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FINANCIAL STATEMENTS
TOWN OF BYHALIA, MISSISSIPPI
Year Ended September 30, 2019

RECEIVED
JUN 24 2021

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

**TOWN OF BYHALIA, MISSISSIPPI
TABLE OF CONTENTS**

INDEPENDENT AUDITORS' REPORT	1
---	----------

MANAGEMENT'S DISCUSSION AND ANALYSIS	3
---	----------

BASIC FINANCIAL STATEMENTS:

Statement of Net Position	12
Statement of Activities	14
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund-Balances to the Government-Wide Statement of Activities	18
General Fund Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual - Budgetary Basis	19
Statement of Fund Net Position - Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Statement of Fiduciary Assets and Liabilities	23
Notes to Financial Statements	24

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Town's Proportionate Share of the Net Pension Liability	44
Schedule of Town's Contributions	45
Notes to the Required Supplementary Information	46

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -General Fund	48
---	----

OTHER SUPPLEMENTARY INFORMATION:

Schedule of Surety Bonds for Municipal Officials	50
Schedule of Long-Term Debt	51

OTHER REPORTS:

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52
Schedule of Findings and Responses	54
Independent Auditors' Report on Compliance with State Laws and Regulations	55

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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, 2019, 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, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Town's proportionate share of the net pension liability and the schedule of the Town's contributions on pages 3-11, 43-46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 individual fund financial statements and the other supplementary information 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 and the other supplementary schedules 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 December 21, 2020 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, Wilemon & Hagood P.A.

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

Tupelo, Mississippi
December 21, 2020

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2019

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, 2019. 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 \$13,397,383. Of this amount, \$629,315 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 \$12,626,602, of which \$347,170 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 \$271,426, a decrease of \$257,797 in comparison to the prior year. Approximately 37% of the combined fund balances, \$99,289, is considered unassigned and is available for spending at the Town of Byhalia's discretion.
- The Town of Byhalia's total debt is \$3,115,719. New debt in the amount of \$154,164 was issued in the current fiscal year. Debt in the amount of \$125,735 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: General Fund & 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 \$13,397,383 at the close of the most recent fiscal year, compared to \$12,626,602 in the prior year.

A large portion, 97 percent and 98 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, 2019 and 2018. 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 533,812	\$ 1,911,512	\$ 4,332,861	\$ 4,725,036	\$ 4,866,673	\$ 6,636,548
Noncurrent Assets	<u>7,941,122</u>	<u>7,175,751</u>	<u>7,928,778</u>	<u>8,178,584</u>	<u>15,869,900</u>	<u>15,354,335</u>
Total Assets	8,474,934	9,087,263	12,261,639	12,903,620	20,736,573	21,990,883
Deferred Outflows	<u>85,485</u>	<u>39,406</u>	<u>66,651</u>	<u>20,797</u>	<u>152,136</u>	<u>60,203</u>
Total Deferred Outflows	85,485	39,406	66,651	20,797	152,136	60,203
Current and Other Liabilities	121,010	1,196,261	863,293	1,889,552	984,303	3,085,783
Long-Term Liabilities	<u>2,313,576</u>	<u>2,486,107</u>	<u>4,114,257</u>	<u>3,716,795</u>	<u>6,427,833</u>	<u>6,202,902</u>
Total Liabilities	2,434,586	3,682,368	4,977,550	5,606,317	7,412,136	9,288,685
Deferred Inflows	<u>44,497</u>	<u>88,888</u>	<u>34,693</u>	<u>46,911</u>	<u>79,190</u>	<u>135,799</u>
Total Deferred Inflows	44,497	88,888	34,693	46,911	79,190	135,799
Net Position:						
Net Investment in Capital Assets	7,498,872	6,758,864	5,255,309	5,508,181	12,754,181	12,267,045
Restricted	13,887	12,387	0	0	13,887	12,387
Unrestricted (Deficit)	<u>(1,431,423)</u>	<u>(1,415,838)</u>	<u>2,060,738</u>	<u>1,763,008</u>	<u>629,315</u>	<u>347,170</u>
Total Net Position	<u>\$ 6,081,336</u>	<u>\$ 5,355,413</u>	<u>\$ 7,316,047</u>	<u>\$ 7,271,189</u>	<u>\$ 13,397,383</u>	<u>\$ 12,626,602</u>

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The \$629,315 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 \$2,060,738 at the end of the current fiscal year compared to \$1,763,008 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 13.75% of the Town of Byhalia's revenue comes from sales tax and 10.15% from property taxes, with 25.82% of all revenue coming from some type of tax for the year ended September 30, 2019. (See Table A-2.) Another 58.09% comes from fees charged for services, 5.87% 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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 139,169	\$ 134,707	\$ 3,371,230	\$ 3,505,283	\$ 3,510,399	\$ 3,639,990
Operating Grants & Contributions	0	12,696	0	0	0	12,696
Capital Grants & Contributions	596,920	16,520	0	0	596,920	16,520
General Revenues:						
Property Taxes	613,454	551,251	0	0	613,454	551,251
Sales Tax	830,634	736,884	0	0	830,634	736,884
Other Taxes	115,841	107,472	0	0	115,841	107,472
Intergovernmental Revenues	354,445	343,369	0	0	354,445	343,369
Investment Income	12,880	9,808	16,644	13,937	29,524	23,745
Other	<u>(8,503)</u>	<u>79,960</u>	<u>0</u>	<u>0</u>	<u>(8,503)</u>	<u>79,960</u>
Total Revenues	2,654,840	1,992,667	3,387,874	3,519,220	6,042,714	5,511,887
Expenses						
General Government	452,023	530,695	0	0	452,023	530,695
Public Safety	1,165,220	1,408,567	0	0	1,165,220	1,408,567
Public Works	430,339	436,503	0	0	430,339	436,503
Culture & Recreation	17,209	32,933	0	0	17,209	32,933
Interest on Long-Term Debt	14,126	14,773	0	0	14,126	14,773
Water, Sewer & Gas System	<u>0</u>	<u>0</u>	<u>3,193,016</u>	<u>2,839,098</u>	<u>3,193,016</u>	<u>2,839,098</u>
Total Expenses	2,078,917	2,423,471	3,193,016	2,839,098	5,271,933	5,262,569
Excess (Deficit) of Revenue Over Expenses	575,923	(430,804)	194,858	680,122	770,781	249,318
Transfers	<u>150,000</u>	<u>45,457</u>	<u>(150,000)</u>	<u>(45,457)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	725,923	(385,347)	44,858	634,665	770,781	249,318
Net Position-Beginning	<u>5,355,413</u>	<u>5,470,760</u>	<u>7,271,189</u>	<u>6,636,524</u>	<u>12,626,602</u>	<u>12,377,284</u>
Net Position-Ending	<u>\$ 6,081,336</u>	<u>\$ 5,355,413</u>	<u>\$ 7,316,047</u>	<u>\$ 7,271,189</u>	<u>\$ 13,397,383</u>	<u>\$ 12,626,602</u>

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the Town's net position by \$725,923, thereby accounting for 93.65 percent of the total change in the net position of the Town for the year ended September 30, 2019. 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 sales tax (31%), property taxes (23%), intergovernmental revenues (13%), and other taxes (4%) for the year ended September 30, 2019.

