

**CITY OF PICAYUNE, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

This discussion and analysis of the City of Picayune's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2014. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the City's financial performance.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) Government-wide financial statements, (2) Fund financial statements and (3) Notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain.

The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

Figure 1 – Required Components of the City's Annual Report

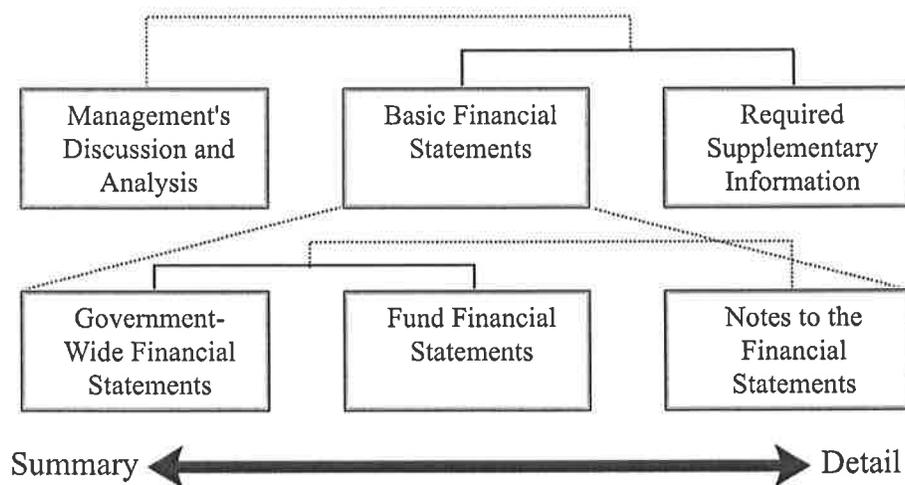


Figure 2 – Major Features of the City’s Government-Wide and Fund Financial Statements

|  | Government-Wide Financial Statements   | Fund Financial Statements  |   |
|--|--|--|---|
|  |  | Governmental Funds   | Proprietary Funds   |
| Scope                                  | Entire City government   | All activities of the City that are not business-type or fiduciary in nature   | Activities of the City that operate similar to private businesses   |
| Required financial statements          | <ul style="list-style-type: none"> <li>● Statement of net assets</li> <li>● Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>● Balance sheet</li> <li>● Statement of revenues, expenditures and changes in fund balances</li> </ul>  | <ul style="list-style-type: none"> <li>● Statement of net assets</li> <li>● Statement of revenues, expenses and changes in net assets</li> <li>● Statement of cash flows</li> </ul> |
| 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 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 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 are 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  |

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all City assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government; public safety; public works; culture and recreation; economic development authority; and interest on long-term debt. The business-type activities of the City include water and sewer services.

The Government-wide Financial Statements can be found on Exhibits 1 and 2 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on Exhibits 3.1 and 4.1 respectively.

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

The basic governmental funds financial statements can be found on Exhibits 3 and 4 of this report.

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

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

The proprietary funds financial statements can be found on Exhibits 5, 6, and 7 of this report.

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

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the City's budget process.

The City adopts an annual operating budget for all governmental funds and proprietary funds. A budgetary comparison statement has been provided for the General Fund and the Utility Fund.

#### ***CURRENT FINANCIAL RELATED ACTIVITIES***

During FY 2014, the City of Picayune experienced positive changes in its financial outlook. The City received full cancellation of its \$3.2M Special Community Disaster Loan, including any accrued interest. In addition, the issuance of General Obligation Refunding Bonds, Series 2014, offered the City a savings of approximately \$580,000 over the next 10 years. These savings greatly impacted the financial future of our City.

During the course of the year, the City completed several capital projects which were made possible by grant funding. Hundreds of thousands of grant dollars were received and used for :1) enhancement of the former hospital site, now known as Crosby Commons; 2) Monroe Branch and Alligator Branch drainage; 3) Downtown Historic Project; 4) overlay of the airport runway and taxi; and 5) Main Street Parking Phase II.

The natural gas cast iron gas main replacement project is approximately 80% complete and is already improving the unaccounted for gas. Moving forward, the City will continue the efforts for upgrading the utility system.

#### ***CONTACTING THE CITY'S FINANCIAL DEPARTMENT***

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Amber Hinton, City Clerk, at 601.798.9770.

# Keene, Bourne, Sanderson, Haigler & Eavenson, PA

CERTIFIED PUBLIC ACCOUNTANTS

(A Professional Association)

INDEPENDENT AUDITOR'S REPORT

JOHN M. KEENE, CPA

PAMELA W. BOURNE, CPA

C. RONALD SANDERSON, CPA

T. ASHTON HAIGLER, CPA, CVA

CHELLIE K. EAVENSON, CPA

Honorable Mayor, Members of the  
City Council, City Manager, and City Clerk  
Picayune, 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 City of Picayune, Mississippi, as of and for the year ended September 30, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Picayune's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 City of Picayune, Mississippi, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015, on our consideration of the City of Picayune, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and do not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis on pages 2 – 5 and the budgetary comparison information on pages 34 - 35 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Picayune, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office

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MEMBERS:

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NATIONAL ASSOCIATION OF CERTIFIED VALUATION ANALYSTS | LOUISIANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
ALABAMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basis financial statements. Other supplementary financial information listed as schedules in the table of contents is also presented for purposes of additional analysis and is not a required part of 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Keene, Bourne, Sanderson, Haigler & Eavenson, P.A.*

Keene Bourne Sanderson Haigler & Eavenson, PA  
Certified Public Accountants

March 3, 2015

**City of Picayune**  
**Statement of Net Assets**  
**September 30, 2014**

**EXHIBIT 1**

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b>ASSETS</b>   |                            |                             |                      |
| Cash and Cash Equivalents                             | \$ 3,228,055               | \$ 4,178,332                | \$ 7,406,387         |
| Restricted  | -                          | 2,174,081                   | 2,174,081            |
| Investments   | 1,707,418                  | 474,568                     | 2,181,986            |
| Receivables (net of uncollectibles):                  |                            |                             |                      |
| Accounts  | 401,723                    | 884,685                     | 1,286,408            |
| Sales Tax   | 796,087                    | -                           | 796,087              |
| Property & Ad Valorem Tax                             | 1,859,752                  | -                           | 1,859,752            |
| Other   | 224,907                    | 32,708                      | 257,615              |
| Notes Receivable                                      | 949,920                    | -                           | 949,920              |
| Other Assets  | 592,207                    | 329,629                     | 921,836              |
| Due from Other Funds                                  | 3,051,503                  | 255,319                     | 3,306,822            |
| Capital Assets (net of accumulated depreciation):     |                            |                             |                      |
| Land  | 2,402,438                  | 172,599                     | 2,575,037            |
| Buildings and Improvements                            | 5,831,208                  | 106,254                     | 5,937,462            |
| Machinery and Equipment                               | -                          | 509,676                     | 509,676              |
| Mobile Equipment                                      | 1,158,549                  | 120,316                     | 1,278,865            |
| Infrastructure  | 24,874,061                 | 9,337,302                   | 34,211,363           |
| Construction in Progress                              | 24,742                     | 714,000                     | 738,742              |
| Bond Issuance Costs (net of accumulated amortization) | 109,894                    | 62,440                      | 172,334              |
| <b>Total Assets</b>                                   | <b>\$ 47,212,464</b>       | <b>\$ 19,351,909</b>        | <b>\$ 66,564,373</b> |
| <b>LIABILITIES AND NET ASSETS</b>                     |                            |                             |                      |
| <b>Liabilities:</b>                                   |                            |                             |                      |
| Accounts Payable                                      | \$ 715,234                 | \$ 937,109                  | \$ 1,652,343         |
| Accrued Liabilities                                   | 323,286                    | 66,930                      | 390,216              |
| Customer Deposits                                     | -                          | 693,393                     | 693,393              |
| Due to Other Funds                                    | 1,481,887                  | 1,824,935                   | 3,306,822            |
| Deferred Revenue                                      | 1,859,752                  | -                           | 1,859,752            |
| Assets Held for Others                                | 258,493                    | -                           | 258,493              |
| Non-Current Liabilities:                              |                            |                             |                      |
| Due Within One Year                                   | 1,259,397                  | 284,548                     | 1,543,945            |
| Due In More Than One Year                             | 7,926,312                  | 4,911,643                   | 12,837,955           |
| Long-term Compensated Absences                        | 562,986                    | 140,615                     | 703,601              |
| <b>Total Liabilities</b>                              | <b>14,387,347</b>          | <b>8,859,173</b>            | <b>23,246,520</b>    |
| <b>Net Assets:</b>                                    |                            |                             |                      |
| Invested in Capital Assets, net of related debt       | 25,105,289                 | 5,763,956                   | 30,869,245           |
| Restricted  | 3,722,664                  | 3,342,042                   | 7,064,706            |
| Unrestricted  | 3,997,164                  | 1,386,738                   | 5,383,902            |
| <b>Total Net Assets</b>                               | <b>32,825,117</b>          | <b>10,492,736</b>           | <b>43,317,853</b>    |
| <b>Total Liabilities and Net Assets</b>               | <b>\$ 47,212,464</b>       | <b>\$ 19,351,909</b>        | <b>\$ 66,564,373</b> |

