted:	
Cash and cash equivalents	10,608
Pooled cash and cash equivalents	86,995
	<u>\$ 1,136,321</u>

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

EXHIBIT G
PAGE 2 OF 2

CITY OF POPLARVILLE, MISSISSIPPI

**Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2016**

	<u>Water Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 55,655
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	85,997
Bad debt expense	2,199
Decrease (increase) in assets:	
Accounts receivable	(6,974)
Increase (decrease) in liabilities:	
Accounts payable	(5,147)
Due to other governments	11,750
Compensated absences	251
Other accrued expenses	3,399
Customer deposits	7,290
Pension liabilities and deferrals	33,240
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Net cash provided by operating activities	\$ 187,660

NOTES TO FINANCIAL STATEMENTS

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CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The City of Poplarville, Mississippi (City), incorporated in 1876 under the laws of the State of Mississippi and situated in Pearl River County, operates under the Mayor-Board form of government and provides the following services as authorized by its charter: Public Safety (Police, Fire, and Inspection), Street Maintenance, Garbage Collection, Water Services, Culture and Recreational, Public Improvements, Planning and Zoning, and General Administrative Services.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2016.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units of the City consist of oversight responsibility, special financing relationships and scope of public services. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the City has no component units. However, see Note 7 for information describing related organizations not included in the City's reporting entity.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE TWO

YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions which finance annual operating activities including restricted investment income, and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. Taxes and items not properly included as program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of Accounting

The City complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities, and as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

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

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CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE THREE

YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Amounts reported as program revenue 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 as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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

Major revenue sources susceptible to accrual include: property taxes, franchise taxes, sales taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received by the City.

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

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

Governmental Funds

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

Debt Service Fund - The debt service fund accounts for the servicing of long-term general obligation debt and payment of related interest and agency fees.

CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE FOUR
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Proprietary Fund

Water Fund - The water 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 the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

E. Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

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

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

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CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE FIVE

YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Receivables and Payables

Generally, outstanding balances between funds, if any, are reported as "due to/from other funds" and include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/payables between funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

An allowance has been provided in the water enterprise fund and general fund for estimated uncollectible charges. The allowance is based on historical collection experience and other relevant circumstances.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2016, are recorded as prepaid items. In governmental funds, reported prepaid items are equally offset by nonspendable fund balance amounts, which indicate they do not constitute "available spendable resources" even though they are a component of net current assets. The net change in nonspendable fund balances is not presented because the combined statements of revenues, expenditures, and changes in fund balances reflects the changes in total fund balances rather than just the spendable and nonspendable fund balances.

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 externally imposed by creditors, grantors, or laws. Restricted assets in the enterprise fund represent utility customer deposits subject to refund and amounts restricted per bond covenants. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE SIX

YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Capital Assets

Capital assets, which include property, plant, equipment, and current infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), net of depreciation, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. However, infrastructure assets acquired or constructed prior to October 1, 2003 are not reported in the basic financial statements, as allowed by GASB. The City generally capitalizes assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

Buildings	20 - 50 years
Improvements	7 - 50 years
Utility system infrastructure	5 - 40 years
Machinery and equipment	5 - 25 years
Vehicles	5 - 25 years

Deferred Outflows and 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 thus, will not be recognized as an outflow of resources (expense) until then. The City has only one item that qualifies for reporting this category related to the City's participation in the pension plan, the unamortized changes in investments actual performance, expectations, and projections, and changes in plan assumptions. See Note 8.

CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE SEVEN

YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Long-Term Obligations

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

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

Compensated Absences

The City's policy on vacation leave allows employees to accrue an unlimited amount of vacation time once that employee has had one year of continuous service for the City. There are no restrictions on when the employees are allowed to take their vacation time, but can be no longer than two weeks at a time. Retiring and terminated employees are paid for unused vacation up to 20 days. It is the City's policy that all unused sick leave is forfeited upon termination, retirement, or layoff. There is no liability for unpaid accumulated sick leave since sick pay is not paid upon termination of employment. Employees can only accrue up to 40 hours of compensatory time per year; however, all compensatory time accrued may be rolled over to the next year. Retiring and terminated employees are paid for unused compensatory time up to 40 hours. All vacation and compensatory pay is accrued when incurred in the government-wide and proprietary fund financial statements. In the fund financial statements, a liability for these amounts is reported in government-wide and proprietary fund financial statement only if they have matured, for example, as a result of employee resignations and retirements or use of vacation time.

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation and compensatory hours is multiplied by the employee's hourly rate at September 30, 2016. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

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CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE EIGHT

YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fund Equity

In the government-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components:

Net Investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.

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

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

Nonspendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Assigned - Includes fund balance amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be stipulated by the Board of Alderpersons.

Unassigned - Includes the residual balance of the General Fund that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

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CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE NINE
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

As discussed previously in this note, restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the Board or the assignment has been changed by the mayor. Decreased to fund balance first reduces unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

NOTE 2 - CASH AND CASH EQUIVALENTS

A summary of cash and cash equivalents as of September 30, 2016, follows:

	<u>Cash on Hand</u>	<u>Cash Deposits</u>	<u>Pooled Cash Deposits</u>	<u>Total</u>
Governmental Activities				
General fund	\$ 600	\$ 451,064	\$ 776,603	\$ 1,228,267
Debt service fund	-	-	39,170	39,170
Total governmental activities	<u>600</u>	<u>451,064</u>	<u>815,773</u>	<u>1,267,437</u>
Business-type Activities				
Enterprise fund				
Water fund	<u>100</u>	<u>127,521</u>	<u>1,008,700</u>	<u>1,136,321</u>
Total cash and cash equivalents	<u>\$ 700</u>	<u>\$ 578,585</u>	<u>\$ 1,824,473</u>	<u>\$ 2,403,758</u>

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CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE TEN

YEAR ENDED SEPTEMBER 30, 2016

NOTE 2 - CASH AND CASH EQUIVALENTS (Cont.)