The largest expense categories for the Town's governmental activities are public safety (56%), general government (22%) and public works (21%) for the year ended September 30, 2019.

Business-type Activities

Business-type activities increased the Town's net position by \$44,858, thereby accounting for 6.35 percent of the total growth in the net position of the Town for the year ended September 30, 2019.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$3,371,230 for water, sewer and gas system charges for services for the year ended September 30, 2019.

The Town as Trustee

The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Assets and Liabilities on page 23. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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 \$167,786. 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 10 percent of total fund expenditures. The fund balance of the Town's general fund decreased by \$285,015 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,

TOWN OF BYHALIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

2019, the fund balance (deficit) was (\$68,497).

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 \$7,316,047.

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 2018-19 general fund operating budget increased by approximately \$52,067 during the current fiscal year. This increase was related to increases in Public Safety and Public Works.

The Town's tax millage for the 2019 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, 2019, amounted to \$15,869,900, net of accumulated depreciation of \$9,895,060. 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 19,583	\$ 463,696	\$ 75,374	\$ 75,374	\$ 94,957	\$ 539,070
Plant, Buildings & Improvements	2,852,528	2,509,914	14,047,556	13,747,880	16,900,084	16,257,794
Machinery & Equipment	2,351,320	1,721,333	1,059,544	909,535	3,410,864	2,630,868
Infrastructure	5,359,055	4,762,822	0	0	5,359,055	4,762,822
Construction in Progress	0	0	0	321,258	0	321,258
Accumulated Depreciation	(2,641,364)	(2,282,014)	(7,253,696)	(6,875,463)	(9,895,060)	(9,157,477)
Total	\$ <u>7,941,122</u>	\$ <u>7,175,751</u>	\$ <u>7,928,778</u>	\$ <u>8,178,584</u>	\$ <u>15,869,900</u>	\$ <u>15,354,335</u>

TOWN OF BYHALIA, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt—At September 30, 2019 and 2018, the Town had \$3,115,719 and \$3,087,290 in capital leases, bonds and notes outstanding, 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Bonds Payable	\$ 0	\$ 0	\$ 2,611,142	\$ 2,664,296	\$ 2,611,142	\$ 2,664,296
CAP Loans	6,678	16,659	0	0	6,678	16,659
Promissory Notes	346,743	379,018	0	0	346,743	379,018
Capital Leases Payable	88,829	21,210	62,327	6,107	151,156	27,317
Total	<u>\$ 442,250</u>	<u>\$ 416,887</u>	<u>\$ 2,673,469</u>	<u>\$ 2,670,403</u>	<u>\$ 3,115,719</u>	<u>\$ 3,087,290</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 2020 budget. The total budgeted appropriations for the Town general fund operations are \$2,184,250. This budget reflects a decrease of approximately \$411,166. 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, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 888,914	\$ 3,410,676	\$ 4,299,590
Accounts Receivable, Net	23,197	210,225	233,422
Due From Other Governments	103,889	-	103,889
Property Taxes Receivable	98,712	-	98,712
Court Fines Receivable, Net	131,060	-	131,060
Internal Balances	(711,960)	711,960	-
Capital Assets:			
Land	19,583	75,374	94,957
Plant, Buildings and Improvements	2,852,528	14,047,556	16,900,084
Machinery and Equipment	2,351,320	1,059,544	3,410,864
Infrastructure	5,359,055	-	5,359,055
Construction in Progress	-	-	-
Accumulated Depreciation	(2,641,364)	(7,253,696)	(9,895,060)
TOTAL ASSETS	\$ 8,474,934	\$ 12,261,639	\$ 20,736,573
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions	\$ 85,485	\$ 66,651	\$ 152,136
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 85,485	\$ 66,651	\$ 152,136

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable	\$ 29,578	\$ 13,334	\$ 42,912
Accrued Compensated Absences	30,186	11,206	41,392
Accrued Liabilities	3,036	84,468	87,504
Refundable Meter Deposits	-	690,656	690,656
Net Pension Liability	1,929,536	1,504,417	3,433,953
Long-Term Liabilities:			
Due Within One Year	58,210	63,629	121,839
Due in More Than One Year	384,040	2,609,840	2,993,880
TOTAL LIABILITIES	\$ 2,434,586	\$ 4,977,550	\$ 7,412,136
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Amounts Related to Pensions	\$ 44,497	\$ 34,693	\$ 79,190
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 44,497	\$ 34,693	\$ 79,190
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 7,498,872	\$ 5,255,309	\$ 12,754,181
Restricted for:			
Public Safety	13,887	-	13,887
Unrestricted (Deficit)	(1,431,423)	2,060,738	629,315
TOTAL NET POSITION	\$ 6,081,336	\$ 7,316,047	\$ 13,397,383

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, 2019

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT		
					Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Government Activities:							
General Government	\$ 452,023	4,478	-	-	(447,545)	\$ -	(447,545)
Public Safety	1,165,220	69,481	-	-	(1,095,739)	-	(1,095,739)
Public Works	430,339	65,210	-	596,920	231,791	-	231,791
Culture and Recreation	17,209	-	-	-	(17,209)	-	(17,209)
Interest on Long-Term Debt	14,126	-	-	-	(14,126)	-	(14,126)
TOTAL GOVERNMENTAL ACTIVITIES	2,078,917	139,169	-	596,920	(1,342,828)	-	(1,342,828)
Business-Type Activities:							
Water System	538,498	415,826	-	-	-	(122,672)	(122,672)
Sewer System	380,092	221,893	-	-	-	(158,199)	(158,199)
Gas System	2,274,426	2,733,511	-	-	-	459,085	459,085
TOTAL BUSINESS-TYPE ACTIVITIES	3,193,016	3,371,230	-	-	-	178,214	178,214
TOTAL PRIMARY GOVERNMENT	\$ 5,271,933	\$ 3,510,399	\$ -	\$ 596,920	\$ (1,342,828)	\$ 178,214	\$ (1,164,614)
GENERAL REVENUES:							
Taxes:							
Property Taxes					\$ 613,454	\$ -	\$ 613,454
Sales Taxes					830,634	-	830,634
Privilege and Franchise Taxes					87,075	-	87,075
Licenses and Permits					15,578	-	15,578
In Lieu Taxes					28,766	-	28,766
Intergovernmental Revenues					354,445	-	354,445
Investment Earnings					12,880	16,644	29,524
Gain (Loss) on Sale of Assets					(81,113)	-	(81,113)
Miscellaneous					57,032	-	57,032
Transfers					150,000	(150,000)	-
TOTAL GENERAL REVENUES AND TRANSFERS					2,068,751	(133,356)	1,935,395
CHANGE IN NET POSITION					725,923	44,858	770,781
NET POSITION--BEGINNING					5,355,413	7,271,189	12,626,602
NET POSITION--ENDING					\$ 6,081,336	\$ 7,316,047	\$ 13,397,383