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

City of Picayune  
Statement of Activities  
September 30, 2014

EXHIBIT 2

| Function/Programs:                   | Program Revenues  |                      |                  | Business-Type Activities |                      |
|--------------------------------------|-------------------|----------------------|------------------|--------------------------|----------------------|
|                                      | Expenses          | Charges for Services | Operating Grants | Capital Grants           | Total                |
| <b>Governmental Activities:</b>      |                   |                      |                  |                          |                      |
| General Government                   | \$ 3,353,839      | \$ -                 | \$ -             | \$ -                     | \$ (3,353,839)       |
| Public Safety                        | 5,179,219         | -                    | 99,539           | -                        | (5,079,680)          |
| Public Works                         | 859,234           | -                    | -                | -                        | (859,234)            |
| Culture and Recreation               | 108,443           | -                    | -                | -                        | (108,443)            |
| Economic Development                 | 580,954           | 3,921                | -                | -                        | (577,033)            |
| Interest on Long-Term Debt           | 322,096           | -                    | -                | -                        | (322,096)            |
| <b>Total Governmental Activities</b> | <b>10,403,784</b> | <b>3,921</b>         | <b>99,539</b>    | <b>-</b>                 | <b>(10,300,324)</b>  |
| <b>Business-type Activities:</b>     |                   |                      |                  |                          |                      |
| Utility                              | 5,022,145         | 5,249,676            | -                | 24,688                   | 252,218              |
| Cemetery                             | 63,758            | 26,106               | -                | -                        | (37,652)             |
| <b>Total Governmental Activities</b> | <b>5,085,903</b>  | <b>5,275,782</b>     | <b>-</b>         | <b>24,688</b>            | <b>214,566</b>       |
| <b>Total Functions/Programs</b>      | <b>15,489,687</b> | <b>5,279,703</b>     | <b>99,539</b>    | <b>24,688</b>            | <b>(10,085,758)</b>  |
| <b>General Revenues:</b>             |                   |                      |                  |                          |                      |
| Property Tax and Ad Valorem Tax      |                   |                      |                  |                          | 2,945,207            |
| Franchise Taxes                      |                   |                      |                  |                          | 688,574              |
| Sales Tax                            |                   |                      |                  |                          | 4,716,568            |
| Intergovernmental Revenue            |                   |                      |                  |                          | 501,396              |
| Licenses, Permits, and Fees          |                   |                      |                  |                          | 149,119              |
| Fines and Forfeits                   |                   |                      |                  |                          | 443,921              |
| Other                                |                   |                      |                  |                          | 577,674              |
| Loan Forgiveness                     |                   |                      |                  |                          | 760,084              |
| Transfers In                         |                   |                      |                  |                          | 1,400,493            |
| Transfers Out                        |                   |                      |                  |                          | (1,469,160)          |
| <b>Total General Revenues</b>        |                   |                      |                  |                          | <b>10,713,878</b>    |
| <b>Change in Net Assets</b>          |                   |                      |                  |                          | <b>413,554</b>       |
| <b>Net Assets, Beginning of Year</b> |                   |                      |                  |                          | <b>32,411,563</b>    |
| <b>Net Assets, End of Year</b>       |                   |                      |                  |                          | <b>\$ 32,825,117</b> |
|                                      |                   |                      |                  |                          | <b>\$ 10,492,736</b> |
|                                      |                   |                      |                  |                          | <b>\$ 43,317,852</b> |

**City of Picayune**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2014**

**EXHIBIT 3**

|  | General<br>Fund     | Airport<br>Fund   | Economic<br>Development<br>Fund | Gen Obligation<br>Street Bonds<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------|---------------------------------|--|--------------------------------|--------------------------------|
| <b>ASSETS</b>                              |                     |                   |                                 |  |                                |                                |
| Cash and Cash Equivalents                  | \$ 1,864,086        | \$ 300,029        | \$ 601,631                      | \$ 214,008                             | \$ 248,301                     | \$ 3,228,055                   |
| Investments                                | 1,500,000           | -                 | 150,773                         | -                                      | 56,645                         | 1,707,418                      |
| Receivables (net of uncollectibles):       |                     |                   |                                 |  |                                |                                |
| Intergovernmental Receivables              | 727,681             | -                 | 68,406                          | -                                      | -                              | 796,087                        |
| Property Tax Receivable                    | 1,859,752           | -                 | -                               | -                                      | -                              | 1,859,752                      |
| Franchise Tax Receivable                   | 188,893             | -                 | -                               | -                                      | -                              | 188,893                        |
| Other Receivables                          | 437,737             | -                 | -                               | -                                      | -                              | 437,737                        |
| Notes Receivable                           | 124,566             | -                 | 825,354                         | -                                      | -                              | 949,920                        |
| Prepaid Expenses                           | 180,841             | -                 | 21,639                          | -                                      | -                              | 202,480                        |
| Inventory                                  | -                   | -                 | 389,727                         | -                                      | -                              | 389,727                        |
| Due from Other Funds                       | 3,021,024           | -                 | -                               | -                                      | 30,479                         | 3,051,503                      |
| <b>Total Assets</b>                        | <b>\$ 9,904,580</b> | <b>\$ 300,029</b> | <b>\$ 2,057,530</b>             | <b>\$ 214,008</b>                      | <b>\$ 335,425</b>              | <b>\$ 12,811,572</b>           |
| <b>LIABILITIES AND FUND BALANCES</b>       |                     |                   |                                 |  |                                |                                |
| <b>Liabilities:</b>                        |                     |                   |                                 |  |                                |                                |
| Accounts Payable                           | \$ 533,833          | \$ 1,836          | \$ 164,106                      | \$ -                                   | \$ 15,459                      | 715,234                        |
| Accrued Liabilities                        | 317,194             | -                 | 6,092                           | -                                      | -                              | 323,286                        |
| Due to Other Funds                         | 283,862             | 1,080,353         | 7,408                           | 108,291                                | 1,973                          | 1,481,887                      |
| Deferred Revenue                           | 1,859,752           | -                 | -                               | -                                      | -                              | 1,859,752                      |
| Assets Held for Others                     | 230,379             | -                 | -                               | -                                      | 28,114                         | 258,493                        |
| <b>Total Liabilities</b>                   | <b>3,225,020</b>    | <b>1,082,189</b>  | <b>177,606</b>                  | <b>108,291</b>                         | <b>45,546</b>                  | <b>4,638,652</b>               |
| <b>Fund Balances:</b>                      |                     |                   |                                 |  |                                |                                |
| <b>Nonspendable</b>                        |                     |                   |                                 |  |                                |                                |
| Prepaid Expenses                           | 180,841             | -                 | 21,639                          | -                                      | -                              | 202,480                        |
| Inventory                                  | -                   | -                 | 389,727                         | -                                      | -                              | 389,727                        |
| Notes Receivable                           | 124,566             | -                 | 825,354                         | -                                      | -                              | 949,920                        |
| <b>Restricted</b>                          |                     |                   |                                 |  |                                |                                |
| Debt Service                               | 203,675             | -                 | 608,611                         | -                                      | 106,000                        | 918,286                        |
| Capital Projects                           | 1,048,243           | -                 | -                               | 214,008                                | -                              | 1,262,251                      |
| <b>Committed</b>                           |                     |                   |                                 |  |                                |                                |
|  | 805,000             | -                 | -                               | -                                      | -                              | 805,000                        |
| <b>Assigned</b>                            |                     |                   |                                 |  |                                |                                |
|  | -                   | (782,160)         | 34,593                          | -                                      | 183,879                        | (563,688)                      |
| <b>Unassigned</b>                          |                     |                   |                                 |  |                                |                                |
|  | 4,317,235           | -                 | -                               | (108,291)                              | -                              | 4,208,944                      |
| <b>Total Fund Balances (Deficits)</b>      | <b>6,679,560</b>    | <b>(782,160)</b>  | <b>1,879,924</b>                | <b>105,717</b>                         | <b>289,879</b>                 | <b>8,172,920</b>               |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 9,904,580</b> | <b>\$ 300,029</b> | <b>\$ 2,057,530</b>             | <b>\$ 214,008</b>                      | <b>\$ 335,425</b>              | <b>\$ 12,811,572</b>           |

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

City of Picayune  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Assets  
 Governmental Funds  
 September 30, 2014

EXHIBIT 3.1

|   |                     |                          |
|---|---------------------|--------------------------|
| <b>Fund Balances - Total Governmental Funds</b>   | <b>\$</b>           | <b>8,172,920</b>         |
| <p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>   |                     |                          |
| <p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.</p>            |                     |                          |
| Governmental Capital Assets   | \$ 67,502,017       |                          |
| Less: Accumulated Depreciation  | <u>(33,211,019)</u> | 34,290,998               |
| <p>Other long-term assets are not current financial resources. Therefore, they are not reported in the funds.</p>                                 |                     |                          |
| Bond Issuance Costs   | 125,790             |                          |
| Less: Accumulated Amortization  | <u>(15,896)</u>     | 109,894                  |
| <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p> |                     |                          |
| Bonds Payable   | (8,267,423)         |                          |
| Notes Payable   | (918,286)           |                          |
| Compensated Absences  | <u>(562,986)</u>    | <u>(9,748,695)</u>       |
| <b>Net Assets of Governmental Activities</b>  | <b>\$</b>           | <b><u>32,825,117</u></b> |

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

City of Picayune  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
September 30, 2014