The City maintained the following restricted assets as of September 30, 2016:

Governmental Activities

Cash and cash equivalents	
Restricted for public safety use	\$ 29,531
Restricted for unemployment claims	13,642
Restricted for cemetery perpetual care	3,202
Total restricted assets - governmental activities	<u>46,375</u>

Business-type Activities

Cash and cash equivalents	
Restricted for utility customer deposits	86,995
Restricted for bond covenant	10,608
Total restricted assets - business-type activities	<u>97,603</u>

Total restricted assets - government-wide \$ 143,978

Custodial Credit Risk - Deposits - Custodial credit risk is 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 policy for custodial credit risk. 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 Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

At September 30, 2016, deposits (including restricted deposits) were as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents	<u>\$ 2,408,264</u>	<u>\$ 2,403,674</u>

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CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE ELEVEN
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 3 - RECEIVABLES

Receivables at September 30, 2016, consisted of the following:

	<u>Governmental Activities</u>		<u>Business-type</u>	<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Water Fund</u>	
Property taxes	\$ 8,682	\$ 8	\$ -	\$ 8,690
Sales taxes	132,438	-	-	132,438
Franchise taxes	46,895	-	-	46,895
Court fines	516,523	-	-	516,523
Accounts, gross	-	-	262,281	262,281
Other	8,811	-	-	8,811
Total receivables, gross	713,349	8	262,281	975,638
Less allowance for doubtful receivables	(503,777)	-	(72,354)	(576,131)
Total receivables, net	\$ 209,572	\$ 8	\$ 189,927	\$ 399,507

Property Taxes - The City levies a tax on real and personal property based on the assessed value of property as compiled by the Pearl River County tax assessor from information extracted from the County assessment tax rolls. The taxes on real property become due and payable on January 1st and attach an enforceable lien on the property as of February 1st and personal property taxes become delinquent on February 1st. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. Taxes on real and person property are levied by the Board at the first regular meeting in September. The City's tax assessment roll is then approved by the Board after a series of public hearings to receive citizens' objections. Pearl River County bills and collects real, personal property, auto ad valorem and mobile home taxes for the City. These taxes are remitted by the County monthly to the City. In addition, the County also remits to the City a prorata share of road and bridge taxes they collect.

In accordance with Mississippi Code of 1972, as amended for code section 27-39-321, the Board may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for the current year are limited to an increase of not more than 10.00% over receipts for any one of the preceding three years. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation.

CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE TWELVE
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 3 - RECEIVABLES (Cont.)

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2016, was 54.5 mills or \$54.50 per \$1,000 of assess valuation. A summary of the assess valuations and tax levies of the City for the year ended September 30, 2016, have been provided below.

The assessed valuations of the City for the year ended September 30, 2016, were as follows:

Real property	\$ 9,584,071
Personal property	2,069,335
Public utilities	1,710,547
Automobiles and mobile homes	<u>1,469,578</u>
Total assessed valuations	<u><u>\$ 14,833,531</u></u>

The tax levies for the City for the years ended September 30, 2016, 2015, and 2014, were as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund	53.00	53.00	52.60
Debt Service Fund	<u>1.50</u>	<u>3.00</u>	<u>3.40</u>
Total levy	<u><u>54.50</u></u>	<u><u>56.00</u></u>	<u><u>56.00</u></u>

Sales Taxes - The State levies a 7.00% sales tax on retail sales and remits 18.50% of the amount collected (within the corporate boundaries of the City of Poplarville) back to the City monthly. Sales tax revenue reported in the general fund was \$759,529. Sales taxes receivable consists of taxes collected by the State for August and September 2016 not received by the City until October and November 2016.

Pearl River County Utility Authority - The City transferred its entire sewer and wastewater system to the Pearl River County Utility Authority (Authority). Under the terms of the agreement with the Authority, the City shall provide for the billing and collection of sewer rates, fees, charges and other assessments based upon the sewer rates, charges and assessments established by the Authority, at no expense to the Authority.

CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE THIRTEEN

YEAR ENDED SEPTEMBER 30, 2016

NOTE 3 - RECEIVABLES (Cont.)

In order to manage the billing and collection services for the Authority, the City records total receivables billed on behalf of the Authority as an asset with an offsetting payable due to the Authority in the Statement of Net Position. As of September 30, 2016, \$58,759, included in due to other governmental agencies in the Statement of Net Position, is due to the Authority and represents current year-end balance of the monthly settlement due to the Authority.

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CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE FOURTEEN
YEAR ENDED SEPTEMBER 30, 2016

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, is as follows:

	Balance October 1, 2015	Additions	Disposals	Transfers	Balance September 30, 2016
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 503,932	\$ 125,000	\$ -	\$ -	\$ 628,932
Total capital assets not being depreciated	<u>503,932</u>	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>628,932</u>
Capital assets being depreciated:					
Buildings and improvements	3,807,929	17,650	-	-	3,825,579
Machinery and equipment	754,141	-	(50,854)	-	703,287
Vehicles	612,023	44,015	(57,917)	(21,961)	576,160
Vehicles under lease	26,019	-	-	21,961	47,980
Total capital assets being depreciated	<u>5,200,112</u>	<u>61,665</u>	<u>(108,771)</u>	<u>-</u>	<u>5,153,006</u>
Less accumulated depreciation for:					
Buildings and improvements	(751,878)	(148,548)	-	-	(900,426)
Machinery and equipment	(437,133)	(51,902)	30,045	-	(458,990)
Vehicles	(331,639)	(42,434)	43,367	4,392	(326,314)
Vehicles under lease	-	(5,203)	-	(4,392)	(9,595)
Total accumulated depreciated	<u>(1,520,650)</u>	<u>(248,087)</u>	<u>73,412</u>	<u>-</u>	<u>(1,695,325)</u>
Total capital assets being depreciated, net	<u>3,679,462</u>	<u>(186,422)</u>	<u>(35,359)</u>	<u>-</u>	<u>3,457,681</u>
Total government activities capital assets, net	<u>\$ 4,183,394</u>	<u>\$ (61,422)</u>	<u>\$ (35,359)</u>	<u>\$ -</u>	<u>\$ 4,086,613</u>

CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE FIFTEEN
YEAR ENDED SEPTEMBER 30, 2016

NOTE 4 - CAPITAL ASSETS (Cont.)

	Balance October 1, 2015	Additions	Disposals	Transfers	Balance September 30, 2016
Business-type Activities:					
Capital assets not being depreciated:					
Land	\$ 24,010	\$ -	\$ -	\$ -	\$ 24,010
Total capital assets not being depreciated	<u>24,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,010</u>
Capital assets being depreciated:					
Buildings and improvements	2,475,145	-	-	-	2,475,145
Machinery and equipment	203,682	28,312	(15,113)	-	216,881
Vehicles	129,043	-	(7,008)	(732)	121,303
Vehicles under lease	-	81,350	-	732	82,082
Equipment under lease	-	28,719	-	-	28,719
Total capital assets being depreciated	<u>2,807,870</u>	<u>138,381</u>	<u>(22,121)</u>	<u>-</u>	<u>2,924,130</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,452,214)	(59,583)	-	-	(1,511,797)
Machinery and equipment	(142,530)	(9,677)	7,008	-	(145,199)
Vehicles	(96,505)	(4,499)	13,602	-	(87,402)
Vehicles under lease	-	(8,135)	-	-	(8,135)
Equipment under lease	-	(4,103)	-	-	(4,103)
Total accumulated depreciated	<u>(1,691,249)</u>	<u>(85,997)</u>	<u>20,610</u>	<u>-</u>	<u>(1,756,636)</u>
Total capital assets being depreciated, net	<u>1,116,621</u>	<u>52,384</u>	<u>(1,511)</u>	<u>-</u>	<u>1,167,494</u>
Total business-type activities capital assets, net	<u>\$ 1,140,631</u>	<u>\$ 52,384</u>	<u>\$ (1,511)</u>	<u>\$ -</u>	<u>\$ 1,191,504</u>

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CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE SIXTEEN

YEAR ENDED SEPTEMBER 30, 2016

NOTE 4 - CAPITAL ASSETS (Cont.)