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

**TOWN OF BYHALIA, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2019**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit	\$ 817,331	\$ 71,583	\$ 888,914
Accounts Receivable	23,197	-	23,197
Other Receivables	-	-	-
Due from Other Governments	103,889	-	103,889
Due from Other Funds	472,204	26,322	498,526
TOTAL ASSETS	\$ 1,416,621	\$ 97,905	\$ 1,514,526
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Accounts Payable	\$ 29,578	\$ -	\$ 29,578
Accrued Expenses	3,036	-	3,036
Due to Other Funds	1,044,084	166,402	1,210,486
TOTAL LIABILITIES	1,076,698	166,402	1,243,100
<u>FUND BALANCES (DEFICIT):</u>			
Committed to:			
Cemetery	158,250	-	158,250
Restricted:			
Public Safety	13,887	-	13,887
Unassigned (Deficit)	167,786	(68,497)	99,289
TOTAL FUND BALANCES (DEFICIT)	339,923	(68,497)	271,426
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,416,621	\$ 97,905	\$ 1,514,526

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, 2019

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	271,426
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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.		7,941,122
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Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(442,250)
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Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		(30,186)
--	--	----------

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.		98,712
---	--	--------

Net pension liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(1,929,536)
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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		85,485
Deferred inflows of resources related to defined benefit pension plan		(44,497)

Accrual of court fine revenues to qualify as financial resources.		131,060
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NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	6,081,336
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The accompanying notes are an integral part of these financial statements.

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS

For the Fiscal Year Ended September 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property Taxes	\$ 610,127	\$ -	\$ 610,127
Sales and Use Taxes	830,634	-	830,634
Privilege and Franchise Taxes	87,075	-	87,075
Licenses and Permits	15,578	-	15,578
In Lieu of Taxes	28,766	-	28,766
Intergovernmental Revenues	322,792	46,337	369,129
Charges for Services	65,210	-	65,210
Penalties and Interest	4,478	-	4,478
Fines and Forfeitures	66,346	-	66,346
Interest Income	12,621	259	12,880
Sale of Land and Equipment	363,000	-	363,000
Sale of Cemetery Lots	18,100	-	18,100
Grant Income	596,920	-	596,920
Miscellaneous Revenues	24,248	-	24,248
TOTAL REVENUES	3,045,895	46,596	3,092,491
EXPENDITURES:			
Current:			
General Government	773,982	-	773,982
Public Safety	1,815,602	19,378	1,834,980
Public Works	892,821	-	892,821
Culture and Recreation	9,743	-	9,743
Debt Service	80,600	-	80,600
TOTAL EXPENDITURES	3,572,748	19,378	3,592,126
EXCESS OF REVENUES			
OVER (UNDER) EXPENDITURES	(526,853)	27,218	(499,635)
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Issued	91,838	-	91,838
Transfers (to) from Other Funds	150,000	-	150,000
TOTAL OTHER FINANCING			
SOURCES (USES)	241,838	-	241,838
NET CHANGE IN FUND BALANCES	(285,015)	27,218	(257,797)
FUND BALANCES (DEFICIT) - Beginning	624,938	(95,715)	529,223
FUND BALANCES (DEFICIT) - Ending	\$ 339,923	\$ (68,497)	\$ 271,426

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, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(257,797)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		1,568,834
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Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(359,350)
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Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the remaining basis of the capital assets sold.		(444,113)
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Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.		3,135
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Because some property taxes will not be collected for several months after the Government's fiscal year ends, they are not considered "available" revenues in the governmental funds.		3,327
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Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.		230,154
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Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.		(91,838)
This amount represents long-term debt proceeds.		66,474
This amount represents long-term debt repayments.		

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.		7,097
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>725,923</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF BYHALIA, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Fiscal Year Ended September 30, 2019

	Budget			Variance with Final Budget (Unfavorable)
	Original	Final	Actual	
REVENUES:				
Property Taxes	\$ 549,900	\$ 603,035	\$ 609,927	\$ 6,892
Sales and Use Taxes	730,000	804,965	804,964	(1)
Privilege and Franchise Taxes	101,234	89,200	92,644	3,444
Licenses and Permits	27,250	16,625	15,578	(1,047)
In Lieu of Taxes	28,766	28,766	28,766	-
Intergovernmental Revenues	289,875	327,785	322,572	(5,213)
Charges for Services	65,000	65,210	65,210	-
Penalties and Interest	2,300	4,480	4,478	(2)
Fines and Forfeitures	65,000	64,810	66,346	1,536
Interest Income	1,800	2,355	12,621	10,266
Sale of Cemetery Lots	11,000	19,100	18,100	(1,000)
Grant Income	251,640	101,640	601,640	500,000
Miscellaneous Revenues	35,000	395,560	387,248	(8,312)
TOTAL REVENUES	2,158,765	2,523,531	3,030,094	506,563
EXPENDITURES:				
Current:				
General Government	796,307	826,720	773,982	52,738
Public Safety	1,236,801	1,246,180	1,815,602	(569,422)
Public Works	472,247	482,232	892,821	(410,589)
Culture and Recreation	11,800	12,500	9,743	2,757
Debt Service	26,195	27,785	80,600	(52,815)
TOTAL EXPENDITURES	2,543,350	2,595,417	3,572,748	(977,331)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(384,585)	(71,886)	(542,654)	(470,768)
OTHER FINANCING SOURCES (USES):				
Proceeds from Debt Issued	-	-	91,838	91,838
Transfers (to) from Other Funds	150,000	150,000	150,000	-
TOTAL OTHER FINANCING SOURCES (USES)	150,000	150,000	241,838	91,838
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES				
	\$ (234,585)	\$ 78,114	\$ (300,816)	\$ (378,930)

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

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF FUND NET POSITION- PROPRIETARY FUNDS
September 30, 2019

