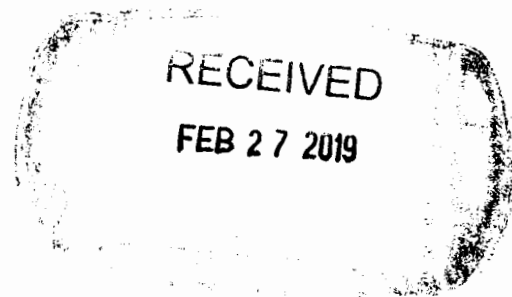




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FINANCIAL STATEMENTS
TOWN OF BYHALIA, MISSISSIPPI
Year Ended September 30, 2017



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

**TOWN OF BYHALIA, MISSISSIPPI
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
Town of Byhalia, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Byhalia, Mississippi as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Byhalia, Mississippi, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Byhalia, Mississippi's basic financial statements. The individual fund financial statements and other supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2018 on our consideration of the Town of Byhalia, Mississippi, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Byhalia, Mississippi's internal control over financial reporting and compliance.

Franks, Franks, Wilmon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.

Tupelo, Mississippi
August 30, 2018

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2017

This section of the Town of Byhalia's Financial Report presents our discussion and analysis of the Town's financial performance during the fiscal year ending September 30, 2017. Please read it in conjunction with the Town of Byhalia financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$12,377,284. Of this amount, \$165,392 may be used to meet the Town of Byhalia's ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$11,651,963, of which \$452,223 was available to meet the Town's ongoing obligations.
- As of the close of the current fiscal year, the Town of Byhalia's governmental funds reported combined ending fund balances of \$773,883, a decrease of \$187,768 in comparison to the prior year. Approximately 76% of the combined fund balances, \$588,897, is considered unassigned and is available for spending at the Town of Byhalia's discretion.
- The Town of Byhalia's total debt is \$3,231,707. New debt in the amount of \$42,151 was issued in the current fiscal year. Debt in the amount of \$262,801 was repaid during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

Figure A-1

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

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

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

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

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

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

Fund Financial Statements

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

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

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Byhalia has two types of funds:

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Byhalia's assets exceeded liabilities by \$12,377,284 at the close of the most recent fiscal year, compared to \$11,651,963 in the prior year.

A large portion, 98 percent and 96 percent, of the Town's net position reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding for the years ended September 30, 2017 and 2016. The Town uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-1

Town of Byhalia's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 1,810,224	\$ 2,695,089	\$ 3,622,146	\$ 3,352,396	\$ 5,432,370	\$ 6,047,485
Noncurrent Assets	<u>7,189,938</u>	<u>6,320,283</u>	<u>8,198,425</u>	<u>8,282,755</u>	<u>15,388,363</u>	<u>14,603,038</u>
Total Assets	9,000,162	9,015,372	11,820,571	11,635,151	20,820,733	20,650,523
Deferred Outflows	<u>236,163</u>	<u>331,098</u>	<u>124,806</u>	<u>129,660</u>	<u>360,969</u>	<u>460,758</u>
Total Deferred Outflows	236,163	331,098	124,806	129,660	360,969	460,758
Current and Other Liabilities	886,562	1,577,847	1,494,628	1,675,265	2,381,190	3,253,112
Long-Term Liabilities	<u>2,563,208</u>	<u>2,581,764</u>	<u>3,790,023</u>	<u>3,572,958</u>	<u>6,353,231</u>	<u>6,154,722</u>
Total Liabilities	3,449,770	4,159,611	5,284,651	5,248,223	8,734,421	9,407,834
Deferred Inflows	<u>45,795</u>	<u>36,996</u>	<u>24,202</u>	<u>14,488</u>	<u>69,997</u>	<u>51,484</u>
Total Deferred Inflows	45,795	36,996	24,202	14,488	69,997	51,484
Net Position:						
Net Investment in Capital						
Assets	6,701,115	5,801,081	5,455,541	5,349,600	12,156,656	11,150,681
Restricted	55,236	49,059	0	0	55,236	49,059
Unrestricted	<u>(1,015,591)</u>	<u>(700,277)</u>	<u>1,180,983</u>	<u>1,152,500</u>	<u>165,392</u>	<u>452,223</u>
Total Net Position	\$ 5,740,760	\$ 5,149,863	\$ 6,636,524	\$ 6,502,100	\$ 12,377,284	\$ 11,651,963

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The \$165,392 of unrestricted net position provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net position of our business-type activities was \$1,180,983 at the end of the current fiscal year compared to \$1,152,500 at the end of the prior fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The Town of Byhalia generally can only use this net position to finance the continuing operations of the business type activities.

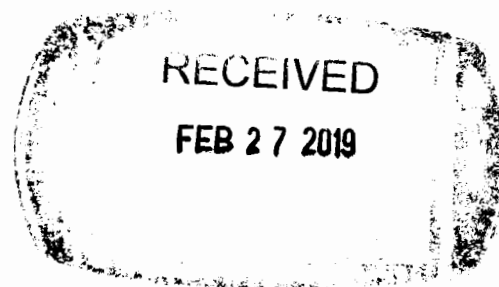
Changes in net position: Approximately 13.69% of the Town of Byhalia's revenue comes from sales tax and 9.88% from property taxes, with 25.70% of all revenue coming from some type of tax for the year ended September 30, 2017. (See Table A-2.) Another 49.33% comes from fees charged for services, 6.04% from intergovernmental revenues and the balance is from operating and capital grants & contributions, investment earnings and other miscellaneous receipts.

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 132,849	\$ 158,945	\$ 2,584,335	\$ 2,153,978	\$ 2,717,184	\$ 2,312,923
Operating Grants & Contributions	0	0	0	0	0	0
Capital Grants & Contributions	766,294	1,438,110	183,351	204,280	949,645	1,642,390
General Revenues:						
Property Taxes	544,328	543,582	0	0	544,328	543,582
Sales Tax	754,034	760,071	0	0	754,034	760,071
Other Taxes	116,915	104,652	0	0	116,915	104,652
Intergovernmental Revenues	332,585	334,072	0	0	332,585	334,072
Investment Income	4,639	10,192	7,452	7,913	12,091	18,105
Other	<u>81,000</u>	<u>389,565</u>	<u>0</u>	<u>0</u>	<u>81,000</u>	<u>389,565</u>
Total Revenues	2,732,644	3,739,189	2,775,138	2,366,171	5,507,782	6,105,360
Expenses						
General Government	535,022	538,400	0	0	535,022	538,400
Public Safety	1,371,673	1,336,335	0	0	1,371,673	1,336,335
Public Works	332,324	294,591	0	0	332,324	294,591
Culture & Recreation	19,743	18,087	0	0	19,743	18,087
Interest on Long-Term Debt	16,840	17,143	0	0	16,840	17,143
Water, Sewer & Gas System	<u>0</u>	<u>0</u>	<u>2,506,859</u>	<u>1,960,613</u>	<u>2,506,859</u>	<u>1,960,613</u>
Total Expenses	2,275,602	2,204,556	2,506,859	1,960,613	4,782,461	4,165,169
Excess (Deficit) of Revenue Over Expenses	457,042	1,534,633	268,279	405,558	725,321	1,940,191
Transfers	<u>133,855</u>	<u>137,000</u>	<u>(133,855)</u>	<u>(137,000)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	590,897	1,671,633	134,424	268,558	725,321	1,940,191
Net Position-Beginning	<u>5,149,863</u>	<u>3,478,230</u>	<u>6,502,100</u>	<u>6,233,542</u>	<u>11,651,963</u>	<u>9,711,772</u>
Net Position-Ending	<u>\$ 5,740,760</u>	<u>\$ 5,149,863</u>	<u>\$ 6,636,524</u>	<u>\$ 6,502,100</u>	<u>\$ 12,377,284</u>	<u>\$ 11,651,963</u>



TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the Town's net position by \$590,897, thereby accounting for 81 percent of the total change in the net position of the Town for the year ended September 30, 2017. Key elements of this increase are as follows:

The largest funding sources for the Town's governmental activities, as a percent of total revenues, are capital grants (28%), sales tax (23%), property taxes (20%), intergovernmental revenues (12%), and other taxes (4%) for the year ended September 30, 2017.