EXHIBIT 4

|  | General<br>Fund     | Airport<br>Fund     | Economic<br>Development<br>Fund | Gen Obligation<br>Street Bonds<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------|---------------------------------|--|--------------------------------|--------------------------------|
| <b>REVENUES</b>  |                     |                     |                                 |  |                                |                                |
| Property and Ad Valorem Taxes                                | \$ 2,002,107        | \$ -                | \$ -                            | \$ -                                   | \$ 943,100                     | \$ 2,945,207                   |
| Licenses, Permits and Fees                                   | 837,693             | -                   | -                               | -                                      | -                              | 837,693                        |
| Intergovernmental Revenue                                    | 501,396             | -                   | -                               | -                                      | -                              | 501,396                        |
| Sales Tax  | 4,294,419           | -                   | 422,150                         | -                                      | -                              | 4,716,568                      |
| Charges for Services   | -                   | 3,921               | -                               | -                                      | -                              | 3,921                          |
| Fines and Forfeits   | 391,998             | -                   | -                               | -                                      | 51,924                         | 443,921                        |
| Rents Charged  | -                   | 100,496             | 28,412                          | -                                      | -                              | 128,907                        |
| Grants   | 99,539              | -                   | -                               | -                                      | -                              | 99,539                         |
| Other Revenue  | 212,897             | -                   | 24,546                          | 836                                    | 77,751                         | 316,030                        |
| <b>Total Revenues</b>  | <b>8,340,048</b>    | <b>104,417</b>      | <b>475,107</b>                  | <b>836</b>                             | <b>1,072,775</b>               | <b>9,993,183</b>               |
| <b>EXPENDITURES</b>  |                     |                     |                                 |  |                                |                                |
| Current:   |                     |                     |                                 |  |                                |                                |
| General Government   | 1,763,858           | -                   | -                               | 452,750                                | -                              | 2,216,608                      |
| Public Safety  | 5,100,734           | -                   | -                               | -                                      | 39,926                         | 5,140,660                      |
| Public Works   | 1,573,753           | -                   | -                               | -                                      | -                              | 1,573,753                      |
| Culture and Recreation                                       | 15,470              | -                   | -                               | -                                      | -                              | 15,470                         |
| Economic Development   | 5,708               | 123,737             | 503,760                         | -                                      | -                              | 633,205                        |
| Debt Service:  |                     |                     |                                 |  |                                |                                |
| Principal Retirement   | -                   | -                   | -                               | -                                      | 1,943,627                      | 1,943,627                      |
| Interest and Fiscal Charges                                  | -                   | -                   | -                               | -                                      | 322,096                        | 322,096                        |
| <b>Total Expenditures</b>                                    | <b>8,459,523</b>    | <b>123,737</b>      | <b>503,760</b>                  | <b>452,750</b>                         | <b>2,305,649</b>               | <b>11,845,419</b>              |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>(119,475)</b>    | <b>(19,320)</b>     | <b>(28,653)</b>                 | <b>(451,914)</b>                       | <b>(1,232,874)</b>             | <b>(1,852,236)</b>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                                 |  |                                |                                |
| Proceeds from Sale of Assets                                 | -                   | -                   | 122,611                         | -                                      | 10,127                         | 132,738                        |
| Transfers In   | 52,348              | -                   | 45,000                          | -                                      | 1,303,145                      | 1,400,493                      |
| Transfers Out  | (1,152,657)         | -                   | (264,155)                       | -                                      | (52,348)                       | (1,469,160)                    |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(1,100,309)</b>  | <b>-</b>            | <b>(96,545)</b>                 | <b>-</b>                               | <b>1,260,924</b>               | <b>64,071</b>                  |
| <b>Net Change in Fund Balance</b>                            | <b>(1,219,784)</b>  | <b>(19,320)</b>     | <b>(125,197)</b>                | <b>(451,914)</b>                       | <b>28,050</b>                  | <b>(1,788,165)</b>             |
| <b>Fund Balances (Deficits) - Beginning</b>                  | <b>7,899,344</b>    | <b>(762,840)</b>    | <b>2,005,121</b>                | <b>557,631</b>                         | <b>261,829</b>                 | <b>9,961,085</b>               |
| <b>Fund Balances (Deficits) - Ending</b>                     | <b>\$ 6,679,560</b> | <b>\$ (782,160)</b> | <b>\$ 1,879,924</b>             | <b>\$ 105,717</b>                      | <b>\$ 289,879</b>              | <b>\$ 8,172,920</b>            |

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

**City of Picayune  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
September 30, 2014**

**EXHIBIT 4.1**

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**Net Change in Fund Balances - Total Governmental Funds** **\$ (1,788,165)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.

|                                 |                    |           |
|---------------------------------|--------------------|-----------|
| Expenditures for Capital Assets | \$ 1,481,578       |           |
| Less: Current Year Depreciation | <u>(1,839,206)</u> | (357,628) |

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

|   |           |
|---|-----------|
| Principal payments, net of loan forgiveness | 2,555,990 |
|---|-----------|

Some expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

|  |              |
|--|--------------|
| Change in Long-term Compensated Absences | <u>3,356</u> |
|--|--------------|

|  |                                 |
|--|---------------------------------|
| <b>Change in Net Assets of Governmental Activities</b> | <b><u><u>\$ 413,553</u></u></b> |
|--|---------------------------------|

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

City of Picayune  
Statement of Net Assets  
Proprietary Funds  
September 30, 2014

EXHIBIT 5

|  | Enterprise Funds    |                   |                      |
|--|---------------------|-------------------|----------------------|
|  | Utility Fund        | Cemetery Fund     | Total                |
| <b>ASSETS</b>  |                     |                   |                      |
| <b>Current Assets:</b>                               |                     |                   |                      |
| Cash and Cash Equivalents                            | \$ 4,063,293        | \$ 115,039        | \$ 4,178,332         |
| Restricted Cash                                      | 2,174,081           | -                 | 2,174,081            |
| Investments  | 363,406             | 111,162           | 474,568              |
| Accounts Receivable, net of allowance                | 884,685             | -                 | 884,685              |
| Other Receivables                                    | -                   | 32,708            | 32,708               |
| Prepaid Expenses                                     | 14,305              | -                 | 14,305               |
| Inventory  | 167,122             | 148,202           | 315,324              |
| Due from Other Funds                                 | 255,319             | -                 | 255,319              |
| <b>Total Current Assets</b>                          | <b>7,922,211</b>    | <b>407,111</b>    | <b>8,329,322</b>     |
| <b>Noncurrent Assets:</b>                            |                     |                   |                      |
| Capital Assets:                                      |                     |                   |                      |
| Land   | 169,023             | 3,576             | 172,599              |
| Buildings and Improvements                           | 142,065             | 8,506             | 150,571              |
| Machinery and Equipment                              | 1,125,330           | 30,382            | 1,155,712            |
| Infrastructure                                       | 12,305,028          | 112,727           | 12,417,755           |
| Mobile Equipment                                     | 618,307             | 10,000            | 628,307              |
| Construction in Progress                             | 714,000             | -                 | 714,000              |
| Less Accumulated Depreciation                        | (4,242,647)         | (36,150)          | (4,278,797)          |
| Bond Issuance Costs, net of accumulated amortization | 62,440              | -                 | 62,440               |
| <b>Total Noncurrent Assets</b>                       | <b>10,893,546</b>   | <b>129,041</b>    | <b>11,022,587</b>    |
| <b>Total Assets</b>                                  | <b>18,815,757</b>   | <b>536,152</b>    | <b>19,351,909</b>    |
| <b>LIABILITIES</b>                                   |                     |                   |                      |
| <b>Current Liabilities:</b>                          |                     |                   |                      |
| Accounts Payable                                     | 935,965             | 1,144             | 937,109              |
| Accrued Salaries and Taxes                           | 64,885              | 2,045             | 66,930               |
| Customer Deposits                                    | 693,393             | -                 | 693,393              |
| Due to Other Funds                                   | 1,824,291           | 644               | 1,824,935            |
| Current Portion of Long-term Debt                    | 284,548             | -                 | 284,548              |
| <b>Total Current Liabilities</b>                     | <b>3,803,082</b>    | <b>3,833</b>      | <b>3,806,915</b>     |
| <b>Noncurrent Liabilities:</b>                       |                     |                   |                      |
| Compensated Absences Payable                         | 133,661             | 6,954             | 140,615              |
| Long-term Debt                                       | 4,911,643           | -                 | 4,911,643            |
| <b>Total Liabilities</b>                             | <b>8,848,386</b>    | <b>10,787</b>     | <b>8,859,173</b>     |
| <b>NET ASSETS</b>                                    |                     |                   |                      |
| Invested in Capital Assets, Net of Related Debt      | 5,634,915           | 129,041           | 5,763,956            |
| Restricted   | 3,230,880           | 111,162           | 3,342,042            |
| Unrestricted   | 1,101,576           | 285,162           | 1,386,738            |
| <b>Total Net Assets</b>                              | <b>\$ 9,967,371</b> | <b>\$ 525,365</b> | <b>\$ 10,492,736</b> |

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

City of Picayune  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
September 30, 2014