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

Governmental Activities

General government	\$ 42,824
Parks and recreation	37,474
Public safety	106,252
Public works	<u>61,537</u>

Total governmental activities depreciation expense \$ 248,087

Business-Type Activities

Water	<u>\$ 85,997</u>
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CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE SEVENTEEN
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended September 30, 2016, are as follows:

	Balance October 1, 2015	Additions	Principal Payments / Reductions	Balance September 30, 2016	Due Within One Year
Governmental Activities:					
Notes payable	\$ 87,694	\$ -	\$ (24,316)	\$ 63,378	\$ 15,577
Capital lease payable	47,980	-	(14,225)	33,755	15,961
Compensated absences	42,183	9,683	(19,528)	32,338	-
Net pension liability	2,532,566	790,004	(411,545)	2,911,025	-
Total governmental activities	<u>\$ 2,710,423</u>	<u>\$ 799,687</u>	<u>\$ (469,614)</u>	<u>\$ 3,040,496</u>	<u>\$ 31,538</u>
Business-type Activities:					
Notes payable	\$ 95,439	\$ -	\$ (8,600)	\$ 86,839	\$ 8,658
Bonds payable	160,015	-	(3,509)	156,506	3,665
Capital lease payable	-	110,069	(11,715)	98,354	20,435
Compensated absences	12,385	8,382	(8,131)	12,636	-
Net pension liability	559,040	194,451	(92,017)	661,474	-
Total business-type activities	<u>\$ 826,879</u>	<u>\$ 312,902</u>	<u>\$ (123,972)</u>	<u>\$ 1,015,809</u>	<u>\$ 32,758</u>

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CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE EIGHTEEN
YEAR ENDED SEPTEMBER 30, 2016

NOTE 5 - LONG-TERM LIABILITIES (Cont.)

(A) **Notes payable** - At September 30, 2016, the City's outstanding notes payable were as follows:

	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance September 30, 2016</u>
Governmental Activities:					
State of Mississippi	8/8/2005	3/1/2016	2.00%	\$ 161,191	\$ -
State of Mississippi	5/5/2014	6/1/2024	3.00%	149,000	63,378
Total governmental activities				<u>310,191</u>	<u>63,378</u>
Business-Type Activities:					
State of Mississippi	10/27/2014	8/1/2025	3.00%	<u>96,183</u>	<u>86,839</u>
Total notes payable at year-end				<u>\$ 406,374</u>	<u>\$ 150,217</u>

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CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE NINETEEN
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 - LONG-TERM LIABILITIES (Cont.)

Principal and interest maturities will be as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 15,577	\$ 1,688	\$ 8,658	\$ 2,487
2018	16,050	1,215	8,922	2,223
2019	16,539	726	9,193	1,952
2020	15,212	224	9,473	1,672
2021	-	-	9,761	1,384
Thereafter	-	-	40,832	2,478
Total payments	\$ 63,378	\$ 3,853	\$ 86,839	\$ 12,196

(B) Bonds Payable - At September 30, 2016, the City's outstanding revenue bonds payable were as follows:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity Date</u>	<u>Rates</u>	<u>Balance September 30, 2016</u>
Business-Type Activities:					
Revenue bond (acquired by USDA)	11/16/2006	\$ 185,185	2/16/2041	4.38%	<u>\$ 156,506</u>

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CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE TWENTY
YEAR ENDED SEPTEMBER 30, 2016

NOTE 5 - LONG-TERM LIABILITIES (Cont.)

The annual bonded debt service requirements to maturity for the revenue bonds are as follows:

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 3,665	\$ 6,775	\$ 10,440
2018	3,828	6,611	10,439
2019	4,000	6,440	10,440
2020	4,178	6,262	10,440
2021	4,365	6,075	10,440
2022 - 2026	24,927	27,273	52,200
2027 - 2031	31,008	21,192	52,200
2032 - 2036	38,574	13,626	52,200
2037 - 2041	41,961	4,272	46,233
Total payments	<u>\$ 156,506</u>	<u>\$ 98,526</u>	<u>\$ 255,032</u>

The City's Water and Sewer Revenue Bond dated November 16, 2006, requires the establishment of certain funds (accounts) and periodic transfers of money to these funds as follows:

- Water and Sewer System Bond Cushion Fund - Into which shall be deposited \$44 per month until the funds and investments shall equal \$5,304.
- Waterworks and Sewer System Depreciation Fund - Into which shall be deposited \$22 per month until the funds and investments shall equal \$2,652.
- Waterworks and Sewer System Contingent Fund - Into which shall be deposited \$22 per month until the funds and investments shall equal \$2,652.

These monies are not separate funds but are restricted accounts within the water fund.

At September 30, 2016, the balances in the restricted accounts required by the bond covenants were as follows:

(See Table on Next Page)

CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE TWENTY-ONE
YEAR ENDED SEPTEMBER 30, 2016

NOTE 5 - LONG-TERM LIABILITIES (Cont.)

	<u>Required Balance</u>	<u>Balance September 30, 2016</u>	<u>(Under) Over Funded</u>
Bond cushion fund	\$ 5,304	\$ 5,304	\$ -
Depreciation fund	2,652	2,652	-
Contingent fund	2,652	2,652	-
	<u>\$ 10,608</u>	<u>\$ 10,608</u>	<u>\$ -</u>

(C) Capital Leases Payable - The City has entered into various lease agreements as lessee for financing the acquisition of heavy equipment, vehicles, and certain small equipment needs. Those lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The capital lease obligations outstanding as of September 30, 2016, were as follows:

	<u>Date Issued</u>	<u>Effective Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Present Value</u>
Governmental Activities				
2015 Chevy Silverado	9/2/2015	1.86%	\$ 21,961	\$ 14,779
2015 Dodge Charger	9/3/2015	1.99%	26,019	18,976
Business-Type Activities				
2016 Chevy Silverado	2/5/2016	1.89%	28,719	23,261
Kubota Tractor and Boom Mower	2/2/2016	2.46%	81,350	75,093
Total capital leases at year end			<u>\$ 158,049</u>	<u>\$ 132,109</u>

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CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE TWENTY-TWO
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 - LONG-TERM LIABILITIES (Cont.)