The largest expense categories for the Town's governmental activities are public safety (60%) and general government (24%) for the year ended September 30, 2017.

Business-type Activities

Business-type activities increased the Town's net position by \$134,424, thereby accounting for 19 percent of the total growth in the net position of the Town for the year ended September 30, 2017.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$2,584,335 for water, sewer and gas system charges for services for the year ended September 30, 2017.

Financial Analysis of the Government's Funds

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

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

General Fund—The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$694,072. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total fund balance represents 29 percent of total fund expenditures. The fund balance of the Town's general fund decreased by \$201,844 during the current fiscal year.

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. As of September 30, 2017, the fund balance (deficit) was (\$105,175).

Proprietary Funds—The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$6,636,524.

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

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

The Town's 2016-17 general fund operating budget increased by approximately \$1,893,997 during the current fiscal year. This increase was primarily related to an increase in capital outlay in the General Government.

The Town's tax millage for the 2017 fiscal year remained constant with no change.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the Town has recorded depreciation expense associated with all of its capital assets, including infrastructure. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounted to \$15,388,363, net of accumulated depreciation of \$8,473,283. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

**Table A-3
Town of Byhalia's Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 463,696	\$ 463,696	\$ 75,374	\$ 75,374	\$ 539,070	\$ 539,070
Plant, Buildings & Improvements	2,384,819	2,271,949	13,747,880	12,614,191	16,132,699	14,886,140
Machinery & Equipment	1,646,601	1,500,450	859,714	801,803	2,506,315	2,302,253
Infrastructure	4,561,827	1,819,583	0	0	4,561,827	1,819,583
Construction in Progress	121,735	2,066,878	0	924,280	121,735	2,991,158
Accumulated Depreciation	<u>(1,988,740)</u>	<u>(1,802,273)</u>	<u>(6,484,543)</u>	<u>(6,132,893)</u>	<u>(8,473,283)</u>	<u>(7,935,166)</u>
Total	\$ <u>7,189,938</u>	\$ <u>6,320,283</u>	\$ <u>8,198,425</u>	\$ <u>8,282,755</u>	\$ <u>15,388,363</u>	\$ <u>14,603,038</u>

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt—At September 30, 2017 and 2016, the Town had \$3,231,707 and \$3,452,357 in bonds and notes outstanding for the years ended September 30, 2017 and 2016, respectively. More detailed information about the Town of Byhalia's long-term liabilities is presented in the notes to the financial statements.

**Table A-4
Town of Byhalia's Outstanding Debt**

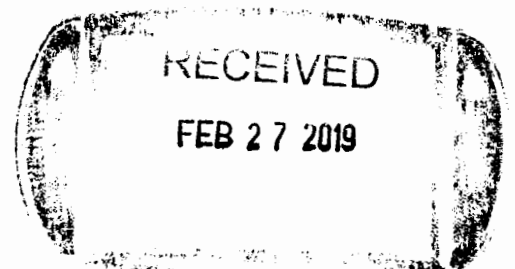
	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Bonds Payable	\$ 0	\$ 0	\$ 2,715,598	\$ 2,873,623	\$ 2,715,598	\$ 2,873,623
CAP Loans	26,347	37,486	0	0	26,347	37,486
Promissory Notes	410,243	440,457	0	0	410,243	440,457
Capital Leases Payable	52,233	41,259	27,286	59,532	79,519	100,791
Total	<u>\$ 488,823</u>	<u>\$ 519,202</u>	<u>\$ 2,742,884</u>	<u>\$ 2,933,155</u>	<u>\$ 3,231,707</u>	<u>\$ 3,452,357</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town considered current year operational expenses and estimated increases and decreases based on economic factors when establishing the fiscal year 2018 budget. The total budgeted appropriations for the Town general fund operations are \$2,286,595. This budget reflects a decrease of approximately \$1,773,702. The decrease is primarily related to a decrease in capital outlay.

CONTACTING THE TOWN OF BYHALIA FINANCIAL MANAGEMENT

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



BASIC FINANCIAL STATEMENTS

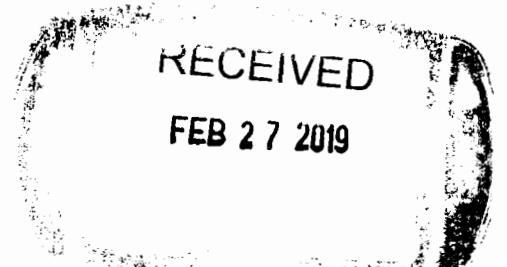
TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 902,077	\$ 2,216,641	\$ 3,118,718
Accounts Receivable, Net	27,300	222,785	250,085
Due From Other Governments	164,188	-	164,188
Property Taxes Receivable	92,675	-	92,675
Court Fines Receivable, Net	125,458	-	125,458
Due From Other Funds	498,526	1,182,720	1,681,246
Capital Assets:			
Land	463,696	75,374	539,070
Plant, Buildings and Improvements	2,384,819	13,747,880	16,132,699
Machinery and Equipment	1,646,601	859,714	2,506,315
Infrastructure	4,561,827	-	4,561,827
Construction in Progress	121,735	-	121,735
Accumulated Depreciation	(1,988,740)	(6,484,543)	(8,473,283)
TOTAL ASSETS	\$ 9,000,162	\$ 11,820,571	\$ 20,820,733
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions	\$ 236,163	\$ 124,806	\$ 360,969
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 236,163	\$ 124,806	\$ 360,969

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable	\$ 28,750	\$ 47,453	\$ 76,203
Accrued Compensated Absences	45,896	8,611	54,507
Accrued Liabilities	77	58,590	58,667
Due to Other Funds	789,381	891,865	1,681,246
Refundable Meter Deposits	-	427,101	427,101
Net Pension Liability	2,096,843	1,108,147	3,204,990
Long-Term Liabilities:			
Due Within One Year	68,354	69,619	137,973
Due in More Than One Year	420,469	2,673,265	3,093,734
TOTAL LIABILITIES	\$ 3,449,770	\$ 5,284,651	\$ 8,734,421
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions	\$ 45,795	\$ 24,202	\$ 69,997
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 45,795	\$ 24,202	\$ 69,997
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 6,701,115	\$ 5,455,541	\$ 12,156,656
Restricted for:			
Public Safety	10,884	-	10,884
Hotel/Motel Tax	44,352	-	44,352
Unrestricted (Deficit)	(1,015,591)	1,180,983	165,392
TOTAL NET POSITION	\$ 5,740,760	\$ 6,636,524	\$ 12,377,284

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



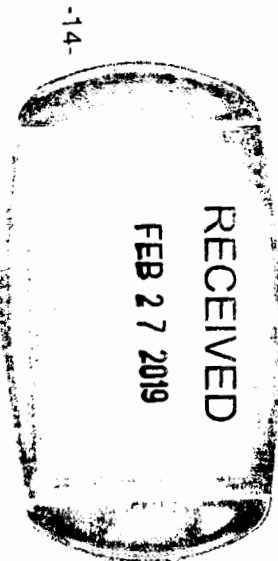
TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2017