EXHIBIT 6

|   | Enterprise Funds    |                   |                      |
|---|---------------------|-------------------|----------------------|
|   | Utility Fund        | Cemetery Fund     | Total                |
| <b>Operating Revenues:</b>                    |                     |                   |                      |
| Charges for Services                          | \$ 5,249,676        | \$ -              | \$ 5,249,676         |
| Plot Sales                                    | -                   | 26,106            | 26,106               |
| <b>Total Operating Revenues</b>               | <b>5,249,676</b>    | <b>26,106</b>     | <b>5,275,782</b>     |
| <b>Operating Expenses:</b>                    |                     |                   |                      |
| Personnel Services                            | 1,467,744           | 48,024            | 1,515,768            |
| Supplies                                      | 312,367             | 8,957             | 321,323              |
| Contractual Services and Other Charges        | 1,260,016           | 3,794             | 1,263,811            |
| Utilities                                     | 94,663              | 1,076             | 95,739               |
| Purchase of Gas                               | 1,279,927           | -                 | 1,279,927            |
| Depreciation and Amortization                 | 455,949             | 1,907             | 457,857              |
| <b>Total Operating Expenses</b>               | <b>4,870,666</b>    | <b>63,758</b>     | <b>4,934,424</b>     |
| Operating Income (Loss)                       | 379,010             | (37,652)          | 341,357              |
| <b>Nonoperating Revenues (Expenses):</b>      |                     |                   |                      |
| Loan Forgiveness                              | 1,229,224           | -                 | 1,229,224            |
| Other Miscellaneous Income                    | -                   | 1,497             | 1,497                |
| Proceeds from Asset Disposals                 | 22,088              | -                 | 22,088               |
| Interest Income                               | 12,692              | 307               | 12,999               |
| Grant Revenue                                 | 24,688              | -                 | 24,688               |
| Transfers In                                  | 102,083             | 64,417            | 166,500              |
| Transfers Out                                 | (110,417)           | -                 | (110,417)            |
| Interest Expense                              | (151,479)           | -                 | (151,479)            |
| <b>Total Nonoperating Revenues (Expenses)</b> | <b>1,128,879</b>    | <b>66,221</b>     | <b>1,195,099</b>     |
| <b>Net Income (Loss)</b>                      | <b>1,507,888</b>    | <b>28,568</b>     | <b>1,536,457</b>     |
| <b>Total Net Assets - Beginning</b>           | <b>8,459,483</b>    | <b>496,797</b>    | <b>8,956,280</b>     |
| <b>Total Net Assets - Ending</b>              | <b>\$ 9,967,371</b> | <b>\$ 525,365</b> | <b>\$ 10,492,737</b> |

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

City of Picayune  
Statement of Cash Flows  
Proprietary Funds  
September 30, 2014

EXHIBIT 7

|   | Enterprise Funds    |                   |                     |
|---|---------------------|-------------------|---------------------|
|   | Utility Fund        | Cemetery Fund     | Total               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                     |                   |                     |
| Cash received from customers and users  | \$ 5,249,676        | \$ 26,106         | \$ 5,275,782        |
| Cash payments for personnel services  | (1,467,744)         | (48,024)          | \$ (1,515,768)      |
| Cash payments to suppliers and contractual services                                     | (1,572,383)         | (2,075)           | \$ (1,574,458)      |
| Cash payments for other charges   | (1,255,387)         | (2,983)           | \$ (1,258,370)      |
| Net cash provided (used) by operating activities  | 954,162             | (26,976)          | 927,185             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                        |                     |                   |                     |
| Grant revenue   | 24,688              | -                 | 24,688              |
| Miscellaneous revenue   | 22,088              | 1,497             | 23,585              |
| Transfers (to) from other funds   | (8,333)             | 64,417            | 56,083              |
| Interest expense  | (151,479)           | -                 | (151,479)           |
| Principal repayments  | (590,293)           | -                 | (590,293)           |
| Proceeds from borrowings  | 256,790             | -                 | 256,790             |
| Purchase of capital assets  | (1,057,760)         | -                 | (1,057,760)         |
| Net cash provided (used) by capital and related financing activities                    | (1,504,300)         | 65,914            | (1,438,386)         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                     |                   |                     |
| Investment earnings   | 12,692              | 307               | 12,999              |
| Net cash provided (used) by investing activities  | 12,692              | 307               | 12,999              |
| Net increase (decrease) in cash and cash equivalents                                    | (537,447)           | 39,244            | (498,202)           |
| <b>Cash and cash equivalents, October 1</b>   | <b>6,768,211</b>    | <b>75,795</b>     | <b>6,844,006</b>    |
| <b>Cash and cash equivalents, September 30</b>  | <b>\$ 6,230,764</b> | <b>\$ 115,039</b> | <b>\$ 6,345,803</b> |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |                     |                   |                     |
| Net operating income (loss)   | \$ 379,010          | \$ (37,652)       | \$ 341,357          |
| Adjustments not affecting cash:   |                     |                   |                     |
| Depreciation expense  | 455,949             | 1,907             | 457,857             |
| Changes in assets and liabilities:  |                     |                   |                     |
| (Increase) decrease in accounts receivable  | (105,391)           | -                 | (105,391)           |
| (Increase) decrease in prepaid items  | (1,911)             | -                 | (1,911)             |
| (Increase) decrease in inventory  | (29,058)            | -                 | (29,058)            |
| (Increase) decrease in due from other funds   | (15,982)            | -                 | (15,982)            |
| Increase (decrease) in accounts payable & accruals                                      | 177,530             | 9,030             | 186,560             |
| Increase (decrease) in customer deposits  | 23,910              | -                 | 23,910              |
| Increase (decrease) in due to other funds   | 70,105              | (261)             | 69,844              |
| Net cash provided (used) by operating activities  | \$ 954,162          | \$ (26,976)       | \$ 927,185          |

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

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanation, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2014.

- II. The City's basic financial statements include the accounts of all City operations. The criteria for including as a component unit of the city, consists of oversight responsibility, special financing relationships, and scope of public services. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the City has no component units.

*Related Organizations*

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

*Joint Ventures and Jointly Governed Organizations*

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

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

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

**III. Government-Wide and Fund Financial Statements**

*Government-Wide Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report financial information on all of the non-fiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree of which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

of capital assets and include fees to developers. Taxes and other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**IV. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**(A) Basis of Accounting**

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

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

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers revenues to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Major revenue sources susceptible to accrual include: Property taxes, licenses, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received by the City.

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

**(B) Fund Types and Major Funds**

**Governmental Funds**

The City reports the following major governmental funds:

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Airport Fund** – This special revenue fund accounts for the financial resources used for the acquisition, construction, and maintenance of the City operated airport.

**Economic Development Fund** – This special revenue fund accounts for the proceeds from the Tourism Sales Tax, and the sales of land in the industrial park that are used for economic development.

**General Obligation Street Bond Fund** – This special revenue fund accounts for the proceeds from the issuance of bonds to be used for certain capital projects and improvements.

Proprietary Funds

The City reports the following major proprietary funds:

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

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

(C) Use of Estimates

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

V. Assets, Liabilities, and Net Assets or Equity

(A) Cash and Investments

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

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

(B) Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds."

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

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All trade, property tax, and fine receivables are shown net of an allowance for uncollectibles. An allowance has been provided in the general fund and the utility fund for estimated uncollectible ad valorem taxes receivable and utility charges. In the general fund, the allowance amount is estimated based on collections history. The allowance in the utility fund is estimated using accounts receivable past due 90 days or more. As of September 30, 2014, the allowance for uncollectible utility fund receivables is \$37,296 and the allowance for general fund receivables is \$4,125,799 which consists primarily of police fines.

(C) Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2014, are recorded as prepaid items.

(D) Inventories

Inventories consist of natural gas stored with the City's supplier, cemetery plots, aviation fuel at the Picayune Municipal Airport, and parcels of land at the City's industrial park. Inventories are stated at cost utilizing the average cost valuation method for natural gas and aviation fuel and at historical cost for cemetery plots and land.

(E) Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws. Restricted assets in the debt service fund are restricted for the payment of debt service. Restricted assets in the special revenue funds are restricted for economic development, recreation and for certain purposes as stated in the grant agreements. Restricted assets in the enterprise funds represent utility customer deposits subject to refund and amounts restricted for improvements. When both restricted and non-restricted assets are available for use, the policy is to use restricted assets first.

(F) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), net of depreciation are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City generally capitalizes assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

|                               |               |
|-------------------------------|---------------|
| Buildings                     | 50 years      |
| Building improvements         | 20 years      |
| Public domain infrastructure  | 50 years      |
| Utility system infrastructure | 10 – 50 years |
| Machinery and equipment       | 3 – 15 years  |

CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(G) Long-Term Obligations

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

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

(H) Compensated Absences

The City's policy allows employees to accumulate unused vacation and sick leave. Full-time employees are granted vacation from 12 to 24 days per year depending on the employee's length of service. Retiring and terminating employees are paid for unused vacation up to a maximum of 240 hours. There is no liability for unpaid accumulated sick leave since sick pay is not paid upon termination of employment. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. In the fund financial statements, a liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours multiplied by the employee's hourly rate at September 30, 2014. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay up on liquidation of the liability.

(I) Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the City:

*Nonspendable fund balance* includes items that cannot be spent. This includes amounts that are not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and amounts that must legally or contractually be required to remain intact, such as a principal balance in a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Board, the City's highest level of decision-making authority.

*Assigned fund balance* includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general funds, this is the residual amount within the fund that is not restricted or committed.

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

(J) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, not of related debt, consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**NOTE 2 - CASH AND OTHER DEPOSITS**

(A) Cash

The carrying value of the City's deposits with financial institutions was \$11,762,454 and the bank balance was \$11,963,410 at September 30, 2014.

Custodial Credit Risk: State laws allows the City to invest in interest bearing time certificates of deposits for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or of any county, municipality or school district of the state. Further, the City may invest in certain purchase agreements.

The collateral for public entities deposits' in financial institutions is held in the name of the State Treasurer of Mississippi under a program established 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, security pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC.

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

Concentration of Credit Risk: The City places no limit on the amount the City may invest in any one issuer.

The carrying amount of certificates of deposits is a reasonable estimate of their fair value.

(B) Investments

Mississippi municipalities may invest surplus funds in certificates of deposit with qualified depositories and in bonds and direct obligations of the United States of America; or the State of Mississippi; or any count, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery clerk.

At September 30, 2014, the City did not hold any certificates of deposit with maturity dates longer than one year.