ASSETS:	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Total</u>
<u>Current Assets:</u>				
Cash and Cash Equivalents	\$ 1,042,233	\$ 76,834	\$ 2,291,609	\$ 3,410,676
Due From Other Funds	80,438	8,936	975,860	1,065,234
Accounts Receivable, Net	38,420	25,338	146,467	210,225
Due from Other Governments	-	-	-	-
Total Current Assets	<u>1,161,091</u>	<u>111,108</u>	<u>3,413,936</u>	<u>4,686,135</u>
<u>Noncurrent Assets:</u>				
Water, Sewer, and Gas System,				
Buildings, Vehicles and Equipment	5,766,800	4,043,057	5,297,243	15,107,100
Construction in Progress	-	-	-	-
Land	7,734	56,640	11,000	75,374
Less: Accumulated Depreciation	(2,607,152)	(2,459,564)	(2,186,980)	(7,253,696)
Net Noncurrent Assets	<u>3,167,382</u>	<u>1,640,133</u>	<u>3,121,263</u>	<u>7,928,778</u>
TOTAL ASSETS	\$ 4,328,473	\$ 1,751,241	\$ 6,535,199	\$ 12,614,913
DEFERRED OUTFLOWS OF RESOURCES:				
Proceeds from Issuance of Bonds, Notes Payable and Ca	\$ 13,019	\$ 10,912	42,720	\$ 66,651
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 13,019	\$ 10,912	42,720	\$ 66,651
LIABILITIES:				
<u>Current Liabilities:</u>				
Accounts Payable	\$ 3,353	\$ 2,757	\$ 7,224	\$ 13,334
Due to Other Funds	15,909	220,337	117,028	353,274
Refundable Meter Deposits	81,208	-	609,448	690,656
Accrued Liabilities	28,591	-	55,877	84,468
Notes, Bonds and Capital Leases Payable -				
Within One Year	18,568	11,564	33,497	63,629
Total Current Liabilities	<u>147,629</u>	<u>234,658</u>	<u>823,074</u>	<u>1,205,361</u>
<u>Noncurrent Liabilities:</u>				
Notes, Bonds and Capital Leases Payable				
Less Current Portion	849,486	50,762	1,709,592	2,609,840
Net Pension Liability	293,849	246,313	964,255	1,504,417
Accrued Compensated Absences	153	5,201	5,852	11,206
Total Noncurrent Liabilities	<u>1,143,488</u>	<u>302,276</u>	<u>2,679,699</u>	<u>4,125,463</u>
TOTAL LIABILITIES	\$ 1,291,117	\$ 536,934	\$ 3,502,773	\$ 5,330,824
-50-				
DEFERRED INFLOWS OF RESOURCES:				
Deferred Amounts Related to Pensions	\$ 6,776	\$ 5,680	\$ 22,237	\$ 34,693
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 6,776	\$ 5,680	\$ 22,237	\$ 34,693
NET POSITION (DEFICIT):				
Net Investment in Capital Assets	2,299,328	1,577,807	1,378,174	5,255,309
Unrestricted Net Position (Deficit)	<u>744,271</u>	<u>(358,268)</u>	<u>1,674,735</u>	<u>2,060,738</u>
TOTAL NET POSITION	\$ 3,043,599	\$ 1,219,539	\$ 3,052,909	\$ 7,316,047

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, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Totals</u>
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 371,837	\$ 221,293	\$ 2,574,498	\$ 3,167,628
Service Charges and Penalties	34,717	600	156,762	192,079
Other Receipts	9,272	-	2,251	11,523
Total Operating Revenues	<u>415,826</u>	<u>221,893</u>	<u>2,733,511</u>	<u>3,371,230</u>
Less: Gas Purchased	<u>-</u>	<u>-</u>	1,293,851	<u>1,293,851</u>
Net Income Before Operating Expenses	<u>415,826</u>	<u>221,893</u>	<u>1,439,660</u>	<u>2,077,379</u>
<u>OPERATING EXPENSES</u>				
Personnel Services	178,243	162,066	547,090	887,399
Contractual Services	32,024	11,731	87,571	131,326
Supplies	32,338	17,153	57,483	106,974
Depreciation and Amortization	140,340	97,665	140,228	378,233
Other Services	125,804	91,477	84,780	302,061
Total Operating Expenses	<u>508,749</u>	<u>380,092</u>	<u>917,152</u>	<u>1,805,993</u>
Net Operating Income (Loss)	<u>(92,923)</u>	<u>(158,199)</u>	<u>522,508</u>	<u>271,386</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest Income	2,867	991	12,786	16,644
Grant Income	-	-	-	-
Interest and Fiscal Charges	<u>(29,749)</u>	<u>-</u>	<u>(63,423)</u>	<u>(93,172)</u>
Total Non-Operating Revenues (Expenses)	<u>(26,882)</u>	<u>991</u>	<u>(50,637)</u>	<u>(76,528)</u>
Income (Loss) Before Operating Transfers	<u>(119,805)</u>	<u>(157,208)</u>	<u>471,871</u>	<u>194,858</u>
<u>OPERATING TRANSFERS IN (OUT)</u>				
Operating Transfers In (Out)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(60,000)</u>	<u>(150,000)</u>
Total Operating Transfers In (Out)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(60,000)</u>	<u>(150,000)</u>
CHANGE IN NET POSITION	(164,805)	(202,208)	411,871	44,858
NET POSITION - October 1,	<u>3,208,404</u>	<u>1,421,747</u>	<u>2,641,038</u>	<u>7,271,189</u>
NET POSITION - September 30,	<u>\$ 3,043,599</u>	<u>\$ 1,219,539</u>	<u>\$ 3,052,909</u>	<u>\$ 7,316,047</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, 2019