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	PRIMARY GOVERNMENT		
						Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT								
Government Activities:								
General Government	\$ 535,022	\$ -	\$ -	\$ -	\$ -	(535,022)	\$ -	(535,022)
Public Safety	1,371,673	69,024	-	-	69,024	(1,302,649)	-	(1,302,649)
Public Works	332,324	63,825	-	668,740	732,565	400,241	-	400,241
Culture and Recreation	19,743	-	-	97,554	97,554	77,811	-	77,811
Interest on Long-Term Debt	16,840	-	-	-	-	(16,840)	-	(16,840)
TOTAL GOVERNMENTAL ACTIVITIES	2,275,602	132,849	-	766,294	899,143	(1,376,459)	-	(1,376,459)
Business-Type Activities:								
Water System	460,100	422,483	-	3,301	425,784	-	(34,316)	(34,316)
Sewer System	284,046	210,736	-	180,050	390,786	-	106,740	106,740
Gas System	1,762,713	1,951,116	-	-	1,951,116	-	188,403	188,403
TOTAL BUSINESS-TYPE ACTIVITIES	2,506,859	2,584,335	-	183,351	2,767,686	-	260,827	260,827
TOTAL PRIMARY GOVERNMENT	\$ 4,782,461	\$ 2,717,184	\$ -	\$ 949,645	\$ 3,666,829	\$ (1,376,459)	\$ 260,827	\$ (1,115,632)
GENERAL REVENUES:								
Taxes:								
Property Taxes						\$ 544,328	\$ -	\$ 544,328
Sales Taxes						754,034	-	754,034
Privilege and Franchise Taxes						87,249	-	87,249
Licenses and Permits						3,448	-	3,448
In Lieu Taxes						29,666	-	29,666
Intergovernmental Revenues						332,585	-	332,585
Penalties and Late Fees						4,355	-	4,355
Investment Earnings						4,639	7,452	12,091
Gain (Loss) on Sale of Assets						(1,250)	-	(1,250)
Miscellaneous						74,447	-	74,447
Transfers						133,855	(133,855)	-
TOTAL GENERAL REVENUES AND TRANSFERS						1,967,356	(126,403)	1,840,953
CHANGE IN NET POSITION						590,897	134,424	725,321
NET POSITION--BEGINNING						5,149,863	6,502,100	11,651,963
NET POSITION--ENDING						\$ 5,740,760	\$ 6,636,524	\$ 12,377,284

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



**TOWN OF BYHALIA, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017**

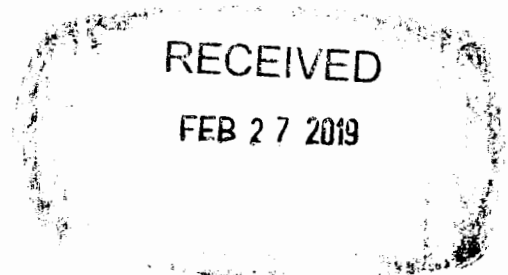
	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ 836,853	\$ 65,224	\$ 902,077
Accounts Receivable	27,300	-	27,300
Due from Other Governments	164,188	-	164,188
Due from Other Funds	472,204	26,322	498,526
TOTAL ASSETS	\$ 1,500,545	\$ 91,546	\$ 1,592,091
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Accounts Payable	\$ 28,431	\$ 319	\$ 28,750
Accrued Expenses	77	-	77
Due to Other Funds	592,979	196,402	789,381
TOTAL LIABILITIES	621,487	196,721	818,208
<u>FUND BALANCES (DEFICIT):</u>			
Committed to:			
Cemetery	129,750	-	129,750
Restricted:			
Public Safety	10,884	-	10,884
Hotel/Motel Tax	44,352	-	44,352
Unassigned (Deficit)	694,072	(105,175)	588,897
TOTAL FUND BALANCES (DEFICIT)	879,058	(105,175)	773,883
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,500,545	\$ 91,546	\$ 1,592,091

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

TOWN OF BYHALIA, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2017

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 773,883
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	7,189,938
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(488,823)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(45,896)
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.	92,675
Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(2,096,843)
Deferred outflows and inflows related to pensions are applicable to future periods and therefore they are not reported in the Governmental Funds Balance Sheet.	
Deferred outflows of resources related to defined benefit pension plan	236,163
Deferred inflows of resources related to defined benefit pension plan	(45,795)
Accrual of court fine revenues to qualify as financial resources.	125,458
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,740,760</u>

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



TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property Taxes	\$ 541,110	\$ -	\$ 541,110
Sales and Use Taxes	754,034	-	754,034
Privilege and Franchise Taxes	87,249	-	87,249
Licenses and Permits	3,448	-	3,448
In Lieu of Taxes	29,666	-	29,666
Intergovernmental Revenues	287,466	45,119	332,585
Charges for Services	63,825	-	63,825
Penalties and Interest	4,355	-	4,355
Fines and Forfeitures	66,946	-	66,946
Interest Income	4,490	149	4,639
Sale of Cemetery Lots	9,000	-	9,000
Grant Income	766,294	-	766,294
Miscellaneous Revenues	65,447	-	65,447
TOTAL REVENUES	2,683,330	45,268	2,728,598
EXPENDITURES:			
Current:			
General Government	1,144,938	-	1,144,938
Public Safety	1,283,212	31,192	1,314,404
Public Works	402,701	-	402,701
Culture and Recreation	140,959	-	140,959
Debt Service	89,370	-	89,370
TOTAL EXPENDITURES	3,061,180	31,192	3,092,372
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(377,850)	14,076	(363,774)
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Issued	42,151	-	42,151
Transfers (to) from Other Funds	133,855	-	133,855
TOTAL OTHER FINANCING SOURCES (USES)	176,006	-	176,006
NET CHANGE IN FUND BALANCES	(201,844)	14,076	(187,768)
FUND BALANCES (DEFICIT) - Beginning	1,080,902	(119,251)	961,651
FUND BALANCES (DEFICIT) - Ending	\$ 879,058	\$ (105,175)	\$ 773,883

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

TOWN OF BYHALIA, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (187,768)

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

Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 1,068,622

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. (197,717)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the remaining basis of the capital assets sold. (1,250)

Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds. 2,078

Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds. 3,218

Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds. (124,246)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.

This amount represents long-term debt proceeds. (42,151)
This amount represents long-term debt repayments. 72,530

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (2,419)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 590,897

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

TOWN OF BYHALIA, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Fiscal Year Ended September 30, 2017

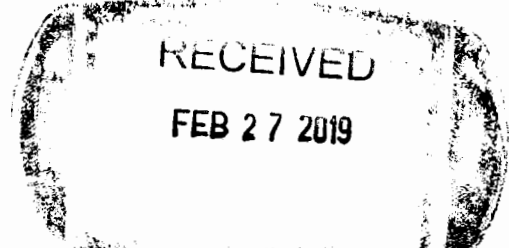
	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
REVENUES:				
Property Taxes	\$ 571,300	\$ 571,730	\$ 542,259	\$ (29,471)
Sales and Use Taxes	780,000	780,000	761,439	(18,561)
Privilege and Franchise Taxes	98,334	98,334	81,982	(16,352)
Licenses and Permits	9,250	9,250	3,448	(5,802)
In Lieu of Taxes	29,666	29,666	29,666	-
Intergovernmental Revenues	317,750	317,891	286,461	(31,430)
Charges for Services	65,000	65,000	63,825	(1,175)
Penalties and Interest	3,300	6,355	4,355	(2,000)
Fines and Forfeitures	115,000	105,000	66,946	(38,054)
Interest Income	-	10,000	4,490	(5,510)
Sale of Cemetery Lots	16,000	16,000	9,000	(7,000)
Grant Income	-	1,294,590	1,391,448	96,858
Miscellaneous Revenues	15,700	74,155	65,447	(8,708)
TOTAL REVENUES	2,021,300	3,377,971	3,310,766	(67,205)
EXPENDITURES:				
Current:				
General Government	490,400	2,258,795	1,144,938	1,113,857
Public Safety	1,238,140	1,224,110	1,283,212	(59,102)
Public Works	386,865	405,930	402,701	3,229
Culture and Recreation	15,500	142,367	140,959	1,408
Debt Service	35,395	29,095	89,370	(60,275)
TOTAL EXPENDITURES	2,166,300	4,060,297	3,061,180	999,117
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(145,000)	(682,326)	249,586	931,912
OTHER FINANCING SOURCES (USES):				
Proceeds from Debt Issued	-	-	42,151	42,151
Transfers (to) from Other Funds	145,000	145,000	133,855	(11,145)
TOTAL OTHER FINANCING SOURCES (USES)	145,000	145,000	176,006	31,006
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ -	\$ (537,326)	\$ 425,592	\$ 962,918

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

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF FUND NET POSITION- PROPRIETARY FUNDS
September 30, 2017