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 3 - RECEIVABLES**

Receivables at September 30, 2014 consist of the following:

|                                       | Governmental<br>Activities | Business-type<br>Activities | Total<br>Government-wide |
|---------------------------------------|----------------------------|-----------------------------|--------------------------|
| Property and ad valorem tax           | \$ 1,859,752               | \$ -                        | \$ 1,859,752             |
| Sales tax                             | 796,087                    | -                           | 796,087                  |
| Franchise tax                         | 188,893                    | -                           | 188,893                  |
| Fines receivable, gross               | 4,527,522                  | -                           | 4,527,522                |
| Accounts receivable, gross            | -                          | 921,981                     | 921,981                  |
| Other receivables                     | 36,014                     | 32,708                      | 68,722                   |
| Notes receivable                      | 949,920                    | -                           | 949,920                  |
| Total receivables, gross              | 8,358,188                  | 954,689                     | 9,312,877                |
| Less: allowance for doubtful accounts | (4,125,799)                | (37,296)                    | (4,163,095)              |
| Total receivables, net                | <u>\$ 4,232,389</u>        | <u>\$ 917,393</u>           | <u>\$ 5,149,782</u>      |

(A) Property Taxes

The City levies a tax on real and personal property based on the assessed value of property as compiled by the Pearl River County and Hancock County tax assessors from the information extracted from the County assessment tax rolls. The taxes on real property attach as an enforceable lien on the property as of January 1. Taxes on real and personal property are levied by the City Council at the first regular meeting in September. The City's tax assessment roll is then approved by the City Council after a series of public hearings to receive the citizens' objections. Such taxes are billed and collected by the City.

In accordance with Mississippi Code of 1972, as amended for code section 27-39-321, the Board may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for the current year are limited to an increase of not more than 10% over receipts for any one of the preceding three years. For purposes of the computation, taxes collected in the current year resulting from the property added to the tax assessment roll are excluded from the computation.

(B) Notes Receivable

Brockway Building

On May 3, 2005, the City entered into an agreement with Farmer Fresh Produce International, LLC for the sale of the City's Brockway Building. The sales price of the building was \$1,100,000 at 2% interest per annum for a period of thirty years. Monthly payments of \$4,066 are due on the first day of each month. The sale is financed by the City. The agreement includes a special provision that the City incur \$35,000 to repair and modernize the Brockway Building's administrative offices. The City and the buyer agree that the special provision will be met by the buyer not paying the first eight payments and reducing the ninth payment. The balance of notes receivable as of September 30, 2014 was \$825,354 and is included as Notes Receivable in the Statement of Net Assets.

National Home Furnishings

On September 29, 2006, the City entered into an agreement with National Home Furnishings for the sale of City property and building. The sales price was \$157,000 at 7% interest per annum for a period of twenty years. Monthly payments of \$1,217 are due on the first day of each month. The sale is financed by the City. The balance of notes receivable as of September 30, 2014 was \$124,566 and is included as Notes Receivable in the Statement of Net Assets.

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of changes in capital assets during the year ended September 30, 2014:

| <b>Governmental Activities</b>                     | <b>Beginning<br/>Balance</b> | <b>Increases</b>    | <b>Decreases</b>      | <b>Ending<br/>Balance</b> |
|--|------------------------------|---------------------|-----------------------|---------------------------|
| <i>Capital assets not being depreciated:</i>       |                              |                     |                       |                           |
| Land   | \$ 2,402,438                 |                     |                       | \$ 2,402,438              |
| Construction in Progress                           | 7,410,870                    | 24,742              | (7,410,870)           | 24,742                    |
| Total capital assets not being depreciated         | 9,813,308                    | 24,742              | (7,410,870)           | 2,427,180                 |
| <i>Capital assets being depreciated:</i>           |                              |                     |                       |                           |
| Buildings and improvements                         | 7,605,229                    | 103,650             |                       | 7,708,879                 |
| Machinery and equipment                            | 1,355,696                    |                     | (70,000)              | 1,285,696                 |
| Mobile equipment                                   | 3,752,147                    | 40,558              |                       | 3,792,705                 |
| Infrastructure                                     | 43,588,559                   | 8,698,998           |                       | 52,287,557                |
| Total capital assets being depreciated             | 56,301,631                   | 8,843,206           | (70,000)              | 65,074,837                |
| <i>Less accumulated depreciation for:</i>          |                              |                     |                       |                           |
| Buildings and improvements                         | (1,730,433)                  | (147,238)           |                       | (1,877,671)               |
| Machinery and equipment                            | (1,235,193)                  | (96,003)            | 45,500                | (1,285,696)               |
| Mobile equipment                                   | (2,563,771)                  | (70,385)            |                       | (2,634,156)               |
| Infrastructure                                     | (25,887,916)                 | (1,525,580)         |                       | (27,413,496)              |
| Total accumulated depreciation                     | (31,417,313)                 | (1,839,206)         | 45,500                | (33,211,019)              |
| Total capital assets being depreciated, net        | 24,884,318                   | 7,004,000           | (24,500)              | 31,863,818                |
| <b>Governmental activities capital assets, net</b> | <b>\$ 34,697,626</b>         | <b>\$ 7,028,742</b> | <b>\$ (7,435,370)</b> | <b>\$ 34,290,998</b>      |

Depreciation expense was charged to governmental activities as follows:

|                            |                     |
|----------------------------|---------------------|
| General Government         | \$ 1,331,745        |
| Public Safety              | 62,481              |
| Public Works               | 234,668             |
| Culture and Recreation     | 92,973              |
| Economic Development       | 117,339             |
| Total Depreciation Expense | <u>\$ 1,839,206</u> |

**CITY OF PICAYUNE, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 4 – CAPITAL ASSETS (Continued)**

| <b>Business-type Activities</b>                     | <b>Beginning<br/>Balance</b> | <b>Increases</b>  | <b>Decreases</b>   | <b>Ending<br/>Balance</b> |
|---|------------------------------|-------------------|--------------------|---------------------------|
| <i>Capital assets not being depreciated:</i>        |                              |                   |                    |                           |
| Land  | \$ 172,599                   | \$ -              | \$ -               | \$ 172,599                |
| Construction in progress                            | -                            | 714,000           | -                  | 714,000                   |
| Total capital assets not being depreciated          | 172,599                      | 714,000           | -                  | 886,599                   |
| <i>Capital assets being depreciated:</i>            |                              |                   |                    |                           |
| Buildings and improvements                          | 150,571                      | -                 | -                  | 150,571                   |
| Machinery and equipment                             | 1,168,408                    | 57,304            | (70,000)           | 1,155,712                 |
| Mobile equipment                                    | 587,743                      | 40,564            | -                  | 628,307                   |
| Infrastructure                                      | 12,171,863                   | 245,892           | -                  | 12,417,755                |
| Total capital assets being depreciated              | 14,078,585                   | 343,760           | (70,000)           | 14,352,345                |
| <i>Less accumulated depreciation for:</i>           |                              |                   |                    |                           |
| Buildings and improvements                          | (39,324)                     | (4,993)           | -                  | (44,317)                  |
| Machinery and equipment                             | (690,142)                    | (1,394)           | 45,500             | (646,036)                 |
| Mobile equipment                                    | (431,305)                    | (76,686)          | -                  | (507,991)                 |
| Infrastructure                                      | (2,712,865)                  | (367,588)         | -                  | (3,080,453)               |
| Total accumulated depreciation                      | (3,873,636)                  | (450,661)         | 45,500             | (4,278,797)               |
| Total capital assets being depreciated, net         | 10,204,949                   | (106,901)         | (24,500)           | 10,073,548                |
| <b>Business-type activities capital assets, net</b> | <b>\$ 10,377,548</b>         | <b>\$ 607,099</b> | <b>\$ (24,500)</b> | <b>\$ 10,960,147</b>      |

**NOTE 5 – LONG-TERM DEBT**

Changes in long-term debt during the year ended September 30, 2014 are as follows:

|                                 | <b>October 1,<br/>2013</b> | <b>Additions</b> | <b>Reductions</b> | <b>September 30,<br/>2014</b> | <b>Due Within<br/>One Year</b> |
|---------------------------------|----------------------------|------------------|-------------------|-------------------------------|--------------------------------|
| <b>Governmental Activities</b>  |                            |                  |                   |                               |                                |
| Bonds                           | \$ 10,259,500              | \$ 3,057,423     | \$ (5,049,500)    | \$ 8,267,423                  | \$ 1,168,385                   |
| Notes                           | 1,656,071                  | 113,993          | (851,778)         | 918,286                       | 91,012                         |
| Compensated Absences            | 566,342                    | -                | (3,356)           | 562,986                       | -                              |
| Total                           | \$ 12,481,913              | \$ 3,171,416     | \$ (5,904,634)    | \$ 9,748,695                  | \$ 1,259,397                   |
| <b>Business-Type Activities</b> |                            |                  |                   |                               |                                |
| Bonds                           | \$ 3,287,110               | \$ 242,577       | \$ (385,500)      | \$ 3,144,187                  | \$ 146,615                     |
| Notes                           | 3,471,808                  | 14,213           | (1,434,017)       | 2,052,004                     | 137,933                        |
| Compensated Absences            | 97,426                     | 43,189           | -                 | 140,615                       | -                              |
| Total                           | \$ 6,856,344               | \$ 299,979       | \$ (1,819,517)    | \$ 5,336,806                  | \$ 284,548                     |

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 5 – LONG-TERM DEBT (Continued)**