The following is an analysis of property leased under capital leases as of September 30, 2016:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Governmental Activities			
Vehicles	\$ 47,980	\$ (10,327)	\$ 37,653
Business-type Activities			
Vehicles	\$ 28,719	\$ (4,103)	24,616
Equipment	81,350	(8,135)	73,215
Total Property Leased	<u>\$ 110,069</u>	<u>\$ (12,238)</u>	<u>\$ 97,831</u>

Amortization of leased vehicles and equipment under capital assets is included with depreciation expense.

The following is a schedule of future minimum lease payments under capital leases and present value of net minimum payments at September 30, 2016:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2017	\$ 16,473	\$ 22,518
2018	16,473	22,518
2019	1,521	16,768
2020	-	12,663
2021	-	12,663
Thereafter	-	17,939
Total minimum lease payments	<u>34,467</u>	<u>105,069</u>
Less amount representing interest	<u>(714)</u>	<u>(6,714)</u>
Present value of minimum payments	<u>\$ 33,753</u>	<u>\$ 98,355</u>

(D) Legal Debt Margin - The City's legal debt limit for general obligation bonds is \$2,966,706, of which approximately \$2,870,000 is available to the City for further borrowing.

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CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE TWENTY-THREE
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 6 - RESTRICTED NET POSITIONS

Governmental Activities

Unemployment Compensation Fund - The City is required by Mississippi Code Section 71-5-359 to set aside funds in excess of 2.00% of the prior year's covered wages (i.e., the first \$14,000 of wages paid to an employee) to pay future unemployment compensation claims. As of September 30, 2016 the City had \$13,642 in its unemployment compensation fund.

Forfeiture Fund - Additionally, the City receives cash from court judgments where the defendant is ordered to forfeit cash seized in the arrest. The use of these funds by the City is restricted to enhancing public safety efforts. At September 30, 2016, the City had \$29,531 net of restricted accounts payable in its forfeiture fund.

Cemetery Perpetual Care - The City maintains a portion of the proceeds of the sale of cemetery lots for perpetual cemetery care and maintenance pursuant to the terms of cemetery lot purchases (\$3,202 as of September 30, 2016).

Therefore, total restricted net position was \$46,375 at September 30, 2016.

Business-type Activities

The City's bond covenants, as more fully explained in Note 5, require certain restricted deposits to be maintained. Such restricted assets exceeding recorded liabilities against such restricted assets represent restrictions of the water fund's net position.

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CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE TWENTY-FOUR
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 6 - RESTRICTED NET POSITIONS (Cont.)

The restricted portions were as follows:

Restricted Assets

Customer deposits	\$	86,995
Revenue bond cushion fund account		5,304
Revenue bond depreciation fund account		2,652
Revenue bond contingent fund account		2,652
Total restricted accounts		<u>97,603</u>

Liabilities Payable from Restricted Assets

Customer deposits		<u>86,995</u>
Restricted net position	\$	<u>10,608</u>

NOTE 7 - JOINT VENTURES

Poplarville - Pearl River County Airport - The Poplarville - Pearl River County Airport (Airport) is a joint venture, authorized by Section 61-3-5, Mississippi Code Ann. (1972), between the City and Pearl River County. The joint venture was created to provide airport service to the area. The airport is governed by a five-member board of commissioners appointed as follows: Poplarville, two; Pearl River County, two; jointly, one. The City and Pearl River County jointly lease the land and own the buildings of the Poplarville - Pearl River County Airport. The City provides \$3,300 in support each year to the Airport. In addition, the City provides liability insurance and utilities, which totaled \$13,357 for the year ended September 30, 2016, and is included in miscellaneous expenses on the statement of activities. The County provides at least \$5,000 to the Airport each year. Any potential future financial benefit or burden to the City resulting from the Airport is not determinable at this time. The \$16,657 the City paid to the Airport during the year ended September 30, 2016 is included in miscellaneous expenses on the statement of activities. Complete financial statements on the Poplarville - Pearl River County Airport can be obtained from Highway 53 South, Poplarville, Mississippi 39470.

Poplarville Public Library - The Pearl River County Library System is a joint venture, authorized by Section 39-3-8, Mississippi Code Ann. (1972), among the Cities of Picayune and Poplarville, and Pearl River County. The library system was created to provide free library services to all the people of the County. The library system is governed by a board of trustees consisting of ten members. Poplarville appoints one member, Pearl River County appoints five, and Picayune appoints four. The City owns the Poplarville

CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE TWENTY-FIVE

YEAR ENDED SEPTEMBER 30, 2016

NOTE 7 - JOINT VENTURES (Cont.)

Public Library land and building which are recorded in the City's governmental capital assets as follows: Land, \$40,000; Building and improvements, \$250,530, with accumulated depreciation of \$148,706. The City also provided \$24,000 in support and \$11,667 for the liability insurance policy and supplies during the year ended September 30, 2016, which is all included in Culture and recreation expenses on the statement of activities. The Pearl River County Library System's financial information is reported independently. Complete financial statements can be obtained from the Margaret Reed Crosby Memorial Library located at 900 Goodyear Boulevard, Picayune, Mississippi 39466.

NOTE 8 - RETIREMENT PLANS

Plan Description and Provisions - 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 information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005, 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 school districts. 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 become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 for those who became members before July 1, 2011) plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earning 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.

CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE TWENTY-SIX
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 8 - RETIREMENT PLANS (Cont.)

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

Contributions - The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The adequacy of these rates are assessed annually by actuarial valuation. PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. For the periods ending September 30, 2016, 2015, and 2014, the City's contribution rates were 15.75%, 15.75%, and 14.26% of annual covered payroll, respectively. The City's contributions to PERS for the years ended September 30, 2016, 2015, and 2014 were \$165,382, \$160,670, and \$165,848, respectively, equal to the required contributions for each year.

Pensions, Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources - At September 30, 2016, the City recognized a total of \$3,572,499 as 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 City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the City's proportion was 0.016416%, which was an increase of 0.000081 from its proportion measured as of June 30, 2015 (0.016335%).

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CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE TWENTY-SEVEN
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 8 - RETIREMENT PLANS (Cont.)