	Water	Sewer	Gas	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash Received from Customers	\$ 414,132	\$ 216,113	\$ 2,967,015	\$ 3,597,260
Cash Payments for Gas Purchases	-	-	(1,293,851)	(1,293,851)
Cash Payments for Personal Services	(100,099)	(101,877)	(333,096)	(535,072)
Cash Payments for Contractual Services	(32,024)	(11,731)	(87,571)	(131,326)
Cash Payments for Supplies	(32,338)	(17,153)	(57,483)	(106,974)
Cash Payments for Other Services	(137,200)	(85,385)	(163,303)	(385,888)
Net Cash Provided By (Used in) Operating Activities	<u>112,471</u>	<u>(33)</u>	<u>1,031,711</u>	<u>1,144,149</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Operating Transfers - In from (Out) to Other Funds	<u>491,709</u>	<u>(159,718)</u>	<u>(561,875)</u>	<u>(229,884)</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>491,709</u>	<u>(159,718)</u>	<u>(561,875)</u>	<u>(229,884)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Acquisition of Fixed Assets	(13,749)	(63,992)	(357,401)	(435,142)
Principal Paid on Bonds, Notes Payable and Capital Leases	(18,492)	-	(40,768)	(59,260)
Proceeds from Issuance of Bonds, Notes Payable and Capital Leases	-	62,326	-	62,326
Interest Paid on Bonds, Notes Payable and Capital Leases	(29,749)	-	(63,423)	(93,172)
Net Cash Provided By (Used In) Capital Financing Activities	<u>(61,990)</u>	<u>(1,666)</u>	<u>(461,592)</u>	<u>(525,248)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest on Investments	<u>2,867</u>	<u>991</u>	<u>12,786</u>	<u>16,644</u>
Net Cash Provided By Investing Activities	<u>2,867</u>	<u>991</u>	<u>12,786</u>	<u>16,644</u>
NET INCREASE (DECREASE) IN CASH	545,057	(160,426)	21,030	405,661
CASH, OCTOBER 1	<u>497,176</u>	<u>237,260</u>	<u>2,270,579</u>	<u>3,005,015</u>
CASH, SEPTEMBER 30	<u>\$ 1,042,233</u>	<u>\$ 76,834</u>	<u>\$ 2,291,609</u>	<u>\$ 3,410,676</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ (92,923)	\$ (158,199)	\$ 522,508	\$ 271,386
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used in) Operating Activities				
Depreciation	140,340	97,665	140,228	378,233
Net Pension Expense	71,445	65,267	217,590	354,302
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(8,365)	(5,780)	-	(14,145)
(Increase) Decrease in Due from Other Governments	-	-	-	-
Increase (Decrease) in Accounts Payable - operating activities	(11,396)	6,092	(78,523)	(83,827)
Increase (Decrease) in Accrued Liabilities - operating activities	6,699	(5,078)	(3,596)	(1,975)
Increase in Meter Deposits	6,671	-	233,504	240,175
-50- Total Adjustments	<u>205,394</u>	<u>158,166</u>	<u>509,203</u>	<u>872,763</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 112,471</u>	<u>\$ (33)</u>	<u>\$ 1,031,711</u>	<u>\$ 1,144,149</u>

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, 2019**

	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ <u>25</u>
TOTAL ASSETS	<u><u>25</u></u>
<u>LIABILITIES:</u>	
Payables to Others	<u>25</u>
TOTAL LIABILITIES	\$ <u><u>25</u></u>

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

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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, 2019

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.

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 reports the following major fiduciary funds:

The Tax Passthrough and Inmate Checking Funds – These funds include the Town's pension trust funds that are used to account for Byhalia's defined benefit and defined

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

contribution pension trusts to provide retirement benefits for its employees/retirees. The fiduciary fund financial statements are presented using the accrual basis of accounting. In 2014, a fiduciary fund was created to account for employee's retiree health savings accounts.

As required under GASB Statement No. 84 the Town created two new fiduciary funds in 2019; the Tax Passthrough Fund and the Inmate Checking Fund. The tax passthrough fund records the activity related to property and specific ownership tax collected by the Town on behalf of other entities. The Town then passes these tax payments along to these entities. The inmate checking fund records activity related to funds held in a custodial capacity for inmates in the Town's detention facility. Inmates and their family and friends can deposit funds into the inmate's account, these funds can later be used by the inmate in the commissary and any remaining funds are returned to the inmate upon release.

The Town has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles 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.

Financial Reporting Entity

The Town's combined financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is a fiscal dependency by the organization on the Town

Included within the reporting entity:

Town of Byhalia's water, sewer, and gas systems. The rates for user charges and bond issuance authorizations also are approved by the government's governing body and the legal liability for the general obligation portion of the water, sewer and gas debt remains with the government.

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.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

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 entities 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

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

comparative purposes to conform with the presentation in the current-year financial statements.

Revenue 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.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, State of Mississippi, or of any county or municipality of the State of Mississippi.

Investments are represented by certificates of deposit and are stated at cost, plus accrued interest.

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

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

- **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 4. It is at least reasonably possible that the significant estimate used will change within the next year.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Town's policy is to apply restricted net position first.

Interfund Transfers

The principal purpose of interfund transfers is to provide reimbursement for shared costs between funds, funding for debt service and operations. All transfers are routine and consistent with the activities of the fund making the transfer.

Financial Instruments

The carrying amount of cash, investments, accounts and other receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these financial instruments.

NOTE 2 - Deposits and Investments

Deposits

The carrying amount of the Town's total deposits with financial institutions at September 30, 2019, was \$4,299,590, and the bank balance was \$4,368,551. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town had \$4,076,781 of bank balances covered by federal depository insurance or collateralized in accordance with state law at year end. The Town

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 2 - Deposits and Investments (continued)

had \$291,770 of deposits that were not covered by federal depository insurance or collateralized in accordance with state law at year end. The collateral for public entities' deposits in financial institutions is held in the name of the Mississippi 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 Town's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town's investment policy is limited to complying with the State's investment statutes. The State law has not addressed an interest rate risk; however, the Town's policy is to hold all investments to maturity, thereby reducing any interest rate risk.

Credit risk: The Town and its component units are allowed, by State statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; 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 any financial institution approved for the deposit of state funds. It is the Town's policy to limit its investments to those allowed by the State statute.

Concentration of credit risk: The Town complies with the State statute regarding investments; as a result, concentration risk is limited.

Custodial credit risk: For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To minimize this risk, the Town's requires that all negotiable instruments be held in safekeeping in the trust department of a bank. The Town's investments are insured or registered, or are securities held by the Town or its agent in the Town's name.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 - Fixed Assets

The following is a summary of capital asset activity as of September 30, 2019:

Primary Government:

	<u>Balance</u> <u>10-01-18</u>	<u>Additions</u>	<u>Reclass/</u> <u>Disposals</u>	<u>Balance</u> <u>09-30-19</u>
Capital Assets, not being depreciated:				
Land	\$ 463,696	\$ 0	\$ (444,113)	\$ 19,583
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	463,696	0	(444,113)	19,583
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	2,509,914	342,614	0	2,852,528
Infrastructure	4,762,822	596,233	0	5,359,055
Machinery and Equipment	<u>1,721,333</u>	<u>629,987</u>	<u>0</u>	<u>2,351,320</u>
Total Capital Assets being depreciated	8,994,069	1,568,834	0	10,562,903
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(522,941)	(75,640)	0	(598,581)
Infrastructure	(426,172)	(135,795)	0	(561,967)
Machinery and Equipment	<u>(1,332,901)</u>	<u>(147,915)</u>	<u>0</u>	<u>(1,480,816)</u>
Total Accumulated Depreciation	(2,282,014)	(359,350)	0	(2,641,364)
Total Capital Assets, depreciated, net Governmental Activities	<u>6,712,055</u>	<u>1,209,484</u>	<u>0</u>	<u>7,921,539</u>
Capital Assets, net	<u>\$ 7,175,751</u>	<u>\$ 1,209,484</u>	<u>\$ (444,113)</u>	<u>\$ 7,941,122</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, 2019 follows:

	<u>Balance</u> <u>10-01-18</u>	<u>Additions</u>	<u>Reclass/</u> <u>Disposals</u>	<u>Balance</u> <u>09-30-19</u>
Capital Assets, not being depreciated:				
Land	\$ 75,374	\$ 0	\$ 0	\$ 75,374
Construction in Progress	<u>321,258</u>	<u>32,144</u>	<u>(353,402)</u>	<u>0</u>
Total Capital Assets, not being Depreciated:	396,632	32,144	(353,402)	75,374

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 3 - Fixed Assets (continued)

	<u>Balance</u> <u>10-01-18</u>	<u>Additions</u>	<u>Reclass/</u> <u>Disposals</u>	<u>Balance</u> <u>09-30-19</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	\$ 13,747,880	\$ 0	\$ 299,676	\$ 14,047,556
Machinery and Equipment	<u>909,535</u>	<u>96,283</u>	<u>53,726</u>	<u>1,059,544</u>
Total Capital Assets being depreciated	14,657,415	96,283	353,402	15,107,100
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(6,078,892)	(326,385)	(16,924)	(6,422,201)
Machinery and Equipment	<u>(796,571)</u>	<u>(51,848)</u>	<u>16,924</u>	<u>(831,495)</u>
Total Accumulated Depreciation	<u>(6,875,463)</u>	<u>(378,233)</u>	<u>0</u>	<u>(7,253,696)</u>
Total Capital Assets, depreciated, net				
Business-type Activities	<u>7,781,952</u>	<u>(281,950)</u>	<u>353,402</u>	<u>7,853,404</u>
Capital Assets, net	<u>\$ 8,178,584</u>	<u>\$ (249,806)</u>	<u>\$ 0</u>	<u>\$ 7,928,778</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	\$ 69,739
Public Safety	121,830
Public Works	159,360
Culture & Recreation	<u>8,421</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 359,350</u>
Depreciation expense for Water, Sewer and Gas funds	<u>\$ 378,233</u>

NOTE 4 - Receivables

Receivables at September 30, 2019, 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 \$190,092 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, 2019

NOTE 5 - Long-Term Debt

The following is a summary of bond transactions of the Town for the year ended September 30, 2019:

	<u>Notes & Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/01/18	\$ 3,059,973	\$ 27,317	\$ 3,231,707
Add: Bonds and Other Long-Term Debt Acquired	0	154,164	154,164
Less: Bonds and Other Long-Term Debt Retired	<u>95,410</u>	<u>30,325</u>	<u>125,735</u>
Bonds and Other Long-Term Debt at 09/30/19	<u>\$ 2,964,563</u>	<u>\$ 151,156</u>	<u>\$ 3,115,719</u>

Bonds and other long-term debt at September 30, 2019 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.	\$ 1,743,088
\$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>868,054</u>
	<u>\$ 2,611,142</u>

Notes Payable:

\$400,000 Note due in 30 annual installments of \$24,920 through December 2032; interest at 4.625 percent.	\$ 155,275
\$90,000 Note due in 120 monthly installments of \$869 through September 2020; interest at 3.0 percent.	6,678
\$250,000 Note due in 15 annual installments of \$19,456 through November 2029; interest at 2.0 percent.	<u>191,468</u>
	<u>\$ 353,421</u>

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 5 - Long-Term Debt (continued)

Capital Leases:

Capital lease dated December 30, 2016 due in 36 monthly installments of \$1,221 through December 30, 2019; collateralized by vehicles.	\$ 3,516
Capital lease dated September 27, 2019 due in 60 monthly installments of \$618 through September 27, 2024; collateralized by equipment.	62,326
Capital lease dated April 29, 2019 due in 60 monthly installments of \$618 through May 3, 2024; collateralized by a vehicle.	31,532
Capital lease dated June 16, 2019 due in 48 monthly installments of \$588 through June 3, 2023; collateralized by equipment.	24,709
Capital lease dated February 28, 2019 due in 60 monthly installments of \$589 through March 3, 2024; collateralized by a vehicle.	<u>29,073</u>
	<u>\$ 151,156</u>

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, 2019 including interest payments of \$1,834,096 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 58,210	\$ 18,245	\$ 63,631	\$ 99,884	\$ 121,841	\$ 118,129
2021	49,723	16,391	65,980	97,535	115,703	113,926
2022	51,423	14,629	68,415	95,099	119,838	109,728
2023	51,396	12,748	70,941	92,575	122,337	105,323
2024	42,586	10,421	73,559	89,956	116,145	100,377
2025 - 2029	171,544	33,620	335,666	413,033	507,210	446,653
2030 - 2034	17,368	194	402,143	346,557	419,511	346,751
2035 - 2039	0	0	481,825	266,874	481,825	266,874
2040 - 2044	0	0	577,340	171,362	577,340	171,362
2045 - 2049	<u>0</u>	<u>0</u>	<u>533,969</u>	<u>54,973</u>	<u>533,969</u>	<u>54,973</u>
	<u>\$ 442,250</u>	<u>\$ 106,248</u>	<u>\$ 2,673,469</u>	<u>\$ 1,820,845</u>	<u>\$ 3,115,719</u>	<u>\$ 1,834,096</u>

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 6 - 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:

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund:			
Public Safety			
Other Services and Charges	\$ 177,508	\$ 178,032	\$ 524
Public Works			
Supplies	22,485	28,538	6,053
Other Services and Charges	84,625	98,188	13,563
Culture & Recreation			
Supplies	695	777	82

NOTE 7 – INTERFUND RECEIVABLES AND PAYABLE

Individual fund interfund receivable and payable balances at September 30, 2019, were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 0	\$ 571,880
Special Revenue Fund:		
Fire Fund	0	140,080
Enterprise Fund:		
Water, Sewer, and Gas System Fund	<u>711,960</u>	<u>0</u>
	<u>\$ 711,960</u>	<u>\$ 711,960</u>

NOTE 8 - 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 9 - Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description – Town of Byhalia, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 9 - Defined Benefit Pension Plan (continued)

information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is

below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

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

Employee membership data related to the Plan, as of June 30, 2019 was as follows:

Retirees and Survivors	104,973
Terminated Vested Employees	16,578
Inactive Nonvested Members	52,763
Active Members	150,687
Total	<u>325,001</u>

Contributions - At September 30, 2019, PERS members were required to contribute 9% of their annual covered salary, and the Town of Byhalia is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2019 was 17.40% of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Town of Byhalia's contributions (employer share only) to PERS for the years ending September 30, 2019, 2018 and 2017 were \$207,573, \$192,152 and \$190,077, respectively, equal to the required contributions for each year.