ASSETS:	Water	Sewer	Gas	Total
<u>Current Assets:</u>				
Cash and Cash Equivalents	\$ 396,161	\$ 192,125	\$ 1,628,355	\$ 2,216,641
Due From Other Funds	618,088	8,936	555,696	1,182,720
Accounts Receivable, Net	47,735	28,583	146,467	222,785
Due from Other Governments	-	-	-	-
Total Current Assets	<u>1,061,984</u>	<u>229,644</u>	<u>2,330,518</u>	<u>3,622,146</u>
<u>Noncurrent Assets:</u>				
Water, Sewer, and Gas System,				
Buildings, Vehicles and Equipment	5,749,830	3,979,065	4,878,699	14,607,594
Construction in Progress	-	-	-	-
Land	7,734	56,640	11,000	75,374
Less: Accumulated Depreciation	<u>(2,313,527)</u>	<u>(2,252,448)</u>	<u>(1,918,568)</u>	<u>(6,484,543)</u>
Net Noncurrent Assets	<u>3,444,037</u>	<u>1,783,257</u>	<u>2,971,131</u>	<u>8,198,425</u>
TOTAL ASSETS	\$ <u>4,506,021</u>	\$ <u>2,012,901</u>	\$ <u>5,301,649</u>	\$ <u>11,820,571</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>				
Deferred Amounts Related to Pensions	\$ <u>24,167</u>	\$ <u>19,069</u>	\$ <u>81,570</u>	\$ <u>124,806</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>24,167</u>	\$ <u>19,069</u>	\$ <u>81,570</u>	\$ <u>124,806</u>
<u>LIABILITIES:</u>				
<u>Current Liabilities:</u>				
Accounts Payable	\$ 4,700	\$ 4,213	\$ 38,540	\$ 47,453
Due to Other Funds	16,850	335,055	539,960	891,865
Refundable Meter Deposits	65,548	-	361,553	427,101
Accrued Liabilities	16,657	-	41,933	58,590
Notes, Bonds and Capital Leases Payable -				
Within One Year	<u>19,509</u>	<u>432</u>	<u>49,678</u>	<u>69,619</u>
Total Current Liabilities	<u>123,264</u>	<u>339,700</u>	<u>1,031,664</u>	<u>1,494,628</u>
<u>Noncurrent Liabilities:</u>				
Notes, Bonds and Capital Leases Payable				
Less Current Portion	887,081	-	1,786,184	2,673,265
Net Pension Liability	214,579	169,315	724,253	1,108,147
Accrued Compensated Absences	105	3,535	4,971	8,611
Total Noncurrent Liabilities	<u>1,101,765</u>	<u>172,850</u>	<u>2,515,408</u>	<u>3,790,023</u>
TOTAL LIABILITIES	\$ <u>1,225,029</u>	\$ <u>512,550</u>	\$ <u>3,547,072</u>	\$ <u>5,284,651</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Deferred Amounts Related to Pensions	\$ <u>4,686</u>	\$ <u>3,698</u>	\$ <u>15,818</u>	\$ <u>24,202</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ <u>4,686</u>	\$ <u>3,698</u>	\$ <u>15,818</u>	\$ <u>24,202</u>
<u>NET POSITION (DEFICIT):</u>				
Net Investment in Capital Assets	2,537,447	1,782,825	1,135,269	5,455,541
Unrestricted Net Position (Deficit)	<u>763,026</u>	<u>(267,103)</u>	<u>685,060</u>	<u>1,180,983</u>
TOTAL NET POSITION	\$ <u>3,300,473</u>	\$ <u>1,515,722</u>	\$ <u>1,820,329</u>	\$ <u>6,636,524</u>

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



TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017

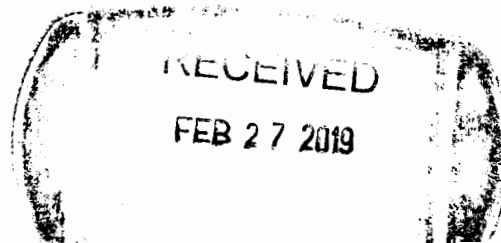
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Totals</u>
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 382,522	\$ 208,722	\$ 1,922,643	\$ 2,513,887
Service Charges and Penalties	29,693	1,125	22,243	53,061
Other Receipts	10,268	889	6,230	17,387
Total Operating Revenues	<u>422,483</u>	<u>210,736</u>	<u>1,951,116</u>	<u>2,584,335</u>
Less: Gas Purchased	<u>-</u>	<u>-</u>	974,878	974,878
Net Income Before Operating Expenses	<u>422,483</u>	<u>210,736</u>	<u>976,238</u>	<u>1,609,457</u>
<u>OPERATING EXPENSES</u>				
Personnel Services	139,548	131,288	461,675	732,511
Contractual Services	17,133	1,251	56,303	74,687
Supplies	24,112	8,330	29,104	61,546
Depreciation and Amortization	136,499	98,020	117,131	351,650
Other Services	111,317	45,114	51,816	208,247
Total Operating Expenses	<u>428,609</u>	<u>284,003</u>	<u>716,029</u>	<u>1,428,641</u>
Net Operating Income (Loss)	<u>(6,126)</u>	<u>(73,267)</u>	<u>260,209</u>	<u>180,816</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest Income	998	501	5,953	7,452
Grant Income	3,301	180,050	-	183,351
Interest and Fiscal Charges	<u>(31,491)</u>	<u>(43)</u>	<u>(71,806)</u>	<u>(103,340)</u>
Total Non-Operating Revenues (Expenses)	<u>(27,192)</u>	<u>180,508</u>	<u>(65,853)</u>	<u>87,463</u>
Income (Loss) Before Operating Transfers	<u>(33,318)</u>	<u>107,241</u>	<u>194,356</u>	<u>268,279</u>
<u>OPERATING TRANSFERS IN (OUT)</u>				
Operating Transfers In (Out)	<u>(39,055)</u>	<u>(39,800)</u>	<u>(55,000)</u>	<u>(133,855)</u>
Total Operating Transfers In (Out)	<u>(39,055)</u>	<u>(39,800)</u>	<u>(55,000)</u>	<u>(133,855)</u>
CHANGE IN NET POSITION	(72,373)	67,441	139,356	134,424
NET POSITION - October 1,	<u>3,372,846</u>	<u>1,448,281</u>	<u>1,680,973</u>	<u>6,502,100</u>
NET POSITION - September 30,	<u>\$ 3,300,473</u>	<u>\$ 1,515,722</u>	<u>\$ 1,820,329</u>	<u>\$ 6,636,524</u>

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

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2017

	Water	Sewer	Gas	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash Received from Customers	\$ 401,500	\$ 194,483	\$ 1,902,122	\$ 2,498,105
Cash Payments for Gas Purchases	-	-	(974,878)	(974,878)
Cash Payments for Personal Services	(75,015)	(77,092)	(274,305)	(426,412)
Cash Payments for Contractual Services	(17,133)	(1,251)	(56,303)	(74,687)
Cash Payments for Supplies	(24,112)	(8,330)	(29,104)	(61,546)
Cash Payments for Other Services	(108,306)	(61,165)	(53,336)	(222,807)
Net Cash Provided By (Used in) Operating Activities	176,934	46,645	514,196	737,775
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Operating Transfers - In from (Out) to Other Funds	(40,205)	(39,379)	(454,314)	(533,898)
Net Cash Provided By (Used In) Noncapital Financing Activities	(40,205)	(39,379)	(454,314)	(533,898)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Acquisition of Fixed Assets	(12,183)	(203,963)	(51,174)	(267,320)
Proceeds from Issuance of Capital Lease	-	-	-	-
Principal Paid on Bonds, Notes Payable and Capital Leases	(35,144)	(2,557)	(152,570)	(190,271)
Contributed Capital Received - Grants	3,301	180,050	-	183,351
Interest Paid on Bonds, Notes Payable and Capital Leases	(31,491)	(43)	(71,806)	(103,340)
Net Cash Provided By (Used In) Capital Financing Activities	(75,517)	(26,513)	(275,550)	(377,580)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest on Investments	998	501	5,953	7,452
Net Cash Provided By Investing Activities	998	501	5,953	7,452
NET INCREASE (DECREASE) IN CASH	62,210	(18,746)	(209,715)	(166,251)
CASH, OCTOBER 1	333,951	210,871	1,838,070	2,382,892
CASH, SEPTEMBER 30	\$ 396,161	\$ 192,125	\$ 1,628,355	\$ 2,216,641
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ (6,126)	\$ (73,267)	\$ 260,209	\$ 180,816
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used in) Operating Activities				
Depreciation	136,499	98,020	117,131	351,650
Net Pension Expense	63,818	52,532	193,260	309,610
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(23,150)	(16,253)	(55,605)	(95,008)
(Increase) Decrease in Due from Other Governments	-	-	-	-
Increase (Decrease) in Accounts Payable - operating activities	3,011	(16,051)	(1,520)	(14,560)
Increase (Decrease) in Accrued Liabilities - operating activities	715	1,664	(5,890)	(3,511)
Increase in Meter Deposits	2,167	-	6,611	8,778
Total Adjustments	183,060	119,912	253,987	556,959
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 176,934	\$ 46,645	\$ 514,196	\$ 737,775