**(A) Bonds Payable**

|   | October 1,<br>2013   | Additions           | Reductions            | September 30,<br>2014 | Due Within<br>One Year |
|---|----------------------|---------------------|-----------------------|-----------------------|------------------------|
| <b>GENERAL GOVERNMENT:</b>                        |                      |                     |                       |                       |                        |
| General Obligation Public Improvement Bonds, 2004 | \$ 710,000           | \$ -                | \$ (710,000)          | \$ -                  | \$ -                   |
| Special Obligation Bonds, 2004                    | 2,295,000            | -                   | (2,295,000)           | -                     | -                      |
| General Obligation Public Improvement Bonds, 2005 | 544,500              | -                   | (544,500)             | -                     | -                      |
| General Obligation Public Improvement Bonds, 2006 | 730,000              | -                   | (730,000)             | -                     | -                      |
| General Obligation Bond Series, 2008              | 280,000              | -                   | (50,000)              | 230,000               | 55,000                 |
| General Obligation Street Bonds, 2010             | 5,700,000            | -                   | (720,000)             | 4,980,000             | 750,000                |
| General Obligation Refunding Bonds, 2014          | -                    | 3,057,423           | -                     | 3,057,423             | 363,385                |
| Total General Government                          | 10,259,500           | 3,057,423           | (5,049,500)           | 8,267,423             | 1,168,385              |
| <b>BUSINESS-TYPE:</b>                             |                      |                     |                       |                       |                        |
| General Obligation Public Improvement Bonds, 2005 | 280,500              | -                   | (280,500)             | -                     | -                      |
| Utility System Revenue Bonds, 2013                | 3,006,610            | -                   | (105,000)             | 2,901,610             | 110,000                |
| General Obligation Refunding Bonds, 2014          | -                    | 242,577             | -                     | 242,577               | 36,615                 |
| Total Business-Type                               | 3,287,110            | 242,577             | (385,500)             | 3,144,187             | 146,615                |
| <b>TOTAL</b>                                      | <b>\$ 13,546,610</b> | <b>\$ 3,300,000</b> | <b>\$ (5,435,000)</b> | <b>\$ 11,411,610</b>  | <b>\$ 1,315,000</b>    |

Principal and interest maturities are as follows:

| <b>Governmental Activities</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total Requirements</b> |
|--------------------------------|---------------------|-------------------|---------------------------|
| 9/30/2015                      | 1,168,385           | 202,683           | 1,371,068                 |
| 9/30/2016                      | 1,211,677           | 172,276           | 1,383,953                 |
| 9/30/2017                      | 1,260,440           | 144,372           | 1,404,812                 |
| 9/30/2018                      | 1,307,972           | 114,468           | 1,422,440                 |
| 9/30/2019                      | 1,287,226           | 82,701            | 1,369,927                 |
| Thereafter                     | 2,031,723           | 99,458            | 2,131,181                 |
| Total                          | <b>\$ 8,267,423</b> | <b>\$ 815,958</b> | <b>\$ 9,083,381</b>       |

| <b>Business-Type Activities</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total Requirements</b> |
|---------------------------------|---------------------|---------------------|---------------------------|
| 9/30/2015                       | 146,615             | 85,384              | 231,999                   |
| 9/30/2016                       | 153,323             | 81,200              | 234,523                   |
| 9/30/2017                       | 159,560             | 76,966              | 236,526                   |
| 9/30/2018                       | 162,028             | 73,280              | 235,308                   |
| 9/30/2019                       | 167,774             | 69,462              | 237,236                   |
| Thereafter                      | 2,354,887           | 619,234             | 2,974,121                 |
| Total                           | <b>\$ 3,144,187</b> | <b>\$ 1,005,526</b> | <b>\$ 4,149,713</b>       |

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 5 – LONG-TERM DEBT (Continued)**

**(A) Bonds Payable (continued)**

|  | <b><u>Balance<br/>at 9/30/2014</u></b> |
|--|--|
| <b>GENERAL GOVERNMENT</b>  |  |
| General Obligation Bond Series, 2008, dated March 19, 2008, \$500,000 amount, fixed interest rate at 2.9%, payable in annual installments of \$40,000 on March 1, 2009, and increasing thereafter up to \$60,000 until maturity on March 1, 2018.                  | 230,000                                |
| General Obligation Street Bonds, 2010, dated August 5, 2010, \$7,700,000 amount, variable interest currently at 3.4% that decreases over the life of the bonds to 2.9%, payable in annual installments beginning at \$640,000 on July 1, 2011, and increasing the  | 4,980,000                              |
| General Obligation Refunding Bonds, 2014, dated June 30, 2014, \$3,057,423, variable interest ranging from 2.0% to 2.5%, payable in annual installments beginning at July 1, 2015 until maturity on July 1, 2024. Interest payable semi-annually.                  | <u>3,057,423</u>                       |
| TOTAL GENERAL GOVERNMENT BONDS PAYABLE   | <u>8,267,423</u>                       |
| <b>BUSINESS-TYPE</b>   |  |
| Combined Utility System Revenue Bonds, 2013, dated April 1, 2013, \$3,000,000, variable interest currently at 3.0%, principal payable in annual installments beginning at \$105,000 in 2014 and increasing annually thereafter up to \$205,000 at maturity in 2033 | 2,901,610                              |
| General Obligation Refunding Bonds, 2014, dated June 30, 2014, \$242,578 amount, variable interest ranging from 2.0% to 2.5%, payable in annual installments beginning 7/01/2015 until maturity 7/01/2024. Interest payable semi-annually.                         | <u>242,577</u>                         |
| TOTAL BUSINESS-TYPE BONDS PAYABLE  | <u>3,144,187</u>                       |
| TOTAL GENERAL GOVERNMENT AND BUSINESS-TYPE BONDS PAYABLE   | <u><u>\$ 11,411,610</u></u>            |

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 5 – LONG-TERM DEBT (Continued)**

**(B) Notes Payable**

|   | Balance at<br>October 1,<br>2013 | Additions         | (Reductions)          | Balance at<br>September 30,<br>2014 | Due<br>Within<br>One Year |
|---|----------------------------------|-------------------|-----------------------|-------------------------------------|---------------------------|
| <b>GENERAL GOVERNMENT</b>   |                                  |                   |                       |                                     |                           |
| MDA Loan No. 0524, bearing interest at 3%, maturing February 1, 2028  | \$ 210,683                       | \$ -              | \$ (11,939)           | \$ 198,744                          | \$ 12,302                 |
| MDA for drainage project, bearing interest at 3%, maturing September 1, 2014  | 26,842                           | -                 | (26,842)              | -                                   | -                         |
| MDA for drainage project, bearing interest at 4.65%, maturing January 1, 2015   | 11,303                           | -                 | (6,372)               | 4,931                               | 4,931                     |
| MDA for airport infrastructure project, bearing interest at 3%, maturing June 1, 2022   | 134,661                          | -                 | (14,114)              | 120,547                             | 14,543                    |
| MDA for airport infrastructure project, bearing interest at 3%, maturing June 1, 2022   | 33,881                           | -                 | (3,451)               | 30,430                              | 3,556                     |
| FEMA Special Community Disaster Loan, bearing interest at 2.67%   | 752,091                          | 7,993             | (760,084)             | -                                   | -                         |
| MDA for airport infrastructure, bearing interest at 3%, maturing July 31, 2027  | 486,610                          | -                 | (28,976)              | 457,634                             | 29,858                    |
| Capital Lease - Special Police Drug Fund (3 Vehicles), 1/2014, \$106,000 / 1.73% / 4 annual payments of \$27,655.95   | -                                | 106,000           | -                     | 106,000                             | 25,822                    |
| <b>TOTAL GENERAL GOVERNMENT</b>   | <b>1,656,071</b>                 | <b>113,993</b>    | <b>(851,778)</b>      | <b>918,286</b>                      | <b>91,012</b>             |
| <b>BUSINESS-TYPE</b>  |                                  |                   |                       |                                     |                           |
| MS State Department of Health, Drinking Water Systems Improvements, bearing interest at 3.5%, maturing July 1,  | 153,553                          | -                 | (12,764)              | 140,789                             | 13,218                    |
| FEMA Special Community Disaster Loan, bearing interest at 2.93%   | 1,215,011                        | 14,213            | (1,229,224)           | -                                   | -                         |
| Capital Improvements Revolving Loan for AMR project, bearing interest at 2%, maturing March 1, 2032   | 1,214,982                        | -                 | (124,786)             | 1,090,196                           | 56,141                    |
| Capital Improvements Revolving Loan for water distribution project, bearing interest at 2%, maturing November 1, 2032   | 541,364                          | -                 | (23,498)              | 517,866                             | 23,972                    |
| Capital Lease for Caterpillar 320EL, 5/9/2013, \$203,427 / 1.61% / 36 monthly payments of \$2,107.25 and a balloon payment of \$136,000 on 6/9/2016                 | 194,231                          | -                 | (22,324)              | 171,907                             | 22,747                    |
| Capital Lease for Caterpillar 305E Mini Hex Excavator, 7/22/2013, \$61,353 / 1.71% / 36 monthly payments of \$951.49 and a balloon payment of \$29,500 on 8/22/2016 | 59,624                           | -                 | (10,480)              | 49,144                              | 10,706                    |
| Capital Lease for Caterpillar 420F Backhoe Loader, 5/9/2013, \$97,550 / 1.61% / 36 monthly payments of \$1,029.91 and a balloon payment of \$64,500 on 6/9/2016     | 93,044                           | -                 | (10,941)              | 82,103                              | 11,149                    |
| <b>TOTAL BUSINESS-TYPE</b>  | <b>3,471,809</b>                 | <b>14,213</b>     | <b>(1,434,017)</b>    | <b>2,052,005</b>                    | <b>137,933</b>            |
| <b>TOTAL GENERAL GOVERNMENT AND<br/>BUSINESS-TYPE NOTES PAYABLE</b>   | <b>\$ 5,127,880</b>              | <b>\$ 128,206</b> | <b>\$ (2,285,795)</b> | <b>\$ 2,970,291</b>                 | <b>\$ 228,945</b>         |