For the year ended September 30, 2019, the Town of Byhalia's total payroll for all employees was \$1,373,593. Total covered payroll was \$1,286,724. Covered payroll refers to all compensation paid

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 9 - Defined Benefit Pension Plan (continued)

by the Town to active employees covered by the Plan.

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

At September 30, 2019, the Town of Byhalia reported a liability of \$3,433,953 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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. The Town of Byhalia's proportionate share used to calculate the September 30, 2019 net pension liability was 0.019520 percent, which was based on a measurement date of June 30, 2019. This was an increase of 0.000514 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the Town of Byhalia recognized pension expense of \$331,721. At September 30, 2019, the Town of Byhalia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,031	\$ 3,696
Net difference between projected and actual earnings on pension plan investments	-	37,569
Changes of assumptions	33,667	-
Changes in the proportion and differences between the Town of Byhalia's contributions and proportionate share of contributions	64,615	37,925
Town of Byhalia contributions subsequent to the measurement date	51,823	-
Total	\$ 152,136	\$ 79,190

The \$51,823 of deferred outflows of resources resulting from the Town of Byhalia's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Amount
2020	\$ 20,630
2021	(43,182)
2022	27,998
2023	15,677
Total	\$ 21,123

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 9 - Defined Benefit Pension Plan (continued)

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00%	4.90%
International Equity	22.00%	4.75%
Global Equity	12.00%	5.00%
Fixed Income	20.00%	1.50%
Real Estate	10.00%	4.00%
Private Equity	8.00%	6.25%
Cash	1.00%	0.25%
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 (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 9 - Defined Benefit Pension Plan (continued)

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 to 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 calculated 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%	\$4,275,046
Current discount rate	7.75%	\$3,433,953
1% increase	8.75%	\$2,392,111

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

NOTE 10 - 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 \$15,801 more than cash revenues.

NOTE 11 - 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

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 11 - Risk Management (continued)

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, 2019, 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 12 - Deficit Fund Balances

The following funds have a deficit fund balance at September 30, 2019:

<u>FUND NAME</u>	<u>AMOUNT</u>
Fire Protection Fund	\$ <u>68,497</u>
TOTAL	\$ <u>68,497</u>

Note 13 – Tax Abatements

The Town enters into property tax abatement agreements with local businesses for economic development purposes. The abatements may be granted to any business located within or promising to locate within the town limits. The abatements are negotiated on an individual basis. Each abatement is for 10 years. The Town had four tax abatement agreements with six entities as of September 30, 2019.

The City had three types of abatements, none of which provides for the abatement of school or state tax levies:

- Section 27-31-101 – New enterprise exemptions
- Section 27-31-105 – Expanded enterprise exemptions
- Section 27-31-104 – Fee in lieu of tax agreements

All six entities had tax abatements listed under the above listed statutes.

Category	Amount of taxes abated during the fiscal year
New and expanded industrial enterprises	\$66,739

The companies were not required to comply with any special provisions in order to receive the abatements and the Town made no commitments as part of the agreements other than to reduce taxes. Abatements may be voided pursuant to state law in the event of a cessation of company operations.

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 14 - Subsequent Events

Management has evaluated subsequent events through December 21, 2020, 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, 2019

	2019	2018	2017	2016	2015
A. Byhalia's proportion of net pension liability (%)	0.019520%	0.019006%	0.019280%	0.016176%	0.016700%
B. Byhalia's proportionate share of net pension liability	\$ 3,433,953	\$ 3,161,263	\$ 3,204,990	\$ 2,889,436	\$ 2,581,491
C. Byhalia's covered employee payroll	\$ 1,286,724	\$ 1,220,013	\$ 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 (%)	266.88%	259.12%	265.57%	255.68%	242.20%
E. Plan fiduciary net position as a percentage of total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the Town has only presented information for the years in which information is available.

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

TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
For the Last 10 Fiscal Years*
For the year ended September 30, 2019

	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 207,573	\$ 192,152	\$ 190,077	\$ 177,991	\$ 167,874	\$ 158,595
B. Contributions in relation to statutorily required contributions	\$ 207,573	\$ 192,152	\$ 190,077	\$ 177,991	\$ 167,874	\$ 158,595
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Byhalia's covered employee payroll	\$ 1,286,724	\$ 1,220,013	\$ 1,206,838	\$ 1,130,102	\$ 1,065,868	\$ 1,006,952
E. Contributions as a percentage of covered employee payroll	16.13%	15.75%	15.75%	15.75%	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the Town has only presented information for the years in which information is available.

Note A - The 2019 Contributions as a percentage of covered payroll will be an average of the former contribution rate of 15.75% and the current contribution rate of 17.40%.

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

TOWN OF BYHALIA, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

PENSION SCHEDULES

A. Changes of assumptions.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.

For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.

For females, 115% of female rates at all ages.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

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 disabled 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 6.00% to 7.00%.

2016

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

**TOWN OF BYHALIA, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019**

PENSION SCHEDULES (continued)

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 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

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.

B. Changes in benefit provisions.

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.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

TOWN OF BYHALIA, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended September 30, 2019

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Property Taxes	\$ 603,035	\$ 609,927	\$ 6,892
Homestead Exemption Reimbursement	16,000	15,699	(301)
Privilege Licenses and Fees	11,750	10,705	(1,045)
Road Maintenance	297,175	293,058	(4,117)
Sales Tax	804,965	804,964	(1)
Gasoline Tax	3,810	3,988	178
Hotel/Motel Tax	9,000	8,027	(973)
Alcoholic Beverage Licenses	1,800	1,800	-
Building Permits	16,375	15,442	(933)
Court Fines and Fees	64,810	63,883	(927)
TVA In Lieu Tax	28,766	28,766	-
Penalties and Interest	4,480	4,478	(2)
Cable Franchise Fees	77,700	82,075	4,375
Sale of Cemetery Lots	19,100	18,100	(1,000)
Interest Income	2,355	12,621	10,266
Grant Income	101,640	601,640	500,000
Sanitation Fees	65,210	65,210	-
Total revenues	<u>2,523,531</u>	<u>3,030,094</u>	<u>506,563</u>
<u>EXPENDITURES</u>			
General Government			
Personnel Services	262,790	258,878	3,912
Supplies	9,840	5,998	3,842
Other Services and Charges	169,175	163,792	5,383
Capital Outlay	384,915	345,314	39,601
Total	<u>826,720</u>	<u>773,982</u>	<u>52,738</u>
Public Safety			
Personnel Services	986,388	975,079	11,309
Supplies	58,708	52,424	6,284
Other Services and Charges	177,508	178,032	(524)
Capital Outlay	23,576	610,067	(586,491)
Total	<u>1,246,180</u>	<u>1,815,602</u>	<u>(569,422)</u>
Culture and Recreation			
Supplies	695	777	(82)
Other Services and Charges	10,405	8,011	2,394
Capital Outlay	1,400	955	445
Total	<u>\$ 12,500</u>	<u>\$ 9,743</u>	<u>\$ 2,757</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, 2019