For the year ended September 30, 2016, the City recognized expense of \$331,231. In addition, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 58,935	\$ -
Changes of assumptions	(9,493)	-
Net difference between projected and actual earnings on Plan investments	193,615	-
Difference between City contributions and proportionate share of contributions	288,404	-
City contributions subsequent to the measurement date	<u>43,820</u>	<u>-</u>
Total	<u>\$ 575,281</u>	<u>\$ -</u>

The City's contributions subsequent to the measurement date, \$43,820, will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 151,215
2018	151,215
2019	140,849
2020	<u>88,182</u>
	<u>\$ 531,461</u>

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CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE TWENTY-EIGHT
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 8 - RETIREMENT PLANS (Cont.)

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:

Investment rate of return	7.75% net of investment expense and inflation
Projected salary increases	3.75% - 19.00% including inflation
Inflation	3.00%

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

The 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 returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation %</u>	<u>Long-Term Expected Real Rate of Return %</u>
U.S. Broad	34.00%	5.20%
International equities	19.00%	5.00%
Emerging markets equities	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equities	8.00%	6.15%
Cash	1.00%	-0.50%
Total	100.00%	

CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS
PAGE TWENTY-NINE
YEAR ENDED SEPTEMBER 30, 2016

NOTE 8 - RETIREMENT PLANS (Cont.)

Discount Rate - The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>Discount Rate</u>		<u>City's Proportionate Share of Net Pension Liability</u>
1% decrease	6.75%	\$	4,580,745
Current discount rate	7.75%	\$	3,572,499
1% increase	8.75%	\$	2,735,982

Plan Fiduciary Net Position - Detailed information about the Plan's fiduciary net position is available in the separately issued PERS financial report.

Deferred Compensation Plan - The City, through PERS, offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The requirements of Internal Revenue Code Section 457(g) prescribes that the City does not own the amounts deferred by employees, including the related income on those amounts. Additionally, the City does not have fiduciary accountability for the plan. Accordingly, the assets and the liability for compensation deferred by plan participants, including earnings on plan assets, are not included in the City's financial statements.

CITY OF POPLARVILLE, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

PAGE THIRTY

YEAR ENDED SEPTEMBER 30, 2016

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Litigation - The City is party to various legal proceedings which normally occur in governmental operations. Although the outcome of these proceedings is not presently determinable, in the opinion of the City's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

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

Water Tank Maintenance Contract - The City entered into a ten year contract with Tank Pro, Inc. on March 5, 2013 for the annual inspection, maintenance, and repair of the City's water tank. The City paid Tank Pro, Inc. \$11,000 in the year ended September 30, 2016, which is included in the water expenses on the statement of activities. Annual payments are required by the City in the amount of \$11,000 for the City's fiscal year 2016; \$12,156 for fiscal years 2017 through 2019; \$13,432 for fiscal years 2020 through 2022; and a final payment of \$14,842 in fiscal year 2023. The City has the option to cancel the agreement only if intent to cancel is received by Tank Pro, Inc. ninety days prior to the anniversary date.

Garbage Collection Contract - The City contracted with Waste Management of Mississippi, Inc. on April 15, 2014. The term of the contract runs from June 1, 2014 through May 30, 2017, with no option to renew at the end of the term. However, a new contract was initiated June 1, 2017 and will continue through May 31, 2020. Waste Management collects and disposes of garbage from residential and light commercial businesses at a monthly cost of \$13.82 per location effective June 1, 2016 which was an increase of \$0.93 over the prior year. Pursuant to the contract, the cost per location is adjusted annually to reflect changes in the Consumer Price Index. For the year ended September 30, 2016, the City paid Waste Management \$154,321 for garbage collection which is included in public works expenses on the statement of activities.

NOTE 10 - RISK MANAGEMENT

The City is covered for significant losses through commercial insurance carriers except for the following, which are covered through self-insurance risk pools.

CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE THIRTY-ONE
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 10 - RISK MANAGEMENT (Cont.)

Self-Insurance - Workers Compensation Fund - The City is a member in the Mississippi Municipal Workers' Compensation Group, Inc. This non-profit corporation is a self-insurance worker's compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory workers compensation protection up to \$1,000,000. Members are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

Self-Insurance - Liability Fund - The City is a member in the Mississippi Municipal Liability Plan. The plan is a private non-profit corporation organized under the laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members up to \$500,000 per occurrence, respectively. The plan is totally self-insured with claims and expenses paid out of the premiums and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any, cannot be determined.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

General Fund - A prior period adjustment was made to record the net effect of reciprocal inter-fund balances determined to be due to the General Fund attributable to prior periods in the amount of \$32,116.

Proprietary Fund - Prior period adjustments were made to record updated sewer services contract balance payable and to record the cumulative net effect of reciprocal inter-fund balances determined to be due to the General Fund attributable to prior periods in the amount of \$85,564 and (\$32,116), respectively.

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CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE THIRTY-TWO
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 11 - PRIOR PERIOD ADJUSTMENT (Cont.)

The effects of these restatements on the statement of net position were as follows:

<u>Statement of Net Position at September 30, 2015:</u>	<u>As Previously Stated</u>	<u>As Restated</u>	<u>Effect of Correction</u>
<i>Governmental Activities</i>			
Internal balances	\$ 32,116	\$ -	\$ 32,116
Net position	2,917,919	2,950,035	32,116
<i>Business-type Activities</i>			
Due to other governmental agencies	\$ 132,573	\$ 47,009	\$ 85,564
Internal balances	(32,116)	-	(32,116)
Net position	1,361,508	1,414,956	53,448

NOTE 12 - 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 evaluated the activity of the City through September 12, 2017, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred which requires disclosure in the notes to the financial statements:

A capital (CAP) loan agreement was executed with the Mississippi Development Authority in the principal amount not to exceed \$439,061 for the purpose of completing capital improvements in regard to the construction of a New Public Works Facility.

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SCHEDULE 1
PAGE 1 OF 3

CITY OF POPLARVILLE, MISSISSIPPI

**Budgetary Comparison Schedule (Non-GAAP Basis)
General Fund
Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>
REVENUES		
Taxes		
Property	\$ 728,572	\$ 728,572
Sales	725,879	725,879
Licenses, permits, and franchise fees	195,500	195,500
Intergovernmental	67,000	67,000
Interest	1,700	1,700
Fines and forfeitures	77,000	77,000
Utility services: sanitation	159,000	159,000
Miscellaneous	74,809	74,809
Sale of assets	6,000	6,000
Total revenues	<u>2,035,460</u>	<u>2,035,460</u>
EXPENDITURES		
Current:		
Mayor & Board		
Personnel services	71,878	71,523
Supplies	500	197
Other services and charges	12,040	18,172
Total mayor & board	<u>84,418</u>	<u>89,892</u>
General Administration		
Personnel services	117,842	113,280
Supplies	7,750	5,131
Other services and charges	91,985	107,125
Capital outlay	-	19,594
Payments to other organizations	5,600	6,900
Total general government	<u>223,177</u>	<u>252,030</u>
Court		
Personnel services	67,023	66,668
Supplies	1,150	589
Other services and charges	5,035	2,068
Total court	<u>73,208</u>	<u>69,325</u>
Police Department		
Personnel	628,567	625,967
Supplies	52,400	36,159
Other services and charges	53,025	44,893
Capital outlays	225	22,659
Lease & loans	8,941	7,450
Total police department	<u>743,158</u>	<u>737,128</u>

CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE THIRTY-ONE
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 10 - RISK MANAGEMENT (Cont.)