CITY OF PICAYUNE, MISSISSIPPI  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

**NOTE 5 – LONG-TERM DEBT – Continued**

**(A) Notes Payable (Continued)**

Principal and interest are as follows:

| <b>Governmental Activities</b> | <b>Principal</b>  | <b>Interest</b>   | <b>Total Requirements</b> |
|--------------------------------|-------------------|-------------------|---------------------------|
| 9/30/2015                      | 91,012            | 25,442            | 116,454                   |
| 9/30/2016                      | 88,361            | 23,064            | 111,425                   |
| 9/30/2017                      | 90,703            | 20,721            | 111,424                   |
| 9/30/2018                      | 93,113            | 18,313            | 111,426                   |
| 9/30/2019                      | 67,933            | 15,836            | 83,769                    |
| Thereafter                     | 487,163           | 57,270            | 544,433                   |
| Total                          | <u>\$ 918,285</u> | <u>\$ 160,646</u> | <u>\$ 1,078,931</u>       |

| <b>Business-Type Activities</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total Requirements</b> |
|---------------------------------|---------------------|-------------------|---------------------------|
| 9/30/2015                       | 137,933             | 41,662            | 179,595                   |
| 9/30/2016                       | 354,092             | 37,148            | 391,240                   |
| 9/30/2017                       | 97,679              | 32,962            | 130,641                   |
| 9/30/2018                       | 100,167             | 30,766            | 130,933                   |
| 9/30/2019                       | 102,416             | 28,518            | 130,934                   |
| Thereafter                      | 1,259,717           | 167,667           | 1,427,384                 |
| Total                           | <u>\$ 2,052,004</u> | <u>\$ 338,723</u> | <u>\$ 2,390,727</u>       |

Legal Debt Margin – The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a City issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2014, the amount of outstanding debt was equal to 16.18% of the latest property assessments.

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 6 – INTERFUND TRANSACTIONS**

**(A) Interfund Receivables and Payables**

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e., the non-current portion of interfund loans).

| Fund                      | Governmental Type       |                       | Business Type           |                       |
|---------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
|                           | Due From<br>Other Funds | Due To<br>Other Funds | Due From<br>Other Funds | Due To<br>Other Funds |
| General Fund              | \$ 3,021,024            | \$ 283,862            | \$ -                    | \$ -                  |
| Court E&M Fund            | 30,479                  | -                     | -                       | -                     |
| Special Police Drug Fund  | -                       | 1,747                 | -                       | -                     |
| Economic Development Fund | -                       | 7,408                 | -                       | -                     |
| Gen Obl 2010 Bond Fund    | -                       | 108,291               | -                       | -                     |
| Airport Fund              | -                       | 1,080,353             | -                       | -                     |
| Sales Tax Fund            | -                       | -                     | 6,739                   | -                     |
| Unemployment Trust Fund   | -                       | -                     | -                       | -                     |
| Debt Service Fund         | -                       | 226                   | -                       | -                     |
| Utility Fund              | -                       | -                     | 1,936                   | 1,824,291             |
| Cemetery Fund             | -                       | -                     | -                       | 644                   |
| Sewer Fund                | -                       | -                     | 246,644                 | -                     |
| <b>Total</b>              | <b>\$ 3,051,503</b>     | <b>\$ 1,481,887</b>   | <b>\$ 255,319</b>       | <b>\$ 1,824,935</b>   |

| Summary of Due To / Due From | 9/30/2014      |                |
|------------------------------|----------------|----------------|
|                              | Governmental   | Business-Type  |
| Due from other funds         | \$ 3,051,503   | \$ 255,319     |
| Due to other funds           | \$ (1,481,887) | \$ (1,824,935) |
| Net balance                  | \$ 1,569,616   | \$ (1,569,616) |

**NOTE 7 – DEFICIT FUND NET ASSETS**

At September 30, 2014, there is a deficit fund balance in the Airport Fund of \$782,160.

**NOTE 8 – JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION**

**Joint Venture**

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

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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**NOTE 8 – JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION (Continued)**

**Jointly Governed Organization**

The City is a member of the Municipal Gas Authority of Mississippi (MGAM), created as a local distribution company by Mississippi State Code Section 77-6-1 for the purpose of assisting municipal gas systems in the acquisition, transportation and management of adequate, dependable and economic natural gas supplies. Membership of MGAM at September 30, 2013 consists of approximately 17 municipalities or natural gas districts, all located in the State of Mississippi. Each voting member appoints one commissioner to MGAM's Board of Commissioners who has oversight responsibility of the operation of MGAM. The primary source of revenue for MGAM is from gas supply contracts with each of its members which require the members to take their entire gas supply or a fixed

portion from MGAM and require MGAM to provide that supply. MGAM is considered to be a jointly governed organization since no member can unilaterally control the financial or operating policies of MGAM and its members do not have an ongoing financial responsibility. The City entered into a gas supply contract for purchases of gas effective April 1, 2001, for an initial term of ten years with an option to extend the term of the Agreement by an additional 24 months at the expiration of the primary term. For the fiscal year ended September 30, 2014, payments to MGAM for gas purchases amount to \$1,279,927. The payments are included in utility "expenses" on the Statement of Activities and are included in "purchase of gas" on the Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.

**NOTE 9 – RETIREMENT PLANS**

The City of Picayune, 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. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy**

PERS members are required to contribute 9.00% of their annual covered salary and the City of Picayune, Mississippi is required to contribute at an actuarially determined rate. The current rate is 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

**(A) Litigation**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel the resolution of these matters will not have a material effect on the financial condition of the City.

**(B) Grants and Awards**

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

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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**NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)**

**(C) Operating Leases**

In September 2011, the City renewed its lease agreement with the Picayune City School District for exclusive rights to operate and maintain a baseball park (15.5 acres known as Snyder Park). The lease was renewed for a period of twenty-five (25) years ending on the 26<sup>th</sup> day of September, 2036. The lease agreement requires the City to pay the School District \$13,199.80 annually on or before the anniversary date of the lease. The lease amount shall be adjusted the eighth and every subsequent eight year anniversary date of the commencement of the lease pursuant to the rent adjustment clause of the contract

In September 2011, the City entered into a lease agreement with the Picayune City School District for exclusive rights to operate and maintain a community park (9.91 acres). The lease is for a twenty-five (25) year term ending on the 26<sup>th</sup> day of September, 2036. The lease agreement requires the City to pay the School District \$8,439.36 annually on or before the anniversary date of the lease. The lease amount shall be adjusted the eighth and every subsequent eight year anniversary date of the commencement of the lease pursuant to the rent adjustment clause of the contract

**(D) State Auditor’s Investigation**

In June 2005, the City requested that the State Auditor’s Office investigate certain allegations of wrong doing in the Court Department. On August 1, 2009, Debi W. Cox, Special Agent for the Mississippi Office of the State Auditor, took possession of Picayune General Fund Receipt Warrant Books covering the time period of 10/25/2002 through 5/31/2005. On January 13, 2015, the State Auditor’s office completed their investigation and closed the case with no findings.

**NOTE 11 – RISK MANAGEMENT**

**(A) Self-Insurance – Workers Compensation Fund**

The City is a member of the Mississippi Municipal Workers’ Compensation Group, Inc, a non-profit corporation, which is a self-insurance worker’s compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory workers compensation protection. Members are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

**(B) Self-Insurance – Liability Fund**

The City is a member of the Mississippi Municipal Liability Plan, a private non-profit corporation organized under the laws of the State of Mississippi. The Plan provides liability and tort claims insurance for its members according to limits established by the Mississippi Tort Claims Act. The Plan is totally self-insured with claims and expenses paid out of the premiums and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any, cannot be determined.

The City has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures/expenses. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

**NOTE 12 – SUBSEQUENT EVENTS**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. Management of the City of Picayune evaluated the activity of the City through March 3, 2015, the date the financial statements were available to be issued, and determined that no events have occurred that would require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PICAYUNE**  
**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