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Public Works			
Personnel Services	\$ 123,662	\$ 119,875	\$ 3,787
Supplies	22,485	28,538	(6,053)
Other Services and Charges	84,625	98,188	(13,563)
Sanitation: Other Services and Charges	52,000	47,332	4,668
Capital Outlay	199,460	598,888	(399,428)
Total	<u>482,232</u>	<u>892,821</u>	<u>(410,589)</u>
Debt Service			
Principal Retirement	26,100	66,474	(40,374)
Interest and Fiscal Charges	1,685	14,126	(12,441)
Total	<u>27,785</u>	<u>80,600</u>	<u>(52,815)</u>
Total expenditures	<u>2,595,417</u>	<u>3,572,748</u>	<u>(977,331)</u>
Excess (Deficit) revenues over (under) expenditures	<u>(71,886)</u>	<u>(542,654)</u>	<u>(470,768)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Issuance of Long-Term Debt	-	91,838	91,838
Operating Transfers In	150,000	150,000	-
Total other financing sources (uses)	<u>150,000</u>	<u>241,838</u>	<u>91,838</u>
Excess (Deficit) of revenues and other sources over (under) expenditures and other uses	<u>78,114</u>	<u>(300,816)</u>	<u>(378,930)</u>
Fund balances - Beginning	<u>624,938</u>	<u>624,938</u>	<u>-</u>
Fund balances - Ending	\$ <u>703,052</u>	324,122	\$ <u>(378,930)</u>
Adjustments To GAAP Basis:			
Add/Less: Accrued revenue		15,801	
Fund Balance GAAP - Ending		\$ <u>339,923</u>	

OTHER SUPPLEMENTARY INFORMATION

TOWN OF BYHALIA
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2019

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
Tammy Lancaster	Utility Clerk	50,000	CLM Insurance Group
Marcia Sharkey	Utility 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
Victoria Jackson	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, 2019

	BALANCE OUTSTANDING October 1, 2018	TRANSACTIONS DURING FISCAL YEAR		BALANCE OUTSTANDING September 30, 2019
		ISSUED	REDEEMED	
<u>Revenue Bonds</u>				
Gas System	\$ 1,777,750	\$ -	\$ 34,662	\$ 1,743,088
Water System	886,546	-	18,492	868,054
<u>Other Long Term Debt</u>				
Community Facility Loan	172,229	-	16,954	155,275
NEMPDD Loan - Town Hall	206,789	-	15,321	191,468
Capital Lease Payable - Trailer Jetter	-	62,326	-	62,326
Capital Lease Payable - Ford Trucks	6,107	-	6,107	-
CAP Loan - Stonewall Road	16,659	-	9,981	6,678
Capital Lease Payable - Dodge Chargers	911	-	911	-
Capital Lease Payable - Pro 2017 Ram	17,853	-	14,337	3,516
Capital Lease Payable - 2018 Ford Explorer	-	31,955	2,882	29,073
Capital Lease Payable - Fire Radios & Equipment	-	26,298	1,589	24,709
Capital Lease Payable - 2019 Dodge Durango	-	33,585	2,053	31,532
Capital Lease Payable - 2012 Chevy Tahoe	2,446	-	2,446	-
TOTAL	\$ 3,087,290	\$ 154,164	\$ 125,735	\$ 3,115,719

OTHER REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Byhalia, Mississippi as of and for the year ended September 30, 2019, 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 December 21, 2020.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings no. 1, 2, 3 and 4 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Byhalia, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings no. 1, 2, 3 and 4.

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
December 21, 2020

**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2019**

FINANCIAL STATEMENT FINDINGS:

FINDING NO. 1 (significant deficiency, noncompliance)

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 a budget overage in three expenditure categories for the year ended September 30, 2019.

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. 2 (significant deficiency, noncompliance)

Criteria: The Town is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records. The Town is to comply with state purchasing laws for all applicable purchases over certain dollar thresholds.

Cause of Condition: The Town did not obtain competitive quotes as required or did not include required approval for sole source items or emergency purchases in the minutes for some purchases during the year, as required by state statutes.

Recommendation: The Town should implement adequate internal controls over all state purchase laws to ensure that the Town strictly adheres to the purchase laws in all departments of the Town.

Response: The Town will take steps necessary to ensure that controls over purchasing are revised to ensure future compliance.

**TOWN OF BYHALIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2019**

FINDING NO. 3 (significant deficiency, noncompliance)

Criteria: The Town is required, by Section 99-19-73 and Section 83-39-31, Mississippi Code Ann. (1972), to collect assessments on municipal court fines. Also, the Town is required to make monthly deposits to the state treasurer for the total state assessments collected.

Cause of Condition: The Town did not remit assessments on a timely basis during the fiscal year ended September 30, 2019. All assessments that were collected were subsequently remitted to the State Treasurer; however, some of these remittances were outside of the prescribed time period.

Recommendation: The Town should implement a system of controls that ensures all required assessments are remitted to the state treasurer in conformity with state statutes.

Response: The Town will take steps necessary to ensure that assessments are remitted in accordance with state statutes.

FINDING NO. 4 (significant deficiency, noncompliance)

Criteria: The Town is to participate in the centralized pledging program (State Collateral Pool) to satisfy pledging requirements for deposits at financial institutions where the Town maintains public funds.

Cause of Condition: The Town did not ensure that all bank accounts were covered under the State Treasurer pool for the year ended September 30, 2019. Therefore, the Town was not adequately covered by pledged securities under the State Collateral Pool.

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

Response: The Town will ensure that it has all current State Collateral Pool reports from the State Treasurer so as to ensure that all Town deposits are properly collateralized. The Town will file the annual report with the State Treasurer and ensure all accounts are included in the future.

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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, 2019 and have issued our report dated December 21, 2020. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses can be found in the accompanying schedule of findings and responses as findings 1, 2, 3 and 4.

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
December 21, 2020