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CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO THE FINANCIAL STATEMENTS
PAGE THIRTY-TWO
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 11 - PRIOR PERIOD ADJUSTMENT (Cont.)

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REQUIRED SUPPLEMENTARY INFORMATION

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SCHEDULE 1
PAGE 1 OF 3

CITY OF POPLARVILLE, MISSISSIPPI

**Budgetary Comparison Schedule (Non-GAAP Basis)
General Fund
Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>
REVENUES		
Taxes		
Property	\$ 728,572	\$ 728,572
Sales	725,879	725,879
Licenses, permits, and franchise fees	195,500	195,500
Intergovernmental	67,000	67,000
Interest	1,700	1,700
Fines and forfeitures	77,000	77,000
Utility services: sanitation	159,000	159,000
Miscellaneous	74,809	74,809
Sale of assets	6,000	6,000
Total revenues	<u>2,035,460</u>	<u>2,035,460</u>
EXPENDITURES		
Current:		
Mayor & Board		
Personnel services	71,878	71,523
Supplies	500	197
Other services and charges	12,040	18,172
Total mayor & board	<u>84,418</u>	<u>89,892</u>
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Other services and charges	91,985	107,125
Capital outlay	-	19,594
Payments to other organizations	5,600	6,900
Total general government	<u>223,177</u>	<u>252,030</u>
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Personnel services	67,023	66,668
Supplies	1,150	589
Other services and charges	5,035	2,068
Total court	<u>73,208</u>	<u>69,325</u>
Police Department		
Personnel	628,567	625,967
Supplies	52,400	36,159
Other services and charges	53,025	44,893
Capital outlays	225	22,659
Lease & loans	8,941	7,450
Total police department	<u>743,158</u>	<u>737,128</u>

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 753,501	\$ 24,929
762,137	36,258
176,662	(18,838)
80,312	13,312
4,282	2,582
49,841	(27,159)
160,609	1,609
106,635	31,826
43,146	37,146
<u>2,137,125</u>	<u>101,665</u>
71,522	1
197	-
18,172	-
<u>89,891</u>	<u>1</u>
105,553	7,727
5,131	-
107,134	(9)
19,594	-
6,900	-
<u>244,312</u>	<u>7,718</u>
66,563	105
616	(27)
2,068	-
<u>69,247</u>	<u>78</u>
586,644	39,323
34,979	1,180
44,893	-
22,659	-
7,450	-
<u>696,625</u>	<u>40,503</u>

SCHEDULE 1
PAGE 2 OF 3

CITY OF POPLARVILLE, MISSISSIPPI

**Budgetary Comparison Schedule (Non-GAAP Basis)
General Fund
Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>
EXPENDITURES (Cont.)		
DARE		
Supplies	\$ 5,560	\$ 7,039
Other services and charges	2,440	1,179
Total DARE	<u>8,000</u>	<u>8,218</u>
Animal Control		
Other services and charges	200	70
Capital outlays	150	-
Total animal control	<u>350</u>	<u>70</u>
Fire Department		
Personnel	228,996	200,083
Supplies	19,850	9,274
Other services and charges	44,500	38,855
Capital outlays	7,786	49,867
Total fire department	<u>301,132</u>	<u>298,079</u>
Highways and Streets		
Personnel	191,032	187,035
Supplies	52,350	46,337
Other services and charges	91,750	96,967
Capital outlays	3,740	2,486
Lease & loans	7,533	7,533
Total highways and streets	<u>346,405</u>	<u>340,358</u>
Public Works		
Other services and charges	<u>155,600</u>	<u>155,600</u>
Culture and Recreation		
Supplies	4,700	7,556
Other services and charges	23,200	14,237
Payments to other organizations	24,000	24,000
Total culture and recreation	<u>51,900</u>	<u>45,793</u>
Miscellaneous		
Cemetery		
Supplies	160	1,202
Other services and charges	19,400	22,089
Total cemetery	<u>19,560</u>	<u>23,291</u>

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 7,039	\$ -
1,179	-
<u>8,218</u>	<u>-</u>
70	-
-	-
<u>70</u>	<u>-</u>
189,240	10,843
9,247	27
38,854	1
47,551	2,316
<u>284,892</u>	<u>13,187</u>
178,226	8,809
41,067	5,270
96,818	149
2,486	-
7,531	2
<u>326,128</u>	<u>14,230</u>
154,321	1,279
5,907	1,649
14,236	1
24,000	-
<u>44,143</u>	<u>1,650</u>
1,202	-
18,039	4,050
<u>19,241</u>	<u>4,050</u>

SCHEDULE 1
PAGE 3 OF 3

CITY OF POPLARVILLE, MISSISSIPPI

**Budgetary Comparison Schedule (Non-GAAP Basis)
General Fund
Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>
EXPENDITURES (Cont.)		
Airport		
Supplies	\$ -	\$ 11,987
Other services and charges	3,070	1,370
Payments to other organizations	3,300	3,300
Total airport	<u>6,370</u>	<u>16,657</u>
Total miscellaneous	<u>25,930</u>	<u>39,948</u>
Debt service	<u>24,682</u>	<u>27,273</u>
Restricted forfeiture	<u>-</u>	<u>2,786</u>
Total expenditures	<u>2,037,960</u>	<u>2,066,500</u>
Excess (deficiency) of revenues over expenditures	(2,500)	(31,040)
OTHER FINANCING SOURCES (USES)		
Rent/lease proceeds	<u>-</u>	<u>2,500</u>
Total other financing sources (uses)	<u>-</u>	<u>2,500</u>
NET CHANGE IN FUND BALANCES	(2,500)	(28,540)
Fund balances - beginning (Budgetary Basis)	<u>706,409</u>	<u>1,040,293</u>
Fund balances - ending (Budgetary Basis)	<u>\$ 703,909</u>	<u>\$ 1,011,753</u>
RECONCILIATION TO GAAP BASIS:		
Cumulative difference between GAAP basis fund balance and budget basis fund balance at beginning of the year		
Fund balances - ending (GAAP Basis)		