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



**TOWN OF BYHALIA, MISSISSIPPI
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2017**

	Agency Funds
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ <u>55</u>
TOTAL ASSETS	<u><u>55</u></u>
<u>LIABILITIES:</u>	
Payables to Others	<u>55</u>
TOTAL LIABILITIES	\$ <u><u>55</u></u>

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

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - Summary of Significant Accounting Policies

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

Government-Wide and Fund Financial Statements

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

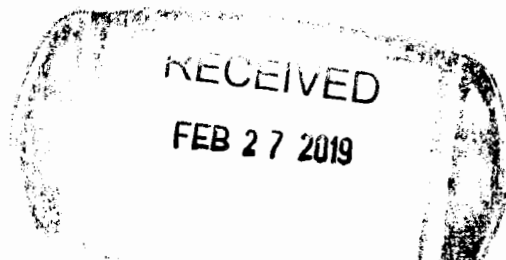
Government-Wide Financial Statements

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

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

Fund Financial Statements

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



TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The Town reports the following major governmental funds:

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

Additionally the Town reports the following governmental fund types:

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

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

The Town reports the following major proprietary funds:

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

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

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

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

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

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

**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

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

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

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

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

**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Cash and Investments

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments - State statutes, Town bond ordinances and Town resolutions authorize the Town's investments. The Town is authorized to invest in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, or of any school district, which such county or municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or in interest-bearing time certificates of deposit with municipal depositories serving in accordance with Section 27-105-353 at a rate of interest not less than a simple interest rate numerically equal to the average bank discount rate on United States Treasury bills of comparable maturity.

Revenue Recognition - Property Taxes

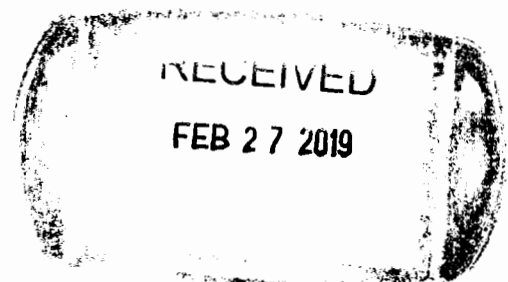
Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

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

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

Reclassifications

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



TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

General Obligation Enterprise Bonds

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

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

Cash and Cash Equivalents

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

Fund Balance Classification

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

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

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

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

Inventories

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

Business Information

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

Encumbrances

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

Compensated Absences

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

Estimates

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

Pensions

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

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 - Fixed Assets

The following is a summary of capital asset activity as of September 30, 2017:

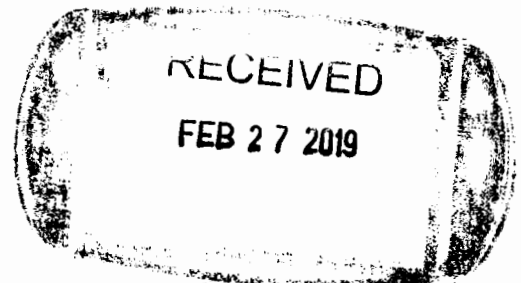
Primary Government:

	<u>Balance 10-01-16</u>	<u>Additions</u>	<u>Reclass/ Disposals</u>	<u>Balance 09-30-17</u>
Capital Assets, not being depreciated:				
Land	\$ 463,696	\$ 0	\$ 0	\$ 463,696
Construction in Progress	<u>2,066,878</u>	<u>797,101</u>	<u>(2,742,244)</u>	<u>121,735</u>
Total Capital Assets, not being Depreciated:	2,530,574	797,101	(2,742,244)	585,431
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	2,271,949	112,870	0	2,384,819
Infrastructure	1,819,583	0	2,742,244	4,561,827
Machinery and Equipment	<u>1,500,450</u>	<u>158,651</u>	<u>(12,500)</u>	<u>1,646,601</u>
Total Capital Assets being depreciated	5,591,982	271,521	2,729,744	8,593,247
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(380,806)	(66,934)	0	(447,740)
Infrastructure	(248,830)	(46,785)	0	(295,615)
Machinery and Equipment	<u>(1,172,637)</u>	<u>(83,998)</u>	<u>11,250</u>	<u>(1,245,385)</u>
Total Accumulated Depreciation	(1,802,273)	(197,717)	11,250	(1,988,740)
Total Capital Assets, depreciated, net Governmental Activities	<u>3,789,709</u>	<u>73,804</u>	<u>2,740,994</u>	<u>6,604,507</u>
Capital Assets, net	<u>\$ 6,320,283</u>	<u>\$ 870,905</u>	<u>\$ (1,250)</u>	<u>\$ 7,189,938</u>

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

A summary of business-type capital asset activity at September 30, 2017 follows:

	<u>Balance 10-01-16</u>	<u>Additions</u>	<u>Reclass/ Disposals</u>	<u>Balance 09-30-17</u>
Capital Assets, not being depreciated:				
Land	\$ 75,374	\$ 0	\$ 0	\$ 75,374
Construction in Progress	<u>924,280</u>	<u>209,409</u>	<u>(1,133,689)</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	999,654	209,409	(1,133,689)	75,374



TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 - Fixed Assets (continued)

	<u>Balance</u> <u>10-01-16</u>	<u>Additions</u>	<u>Reclass/ Disposals</u>	<u>Balance</u> <u>09-30-17</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	\$ 12,614,191	\$ 0	\$ 1,133,689	\$ 13,747,880
Machinery and Equipment	<u>801,803</u>	<u>57,911</u>	<u>0</u>	<u>859,714</u>
Total Capital Assets being depreciated	13,415,994	57,911	1,133,689	14,607,594
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(5,403,583)	(324,052)	0	(5,727,635)
Machinery and Equipment	<u>(729,310)</u>	<u>(27,598)</u>	<u>0</u>	<u>(756,908)</u>
Total Accumulated Depreciation	<u>(6,132,893)</u>	<u>(351,650)</u>	<u>0</u>	<u>(6,484,543)</u>
Total Capital Assets, depreciated, net				
Business-type Activities	<u>7,283,101</u>	<u>(293,739)</u>	<u>1,133,689</u>	<u>8,123,051</u>
Capital Assets, net	<u>\$ 8,282,755</u>	<u>\$ (84,330)</u>	<u>\$ 0</u>	<u>\$ 8,198,425</u>

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

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

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

Governmental Activities:	
General Government	\$ 112,411
Public Safety	59,270
Public Works	22,892
Culture & Recreation	<u>3,144</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 197,717</u>
Depreciation expense for Water, Sewer and Gas funds	<u>\$ 351,650</u>

NOTE 3 - Receivables

Receivables at September 30, 2017, consisted primarily of property and other taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, court fines, and accrued interest on investments.