<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
\$ 11,987	\$ -
1,370	-
3,300	-
<u>16,657</u>	<u>-</u>
<u>35,898</u>	<u>4,050</u>
<u>26,618</u>	<u>655</u>
<u>2,786</u>	<u>-</u>
<u>1,983,149</u>	<u>83,351</u>
153,976	185,016
4,180	1,680
<u>4,180</u>	<u>1,680</u>
158,156	<u>\$ 186,696</u>
<u>1,040,293</u>	
<u>1,198,449</u>	
<u>145,643</u>	
<u>\$ 1,344,092</u>	

CITY OF POPLARVILLE, MISSISSIPPI

**NOTE TO BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 - BUDGETARY DATA

The procedures used by the City in establishing the budgetary data are as follows:

1. The City Clerk's office prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the City Clerk by June 1st each year.
3. The Mayor and the department directors review expenditure budgets and necessary revisions are made.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
5. The City Clerk submits the proposed budget to the Board by August 1st.
6. Public hearings are conducted to obtain taxpayer comments.
7. The final budget is approved by September 15th and must be published in a local newspaper on or before September 30th.
8. The budget is formally amended at the first meeting in July each year, if necessary. However, budget revisions are made throughout the year (prior to July) as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.
9. Formal budgetary integration is employed as a management control device for all governmental and proprietary fund types. Budgets for the Governmental Funds are adopted in accordance with provisions of the State Auditor's Office and not on a basis consistent with accounting principles generally accepted in the United States of America. For budgetary purposes, certain revenues from property taxes, interest on investments, and certain other sources are recognized when received in cash and unexpended appropriations lapse thirty days after the end of the fiscal year.

The legal level of control for all budgets adopted is at the fund level with the exception of the General Fund, which is appropriated at the department level. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

The City Clerk's office exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without Board approval. Budgetary controls are implemented through the City Clerk's office through the use of budget to actual reports. Any purchase requisition that will cause a line item to exceed its budget will be disallowed by the City Clerk. The department head will then be required to make an inter-department budget transfer or request a budget amendment.

CITY OF POPLARVILLE, MISSISSIPPI

**NOTE TO BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
PAGE TWO
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 - BUDGETARY DATA (Cont.)

The Budgetary Comparison Schedule presents comparisons of legally adopted budgets with actual data on the budgetary basis. Since accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of timing differences in the net change in fund balance for the year ended September 30, 2016 is presented at the end of the Budgetary Comparison Schedule.

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SCHEDULE 2

CITY OF POPLARVILLE, MISSISSIPPI

**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
MISSISSIPPI PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN
LAST 10 FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.02%	0.02%	0.02%
City's proportionate share of the net pension liability	\$ 3,572,499	\$ 3,091,606	\$ 2,427,634
City's covered employee payroll	\$ 1,050,190	\$ 1,020,533	\$ 1,076,724
City's proportionate share of the net pension liability as a percentage of covered employee payroll	340.18%	302.94%	228.41%
Plan fiduciary net position as a percentage of total pension liability	57.47%	61.70%	67.21%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year end September 30, 2014, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

See Independent Auditors' Report.

SCHEDULE 3

CITY OF POPLARVILLE, MISSISSIPPI

**SCHEDULE OF CITY'S CONTRIBUTIONS
MISSISSIPPI PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN
LAST 10 FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 165,382	\$ 160,670	\$ 165,848
Contributions in relation to contractually required contribution	<u>(165,382)</u>	<u>(160,670)</u>	<u>(165,848)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,050,044	\$ 1,020,127	\$ 1,053,003
Contributions as a percentage of covered employee payroll	15.75%	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2014, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

See Independent Auditors' Report.

CITY OF POPLARVILLE, MISSISSIPPI

**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
SEPTEMBER 30, 2016**

NOTE 1 - CHANGES IN ASSUMPTIONS

In 2015 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 2015, 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 2015. Withdrawal rates, pre-retirement mortality rates, disability rates, and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, 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 3.50% to 3.00% and 8.00% to 7.75%, respectively.

In 2016 and later, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

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SUPPLEMENTARY INFORMATION

SCHEDULE 4

CITY OF POPLARVILLE, MISSISSIPPI

SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS TO FUND COLLECTIONS
YEAR ENDED SEPTEMBER 30, 2016

<u>ADJUSTED ASSESSED VALUATION</u>	<u>ASSESSED VALUE</u>	<u>TAX</u>	
Realty	\$ 9,584,071	\$ 700,431	
Personal - other than auto	2,069,335	151,233	
Public utilities	1,710,547	125,008	
Personal - auto and mobile home	1,469,578	107,408	
Total City of Poplarville at 56 mills	14,833,531	1,084,080	
Less: Homestead exemption allowed	1,329,066	72,487	
Total City of Poplarville	<u>\$ 13,504,465</u>	<u>1,011,593</u>	
Add: Actual homestead reimbursement		45,907	
County road taxes		7,459	
Prior year collections		212	
Penalties and interest on delinquent taxes		6,055	
In-lieu of taxes		8,154	
Deduct: Adjustments to roll		(275,653)	
Unpaid realty, personal and utility taxes		<u>(2,652)</u>	
Total to be accounted for		<u>\$ 801,075</u>	
<u>COLLECTIONS</u>	<u>TAXES</u>	<u>HOMESTEAD REIMBURSEMENT</u>	<u>TOTAL</u>
Collections allocated to fund			
General fund	736,272	\$ 44,255	\$ 780,527
Debt service	26,558	1,652	28,210
	<u>\$ 762,830</u>	<u>\$ 45,907</u>	808,737
		Unaccounted for	26,180
			<u>\$ 834,917</u>

SCHEDULE 5

CITY OF POPLARVILLE, MISSISSIPPI

**Schedule Of Surety Bonds For Municipal Officials
September 30, 2016**

<u>Name</u>	<u>Position</u>	<u>Surety Company</u>	<u>Amount</u>
Jane O'Neal	City Clerk	Travelers	\$ 85,000
Butch Raby	Chief of Police	Travelers	\$ 50,000
James Steinkamp	Police Officer Bond	Old Republic	\$ 50,000
Rossie Creel	Police Officer Bond	Old Republic	\$ 50,000
Linda Dupont	Deputy Clerks	Old Republic	\$ 50,000
Ardelia Hackbarth	Deputy Clerks	Old Republic	\$ 50,000
Amy Lambert	Deputy Clerks and Court Clerks Bond	Old Republic	\$ 50,000
N/A	Blanket Bond for Alderpersons and Mayor	Travelers	\$ 50,000

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

To the Honorable Mayor and Members of the
Board of Alderpersons
Poplarville, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Poplarville, 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 Poplarville, Mississippi's basic financial statements, and have issued our report thereon dated September 12, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Poplarville, 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 Poplarville, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Poplarville, 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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To the Honorable Mayor and Members of the
Board of Alderpersons
Poplarville, Mississippi

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses at 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Poplarville, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the *Independent Auditors' Report on Compliance with State of Mississippi Laws and Regulations* as Finding 1 and Finding 2.

City of Poplarville's Response to Findings

City of Poplarville's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. City Poplarville's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Topp McWhorter Harvey, PCC
Hattiesburg, Mississippi
September 12, 2017

REPORT ON STATE COMPLIANCE

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH MISSISSIPPI STATE LAWS AND REGULATIONS**

To the Honorable Mayor and Members of the
Board of Alderpersons
Poplarville, Mississippi

We have audited the basic financial statements of the City of Poplarville, Mississippi as of and for the year ended September 30, 2016, and have issued our report dated September 12, 2017. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

Municipal Clerk:

1. Finding: The City's adopted budget documents were not prepared in the format prescribed by the Office of the State Auditor and were not readily available in the recorded minutes.

Mississippi State Code Section 21-35-7 prescribes the format that is to be followed by municipalities in the preparation of the annual budget, and Mississippi Code Section 21-35-9 requires the details of budgets to be spread upon the minutes of the municipality.

Recommendation:

The City should follow the Office of the State Auditor's prescribed budget format and ascertain that the adopted budget and amendments are spread upon the minutes on a timely basis.

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Municipal Clerk's Response:

As of January 1, 2016, the City will follow all applicable code sections that pertain to the adopted budget, including utilization of the prescribed format and the timely inclusion of the detailed budgets upon the minutes of the City.

2. Finding: The City did not maintain an accurate inventory of assets in accordance with guidelines established by the Office of the State Auditor.

The City's inventory records were not up to date, and we determined that annual inventory procedures were not conducted in accordance with the municipal inventory guidelines established by the Office of the State Auditor.

Recommendation:

The City should update existing inventory records by having each department update listings of assets, and any discrepancies should be resolved on a timely basis. Annual inventory procedures should be implemented in order to ascertain that the records accurately reflect assets in the custody of the respective departments.

Municipal Clerk's Response:

The City will update existing asset inventory records and maintain an accurate inventory of assets in accordance with the guidelines of the Office of the State Auditor. The delay was due to the lack of personnel needed to perform such duties, and the delay in the conversion of existing inventory control data.

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

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

Topp McWhorter Harvey, PLLC
Hattiesburg, Mississippi
September 12, 2017

SCHEDULE OF FINDINGS AND RESPONSES

CITY OF POPLARVILLE, MISSISSIPPI

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

SECTION 1: SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unmodified |
| | Business activities | Unmodified |
| | General Fund | Unmodified |
| | Debt Service Fund | Unmodified |
| | Water Fund | Unmodified |
| 2. | Internal control over financial reporting: | |
| | A. Material weakness identified? | Yes |
| | B. Significant deficiency identified? | No |
| 3. | Noncompliance material to the financial statements noted? | Yes |

SECTION 2: FINANCIAL STATEMENT FINDINGS

Material Weakness

- 2016-001 The City's monthly bank statements were not reconciled to the recorded general ledger account balances on a timely and accurate basis.

Finding

The City's routine monthly accounting processes and procedures did not include a reliable method for providing for the reconciliation of general ledger account balances to the monthly bank statements. Preparing monthly bank account reconciliations for the various cash accounts is a primary internal control procedure for the City's cash basis set of accounting records.

Recommendation

The City Clerk should develop and implement reliable bank reconciliation procedures that will allow for the timely reconciliation of bank statement balances to the general ledger account balances.

CITY OF POPLARVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
PAGE TWO
FOR THE YEAR ENDED SEPTEMBER 30, 2016

SECTION 2: FINANCIAL STATEMENT FINDINGS (Cont.)

Municipal Clerk's Response

Corrective action will be implemented in order to allow for the timely reconciliation of the bank statements to the general ledger account balances.

Auditors note: At the close of fiscal year 2016, the City implemented a software conversion process that is designed to allow for improved reconciliation procedures. Additionally, the City began an evaluation of the optimum number of individual bank accounts that are necessary in order to provide appropriate segregation of the City's financial resources.

CORRECTIVE ACTION PLAN



BLUEBERRY CAPITAL OF MISSISSIPPI

200 HIGHWAY 26 EAST, POPLARVILLE, MS 39470
Phone: 601-795-8161 Fax: 601-795-0141

**AUDITEE'S CORRECTIVE ACTION PLAN
Year Ended September 30, 2016**

FINDINGS - FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

Finding 2016-001 Monthly Bank Reconciliation Procedures

Recommendation:

The City should implement policies and procedures that will result in the accurate and timely reconciliation of monthly bank statements to balances reported in the general ledger.

Action Taken:

The City's municipal clerk agrees with this finding, and emphasizes that the City began an accounting software conversion in fiscal year 2017 that will allow for accurate bank reconciliations to be performed on a timely basis. Additionally, the City Clerk obtained authorization from the Board of Aldermen to establish an updated set of properly titled checking accounts that will allow for appropriate segregation of cash resources and transactions.

Name of Responsible Person: Jane C. O'Neal, Municipal Clerk

Expected Date of Completion: September 30, 2017

FINDINGS - Independent Auditors' Report on Compliance with State of Mississippi Laws and Regulations

Finding 1 Adopted Budgets Not in Format Prescribed by Office of the State Auditor and Not Spread Upon the Minutes

Recommendation:

The City should follow the budget format prescribed by the Office of the State Auditor (Mississippi Code Section 21-35-7) and the clerk should ascertain that the budget documents are spread properly upon the minutes.

AUDITEE'S CORRECTIVE ACTION PLAN
Year Ended September 30, 2016
Page Two

Action Taken:

The City's municipal clerk agrees with this finding and will ascertain that the budget documents are prepared in the prescribed format and spread upon the minutes. The budget process for fiscal years 2017 and 2018 were completed using the prescribed format and was spread upon the minutes.

Name of Responsible Person: Jane C. O'Neal, Municipal Clerk

Expected Date of Completion: September 30, 2017

Finding 2 Inventory of Assets Incomplete and Not Conducted on an Annual Basis

Recommendation:

The City should follow the instructions provided by the Office of State Auditor pertaining to the maintaining of an inventory of assets, including an annual physical inventory to be conducted by the departments of the City under the supervision of the municipal clerk.

Action Taken:

The City's municipal clerk agrees with this finding, and will implement appropriate inventory procedures including the conduct of an annual physical inventory by the various departments of the City.

Name of Responsible Person: Jane C. O'Neal, Municipal Clerk

Expected Date of Completion: September 30, 2017