All accounts receivable are shown net of an allowance for uncollectible amounts of \$184,809 for Governmental activities and \$76,757 for Business-Type activities. The allowance is based on management estimates and the average age of receivables.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 4 - Long-Term Debt

The following is a summary of bond transactions of the Town for the year ended September 30, 2017:

	<u>Notes & Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/01/16	\$ 3,351,566	\$ 100,791	\$ 3,452,357
Add: Bonds and Other Long-Term Debt Acquired	0	42,151	42,151
Less: Bonds and Other Long-Term Debt Retired	<u>199,378</u>	<u>63,423</u>	<u>262,801</u>
Bonds and Other Long-Term Debt at 09/30/17	<u>\$ 3,152,188</u>	<u>\$ 79,519</u>	<u>\$ 3,231,707</u>

Bonds and other long-term debt at September 30, 2017 are comprised of the following issues:

General Obligation and Revenue Bonds:

1,900,000 Gas System Revenue Bond due in annual installments of \$101,327, beginning November 2014 through November 2046. Interest at 3.75 percent.	\$ 1,811,159
 \$954,700 Water System Revenue Bond due in annual installments of \$48,413, beginning June 2015 through June 2047; interest at 3.375 percent	 <u>904,439</u>
	 <u>\$ 2,715,598</u>

**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 4 - Long-Term Debt (continued)

Notes Payable:

\$400,000 Note due in 30 annual installments of \$24,920 through December 2032; interest at 4.625 percent.	\$ 188,434
\$90,000 Note due in 120 monthly installments of \$869 through September 2020; interest at 3.0 percent.	26,347
\$250,000 Note due in 15 annual installments of \$19,456 through November 2029; interest at 2.0 percent.	<u>221,809</u>
	<u>\$ 436,590</u>

Capital Leases:

Capital lease dated December 3, 2012 due in 60 monthly installments of \$576 through December 3, 2017; collateralized by a vehicle.	\$ 1,719
Capital lease dated December 30, 2016 due in 36 monthly installments of \$1,221 through December 30, 2019; collateralized by vehicles.	31,938
Capital lease dated November 6, 2014 due in 36 monthly installments of \$867 through November 6, 2017; collateralized by equipment.	1,727
Capital lease dated October 20, 2015 due in 36 monthly installments of \$909 through October 28, 2018; collateralized by a vehicle.	11,662
Capital lease dated January 7, 2016 due in 36 monthly installments of \$1,542 through January 7, 2019; collateralized by a vehicle.	24,271
Capital lease dated February 16, 2016 due in 36 monthly installments of \$493 through February 24, 2019; collateralized by a vehicle.	<u>8,202</u>
	<u>\$ 79,519</u>

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 4 - Long-Term Debt (continued)

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

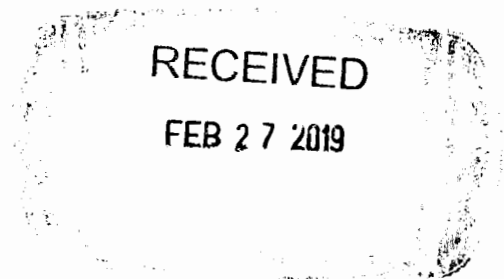
The Annual requirements to amortize all debt outstanding as of September 30, 2017 including interest payments of \$2,065,110 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 68,354	\$ 18,541	\$ 69,619	\$ 101,706	\$ 137,973	\$ 120,247
2019	56,319	16,679	56,328	99,547	112,647	116,226
2020	39,621	15,174	52,067	97,673	91,688	112,847
2021	30,389	14,121	53,982	95,758	84,371	109,879
2022	31,346	13,137	55,967	93,772	87,313	106,909
2023 - 2027	173,085	49,580	312,268	436,432	485,353	486,012
2028 - 2032	89,709	15,326	374,099	374,602	463,808	389,928
2033 - 2037	0	0	448,211	300,489	448,211	300,489
2038 - 2042	0	0	537,044	211,656	537,044	211,656
2043 - 2047	0	0	662,507	105,162	662,507	105,162
2048 - 2052	0	0	120,792	5,755	120,792	5,755
	<u>\$ 488,823</u>	<u>\$ 142,558</u>	<u>\$ 2,742,884</u>	<u>\$ 1,922,552</u>	<u>\$ 3,231,707</u>	<u>\$ 2,065,110</u>

NOTE 5 - Expenditures Over Appropriations for Individual Funds

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

	Budget	Actual	Overage
General Fund:			
General Government			
Other Services and Charges	\$ 136,540	\$ 142,835	\$ 6,295
Public Safety			
Personnel Services	952,570	961,727	9,157
Supplies	55,855	56,373	518
Other Services and Charges	161,640	171,676	10,036
Culture and Recreation			
Supplies	565	936	371
Public Works			
Personnel Services	145,010	145,996	986



**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 6 - Litigation

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

NOTE 7 - Defined Benefit Pension Plan

Plan Description – Employees of the Town of Byhalia are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing agent multiple-employer pension plan. The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided - For the cost-sharing plan participating members who are vested and retire at or after age 60 or those retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Retirees and beneficiaries who have been receiving benefit payments for at least one full fiscal year are eligible to receive an annual Cost-of-Living Adjustment (COLA). Designed to help offset the effects of inflation, the COLA is equal to 3% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3% compounded for each fiscal year thereafter.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 7 - Defined Benefit Pension Plan (continued)

Employee membership data related to the Plan, as of June 30, 2017 was as follows:

Retirees and Survivors	102,260
Terminated Vested Employees	16,682
Inactive Nonvested Members	50,170
Active Members	152,382
Total	<u>321,494</u>

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

For the year ended September 30, 2017, the Town of Byhalia's total payroll for all employees was \$1,284,770. Total covered payroll was \$1,206,838. Covered payroll refers to all compensation paid by the Town to active employees covered by the Plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At September 30, 2017, the Town of Byhalia reported a liability of \$3,204,990 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town of Byhalia's proportion of the net pension liability was based on a projection of the Town of Byhalia's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Town of Byhalia's proportion was 0.019280%.

For the year ended September 30, 2017, the Town of Byhalia recognized pension expense of \$623,933. At September 30, 2017, the Town of Byhalia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Results - Pensions	\$ 46,045	\$ 23,386
Town Pension Contributions Subsequent to the Measurement Date	43,483	0
Changes of Assumptions	71,235	5,461
Net Difference Between Projected and Actual Investment Earnings on Investments	0	41,150
Changes in Proportion and Differences Between ER Contributions and Proportionate Share Of ER Contributions	200,206	0
Total	<u>\$ 360,969</u>	<u>\$ 69,997</u>

**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 7 - Defined Benefit Pension Plan (continued)

The \$43,483 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018.

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

Fiscal Year Ending September 30,	Amount
2018	\$ 140,222
2019	134,935
2020	34,242
2021	(61,910)
Total	<u>\$ 247,489</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

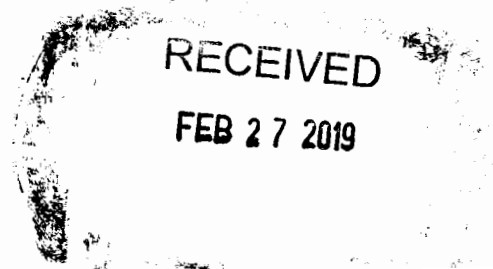
Inflation	3.00%
Salary increases	3.25 – 18.50%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:



TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 7 - Defined Benefit Pension Plan (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Estate	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Debt	2.00%	2.25%
Cash	1.00%	0.00%
Total	100.00%	

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

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

	Discount Rate	Town's Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$4,203,559
Current discount rate	7.75%	\$3,204,990
1% increase	8.75%	\$2,375,962

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

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 8 - Fund Balance Reconciliation – General Fund Budget Basis

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes - All Governmental Fund Types" are eliminated for budget purposes. In the current fiscal year accrued revenues were \$627,436 less than cash revenues.

NOTE 9 - Risk Management

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

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

The Town Attorney estimates that the amount of actual or potential claims against the Town as of September 30, 2017, will not materially affect the financial condition of the Town. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the Town during the current or prior year.

NOTE 10 - Deficit Fund Balances

The following funds have a deficit fund balance at September 30, 2017:

<u>FUND NAME</u>	<u>AMOUNT</u>
Fire Protection Fund	\$ <u>105,175</u>
TOTAL	\$ <u>105,175</u>

NOTE 11 - Subsequent Events

Management has evaluated subsequent events through August 23, 2018, the date on which the financial statements were available to be issued.

TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF THE TOWN'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years
For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Byhalia's proportion of net pension liability (%)	0.019280%	0.016176%	0.016700%
B. Byhalia's proportionate share of net pension liability	\$3,204,990	\$2,889,436	\$2,581,491
C. Byhalia's covered employee payroll	\$1,206,838	\$1,130,102	\$1,065,868
D. Byhalia's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	265.57%	255.68%	242.20%
E. Plan fiduciary net position as a percentage of total pension liability	61.49%	57.47%	61.70%

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

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

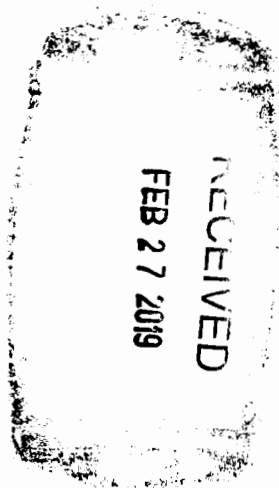
This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the Town has only presented information for the years in which information was available.

TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
For the Last 10 Fiscal Years
For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. Statutorily required contributions	\$190,077	\$177,991	\$167,874	\$158,595
B. Contributions in relation to statutorily required contributions	\$190,077	\$177,991	\$167,874	\$158,595
C. Contribution deficiency (excess)	\$0	\$0	\$0	\$0
D. Byhalia's covered employee payroll	\$1,206,838	\$1,130,102	\$1,065,868	\$1,006,952
E. Contributions as a percentage of covered employee payroll	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the Town has only presented information for the years in which information was available.



**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

PENSION SCHEDULES

(1) Changes in benefit provisions

a. 2016

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

(2) Changes in assumptions

a. 2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disable lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

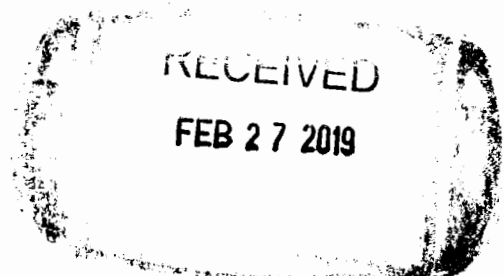
b. 2016

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

c. 2015

- 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.
- The expectation of disabled mortality was changed to the RP-2014 Disable 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.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

- (3) The comparative information presented on the Schedule of the Town's Contributions does not include information for years prior to 2014 because GASB 68 was implemented in the 2015 fiscal year. Information for the 2014 year was included because it was necessary to record the prior period adjustment in the implementation of GASB 68.



TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended September 30, 2017

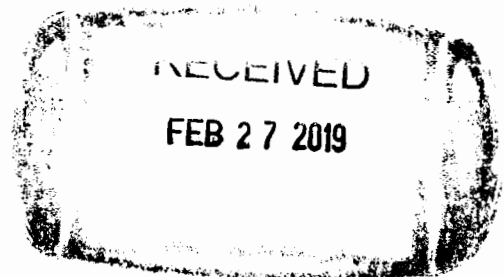
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Property Taxes	\$ 571,730	\$ 542,259	\$ (29,471)
Homestead Exemption Reimbursement	17,000	16,939	(61)
Privilege Licenses and Fees	18,250	10,113	(8,137)
Road Maintenance	280,000	263,441	(16,559)
Sales Tax	780,000	761,439	(18,561)
Gasoline Tax	4,641	3,988	(653)
Hotel/Motel Tax	14,000	1,193	(12,807)
Alcoholic Beverage Licenses	2,250	900	(1,350)
Building Permits	9,000	3,288	(5,712)
Court Fines and Fees	105,000	61,780	(43,220)
TVA In Lieu Tax	29,666	29,666	-
Miscellaneous	74,155	70,613	(3,542)
Penalties and Interest	3,855	3,853	(2)
Cable Franchise Fees	80,334	72,029	(8,305)
Sale of Cemetery Lots	16,000	9,000	(7,000)
Interest Income	10,000	4,490	(5,510)
Late Charges - Utility	2,500	502	(1,998)
Grant Income	1,294,590	1,391,448	96,858
Sanitation Fees	65,000	63,825	(1,175)
Total revenues	<u>3,377,971</u>	<u>3,310,766</u>	<u>(67,205)</u>
EXPENDITURES			
General Government			
Personnel Services	247,055	244,635	2,420
Supplies	11,815	11,637	178
Other Services and Charges	136,540	142,835	(6,295)
Capital Outlay	1,863,385	745,831	1,117,554
Total	<u>2,258,795</u>	<u>1,144,938</u>	<u>1,113,857</u>
Public Safety			
Personnel Services	952,570	961,727	(9,157)
Supplies	55,855	56,373	(518)
Other Services and Charges	161,640	171,676	(10,036)
Capital Outlay	54,045	93,436	(39,391)
Total	<u>1,224,110</u>	<u>1,283,212</u>	<u>(59,102)</u>
Culture and Recreation			
Supplies	565	936	(371)
Other Services and Charges	16,551	15,663	888
Capital Outlay	125,251	124,360	891
Total	<u>\$ 142,367</u>	<u>\$ 140,959</u>	<u>\$ 1,408</u>

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued
For the Fiscal Year Ended September 30, 2017

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Public Works			
Personnel Services	\$ 145,010	\$ 145,996	\$ (986)
Supplies	19,185	19,173	12
Other Services and Charges	74,005	73,996	9
Sanitation: Other Services and Charges	58,540	58,539	1
Capital Outlay	109,190	104,997	4,193
Total	<u>405,930</u>	<u>402,701</u>	<u>3,229</u>
 Debt Service			
Principal Retirement	24,800	72,650	(47,850)
Interest and Fiscal Charges	4,295	16,720	(12,425)
Total	<u>29,095</u>	<u>89,370</u>	<u>(60,275)</u>
 Total expenditures	<u>4,060,297</u>	<u>3,061,180</u>	<u>999,117</u>
 Excess (Deficit) revenues over (under) expenditures	<u>(682,326)</u>	<u>249,586</u>	<u>931,912</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Issuance of Long-Term Debt	-	42,151	42,151
Operating Transfers In	145,000	133,855	(11,145)
Total other financing sources (uses)	<u>145,000</u>	<u>176,006</u>	<u>31,006</u>
 Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	<u>(537,326)</u>	<u>425,592</u>	<u>962,918</u>
 Fund balances - Beginning	<u>1,080,902</u>	<u>1,080,902</u>	<u>-</u>
Fund balances - Ending	\$ <u>543,576</u>	1,506,494	\$ <u>962,918</u>
Adjustments To GAAP Basis:			
Add/Less: Accrued revenue		<u>(627,436)</u>	
Fund Balance GAAP - Ending		\$ <u>879,058</u>	

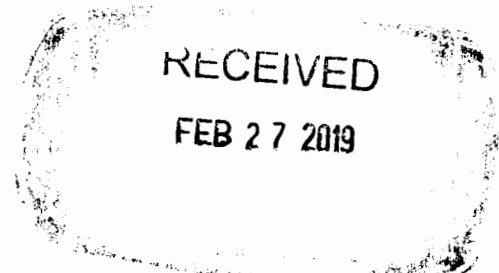
TOWN OF BYHALIA
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2017

NAME	POSITION	BOND	INSURANCE COMPANY
Teresa Strickland	City Clerk	\$ 50,000	CLM Insurance Group
Angie Clayton	Court Clerk	50,000	CLM Insurance Group
Theresa O'Hearn	Utility Clerk	50,000	CLM Insurance Group
Cindy Sloan	Utility Clerk	50,000	CLM Insurance Group
Helen Rayford	Utility Clerk	50,000	CLM Insurance Group
Dori Hendrix	Deputy Clerk	50,000	CLM Insurance Group
Kathy Vanderhook	Deputy Clerk	50,000	CLM Insurance Group
Teresa Lesure	Police Dispatcher	50,000	Scott Insurance Company
Candie Wilson	Police Dispatcher	50,000	Scott Insurance Company
Courtney Bledsoe	Police Dispatcher	50,000	Scott Insurance Company
Deborah Yarbrough	Police Dispatcher	50,000	Scott Insurance Company
Charles Moore	Police	50,000	Scott Insurance Company
Gary Looney	Police Chief	50,000	CLM Insurance Group
Michael Hamblin, Sr.	Alderman	50,000	Scott Insurance Company
Rick Debardeleben	Alderman	50,000	Scott Insurance Company
William Rose	Alderman	50,000	Scott Insurance Company
Joe Tunstall	Alderman	50,000	Scott Insurance Company
Delainer Richmond	Alderman	50,000	Scott Insurance Company
Phillip Malone	Mayor	50,000	Scott Insurance Company



TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Fiscal Year Ended September 30, 2017

	BALANCE OUTSTANDING October 1, 2016		TRANSACTIONS DURING FISCAL YEAR		BALANCE OUTSTANDING September 30, 2017
			ISSUED	REDEEMED	
<u>Revenue Bonds</u>					
Combined Water and Sewer System	\$ 8,524	\$	-	\$ 8,524	\$ -
Gas System	100,000		-	100,000	-
Gas System	1,843,353		-	32,194	1,811,159
Water System	921,739		-	17,300	904,439
 <u>Other Long Term Debt</u>					
Community Facility Loan	203,922		-	15,488	188,434
NEMPDD Loan - Town Hall	236,535		-	14,726	221,809
Capital Lease Payable - 2014 Chevrolet Tahoe	2,293		-	2,293	-
Capital Lease Payable - Mini Excavator	11,956		-	10,229	1,727
Capital Lease Payable - Ford Trucks	42,090		-	17,819	24,271
CAP Loan - Stonewall Road	37,486		-	11,139	26,347
Capital Lease Payable - Dodge Chargers	22,174		-	10,512	11,662
Capital Lease Payable - 2017 Ram	-	42,151		10,213	31,938
Capital Lease Payable - 2013 Chevy Silverado-Bancorpsouth	8,482		-	6,763	1,719
Capital Lease Payable - 2012 Chevy Tahoe	13,803		-	5,601	8,202
TOTAL	\$ 3,452,357	\$	42,151	\$	262,801
					\$ 3,231,707



TOWN OF BYHALIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2017

Federal Grantor/ Pass Through Grantor/ Program Title	Grantor Agency Id Number	Federal CFDA Number	Federal Expenditures
PRIMARY GOVERNMENT:			
U.S. Department of Housing and Urban Development			
Passed through State Office of:			
Mississippi Development Authority:			
Community Development Block Grant	1131-14-135-PF-01	14.228	\$ 47,368
Community Development Block Grant*	1130-13-135-ED-01	14.228	195,716
Total U.S. Department of Housing and Urban Development			\$ 243,084
U.S. Department of Transportation			
Passed through State Office of:			
Mississippi Department of Wildlife, Fisheries, and Parks:			
Recreational Trail Program	RTP-0272	20.219	\$ 97,554
Total U.S. Department of Transportation			\$ 97,554
U.S. Department of Agriculture			
National Resources Conservation Service			
Emergency Watershed Protection Program*	68-4423-16-231	10.923	\$ 337,814
Total U.S. Department of Agriculture			\$ 337,814
Appalachian Regional Commission			
Passed through State Office of:			
Mississippi Development Authority:			
Appalachian Area Development	ARC 2017	23.002	\$ 180,051
Appalachian Area Development	ARC 2015	23.002	78,992
Total Appalachian Regional Commission			\$ 259,043
TOTAL FEDERAL EXPENDITURES			\$ 937,495

SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of expenditures of federal awards includes the federal award activity of the Town of Byhalia, Mississippi under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

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

* - Major Program

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

Honorable Mayor and Board of Aldermen
Town of Byhalia, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Byhalia, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Byhalia, Mississippi's basic financial statements and have issued our report thereon dated August 30, 2018.

Internal Control over Financial Reporting

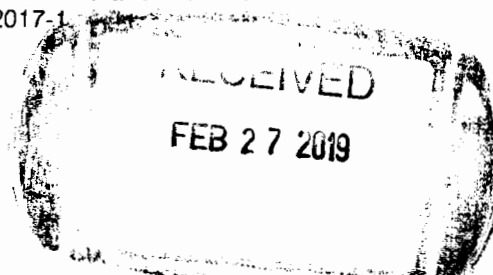
In planning and performing our audit of the financial statements, we considered the Town of Byhalia, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as items 2017-1 and 2017-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Byhalia, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-1.



Town of Byhalia, Mississippi's Response to Findings

Town of Byhalia, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Byhalia, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
August 30, 2018

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

Honorable Mayor and Board of Aldermen
Town of Byhalia, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the Town of Byhalia, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Byhalia, Mississippi's major federal programs for the year ended September 30, 2017. The Town of Byhalia, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

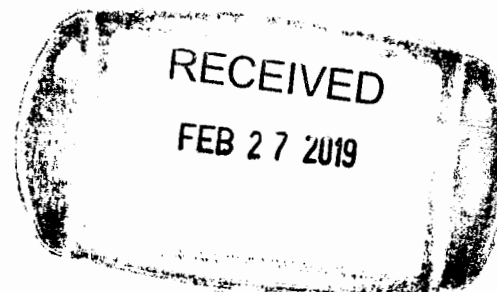
Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Byhalia, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Byhalia, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Byhalia, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.



Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Franks, Franks, Wilmon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
August 30, 2018

**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2017**

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

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

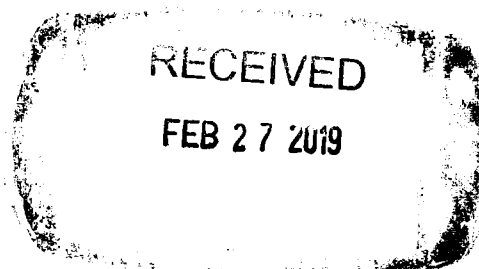
Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)? Yes X No

Identification of major program:

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

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

Auditee qualified as low-risk auditee? Yes X No



**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2017**

SECTION 2 – FINANCIAL STATEMENT FINDINGS:

Finding No. 2017-1 Instance of Noncompliance (Material Weakness)

Criteria: The Town is required, by state statutes, to prepare a budget for all required governmental funds of the Town and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts.

Cause of Condition: The Town had budget overages in six expenditure categories for the year ended September 30, 2017.

Recommendation: The Town should ensure that all expenditures are within the final amended budget amounts. The Town Clerk should generate monthly budget to actual revenue and expense reports that should be used to ensure budgets are amended before expenses are disbursed in excess of budgeted amounts.

Response: The Town will take steps necessary to provide the Board with accurate revenue and expense budget to actual comparisons on a monthly basis for all required accounts. The Town will take steps necessary to ensure that budgets are amended prior to budget overages occurring.

Finding No. 2017-2 (Material Weakness)

Criteria: The Town did not reconcile the general ledger accounts related to customer meter deposits to the customer meter deposit listings generated by the billing software used by the Town.

Cause of Condition: The Town did not reconcile the balance of the customer meter deposit accounts on the general ledger and the customer meter deposit balance in the billing software. Also, the customer meter deposit listing generated by the billing software does not distinguish whether the customer deposit belongs to the water or gas department.

Recommendation: The Town should generate a report from the billing software that will show the customer meter deposit balance for each proprietary fund. This report should also be reconciled to the customer deposit account in the general ledger software for each fund.

Response: The Town will take steps necessary to produce an accurate listing of customer meter deposits and reconcile the listing to the general ledger for each fund.

SECTION 3 – FEDERAL AWARD FINDINGS:

None

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Aldermen
Town of Byhalia, Mississippi

We have audited the financial statements of the Town of Byhalia, Mississippi as of and for the year ended September 30, 2017 and have issued our report dated August 30, 2018. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our finding and recommendation and your response can be found in the accompanying schedule of findings and questioned costs as finding 2017-1.

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

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

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
August 30, 2018