| <b>REVENUES</b>                     | <b>ORIGINAL<br/>BUDGET</b>  | <b>FINAL<br/>BUDGET</b>     | <b>ACTUAL</b>               | <b>VARIANCE</b>            |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| Taxes                               | \$ 2,056,287                | \$ 2,056,287                | \$ 2,002,107                | \$ (54,180)                |
| Licenses and permits                | 701,000                     | 787,000                     | 837,693                     | 50,693                     |
| Intergovernmental                   | 5,554,781                   | 5,684,170                   | 4,795,815                   | (888,355)                  |
| Charges for services                | 23,550                      | 6,050                       | -                           | (6,050)                    |
| Fines & forfeits                    | 396,900                     | 335,900                     | 391,998                     | 56,098                     |
| Miscellaneous                       | 20,500                      | 36,350                      | -                           | (36,350)                   |
| Transfers                           | 74,879                      | 74,879                      | 52,348                      | (22,531)                   |
| Interest earnings                   | 20,000                      | 20,000                      | 19,954                      | (46)                       |
| Grants                              | -                           | -                           | 99,539                      | 99,539                     |
| Other revenue                       | -                           | -                           | 192,943                     | 192,943                    |
| Total revenues                      | <u>8,847,897</u>            | <u>9,000,636</u>            | <u>8,392,396</u>            | <u>(608,240)</u>           |
| Beginning Cash Balance              | <u>2,457,006</u>            | <u>3,105,711</u>            | <u>3,223,244</u>            | <u>117,533</u>             |
| Total Revenues from All Sources     | <u><u>11,304,903</u></u>    | <u><u>12,106,347</u></u>    | <u><u>11,615,640</u></u>    | <u><u>(490,707)</u></u>    |
| <br><b>EXPENDITURES</b>             |                             |                             |                             |                            |
| General Government                  | 1,301,283                   | 1,514,119                   | 1,763,858                   | 249,739                    |
| Public Safety                       | 4,849,954                   | 4,945,161                   | 5,100,734                   | 155,573                    |
| Public Works                        | 1,483,466                   | 1,489,615                   | 1,573,753                   | 84,138                     |
| Culture and Recreation              | -                           | -                           | 15,470                      | 15,470                     |
| Economic Development                | -                           | -                           | 5,708                       | 5,708                      |
| Capital Outlay                      | 835,680                     | 835,680                     | -                           | (835,680)                  |
| Aid to other governments            | 24,880                      | 24,880                      | -                           | (24,880)                   |
| Transfers to other funds            | 359,785                     | 1,150,480                   | 1,152,657                   | 2,177                      |
| Total expenditures                  | <u>8,855,048</u>            | <u>9,959,935</u>            | <u>9,612,180</u>            | <u>(347,755)</u>           |
| Ending Cash Balance                 | <u>2,449,855</u>            | <u>2,146,412</u>            | <u>1,864,086</u>            | <u>(282,326)</u>           |
| Total Expenditures from All Sources | <u><u>\$ 11,304,903</u></u> | <u><u>\$ 12,106,347</u></u> | <u><u>\$ 11,476,266</u></u> | <u><u>\$ (630,081)</u></u> |
| Excess of revenue over expenditures | <u>\$ -</u>                 | <u>\$ -</u>                 | <u>\$ 139,374</u>           | <u>\$ 139,374</u>          |

**CITY OF PICAYUNE**  
**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) UTILITY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

| <b>REVENUES</b>                        | <b>ORIGINAL<br/>BUDGET</b> | <b>FINAL<br/>BUDGET</b> | <b>ACTUAL</b>        | <b>VARIANCE</b>     |
|--|----------------------------|-------------------------|----------------------|---------------------|
| Charges for services                   | \$ 4,389,753               | \$ 4,824,753            | \$ 5,249,676         | \$ 424,923          |
| Miscellaneous                          | 283,000                    | 380,039                 | -                    | (380,039)           |
| Transfers                              | -                          | -                       | 102,083              | 102,083             |
| Interest earnings                      | 7,500                      | 11,700                  | 12,692               | 992                 |
| Grants                                 | -                          | -                       | 24,688               | 24,688              |
| Other revenue                          | 99,000                     | 99,000                  | 1,251,311            | 1,152,311           |
| Total revenues                         | <u>4,779,253</u>           | <u>5,315,492</u>        | <u>6,640,449</u>     | <u>1,324,957</u>    |
| Beginning Cash Balance                 | 5,140,281                  | 5,140,281               | 6,768,211            | 1,627,930           |
| Total Revenues from All Sources        | <u>9,919,534</u>           | <u>10,455,773</u>       | <u>13,408,660</u>    | <u>2,952,887</u>    |
| <br><b>EXPENDITURES</b>                |                            |                         |                      |                     |
| Personnel Services                     | 1,465,783                  | 1,465,783               | 1,467,744            | 1,961               |
| Supplies                               | 1,322,090                  | 1,641,090               | 312,367              | (1,328,723)         |
| Contractual Services and Other Charge: | 1,318,716                  | 1,436,216               | 1,260,016            | (176,200)           |
| Utilities                              | -                          | -                       | 94,663               | 94,663              |
| Purchase of Gas                        | -                          | -                       | 1,279,927            | 1,279,927           |
| Depreciation and Amortization          | -                          | -                       | 455,949              | 455,949             |
| Interest Expense                       | -                          | -                       | 151,479              | 151,479             |
| Capital Outlay                         | 3,056,992                  | 3,155,312               | -                    | (3,155,312)         |
| Debt Payments                          | 515,672                    | 515,672                 | -                    | (515,672)           |
| Transfers to other funds               | 100,000                    | 100,000                 | 110,417              | 10,417              |
| Total expenditures                     | <u>7,779,253</u>           | <u>8,314,073</u>        | <u>5,132,561</u>     | <u>(3,181,512)</u>  |
| Ending Cash Balance                    | 2,140,281                  | 2,141,700               | 6,237,374            | 4,095,674           |
| Total Expenditures from All Sources    | <u>\$ 9,919,534</u>        | <u>\$ 10,455,773</u>    | <u>\$ 11,369,935</u> | <u>\$ 914,162</u>   |
| Excess of revenue over expenditures    | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ 2,038,724</u>  | <u>\$ 2,038,724</u> |

**CITY OF PICAYUNE  
NOTE TO BUDGETARY COMPARISON SCHEDULES (NON-GAAP BASIS)  
FOR YEAR ENDED SEPTEMBER 30, 2014**

**A. Budgetary Information.**

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

Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted at the City Hall to obtain taxpayer comments. No later than September 15, the budget is legally enacted through passage of an ordinance. Formal budgetary integration is employed as a management control device during the year for all Governmental and Proprietary Fund types. Budgets are adopted on a cash basis as required by State statute. All budgeted amounts presented in the accompanying financial statements are as originally adopted or as amended by the City Council.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between departments require approval of the City Council. The legal level of budgetary controls is the department level.

**SUPPLEMENTAL INFORMATION**

**CITY OF PICAYUNE  
 SCHEDULE OF SURETY BONDS, FOR CITY OFFICIALS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

| Covered                          | Surety Company               | Coverage Amount |
|----------------------------------|------------------------------|-----------------|
| Mayor                            | RLI Surety                   | \$ 100,000      |
| Council Members                  | RLI Surety                   | 100,000 each    |
| City Manager                     | RLI Surety                   | 50,000          |
| City Clerk                       | RLI Surety                   | 50,000          |
| Deputy City Clerk                | Fidelity and Deposit Company | 50,000          |
| City Inspector                   | RLI Surety                   | 5,000           |
| Police Chief                     | RLI Surety                   | 5,000           |
| Police Chief                     | RLI Surety                   | 50,000          |
| Police Department-Blanket Bond   | RLI Surety                   | 25,000          |
| All Other Employees-Blanket Bond | Fidelity and Deposit Company | 20,000          |

**CITY OF PICAYUNE**  
**SCHEDULE OF EXPENDITURES FOR FEDERAL AWARDS**  
September 30, 2014

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u>   | <u>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantor's<br/>Number</u> | <u>Federal<br/>Expenditure<br/>s</u> |
|---|------------------------|--|--------------------------------------|
| Environmental Protection Agency passed through the<br>Mississippi Department of Environmental Quality<br>Solid Waste Grant                          | 66.808                 |  | \$ 1,000                             |
| U.S. Department of Homeland Security passed through the<br>Mississippi Dept of Public Safety - Dept of Homeland Security<br>Hazard Mitigation Grant | 97.039                 | DR-1604-MS-0332                              | 365,083 *                            |
| Homeland Security Grant Program   | 97.067                 |  | <u>15,903</u>                        |
|   |                        |  | <u>380,986</u>                       |
| U.S. Department of Justice passed through the<br>Mississippi Department of Public Safety:<br>ARRA - Violence Against Women Formula Grants           | 16.588                 |  | <u>50,770</u>                        |
|   |                        |  | <u>50,770</u>                        |
| U.S. Department of Transportation passed through the<br>Mississippi Department of Transportation<br>Airport Improvement Grant                       | 20.106                 |  | 36,300                               |
| Alcohol Countermeasures Program   | 20.607                 |  | 2,446                                |
| Technical Assistance Grant  | 20.710                 |  | 6,750                                |
| Highway Planning and Construction   | 20.205                 |  | <u>212,225</u>                       |
|   |                        |  | <u>257,721</u>                       |
| <b>TOTAL FEDERAL ASSISTANCE PROGRAMS</b>  |                        |  | <u>\$ 690,477</u>                    |

\* Major Program

**CITY OF PICAYUNE, MISSISSIPPI  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards is included in the federal grant activity of the City of Picayune, Mississippi, (the City) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2: NON-CASH AWARDS**

The City did not receive any non-cash awards during the fiscal year ended September 30, 2014.

See Independent Auditor's Report.

**SPECIAL REPORTS**

# Keene, Bourne, Sanderson, Haigler & Eavenson, PA

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CERTIFIED PUBLIC ACCOUNTANTS  
(A Professional Association)

JOHN M. KEENE, CPA  
PAMELA W. BOURNE, CPA  
C. RONALD SANDERSON, CPA  
T. ASHTON HAIGLER, CPA, CVA  
CHELLIE K. EAVENSON, CPA

## 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, Members of the City  
Council, City Manager, and City Clerk.  
Picayune, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Picayune, Mississippi, as of and for the year ended September 30, 2014, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 3, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the City of Picayune, Mississippi, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

#### MEMBERS:

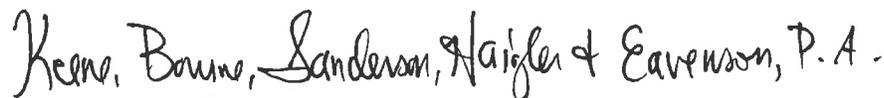
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS | MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

This report is intended for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Keene Bourne Sanderson Haigler and Eavenson PA  
Certified Public Accountants

March 3, 2015

# Keene, Bourne, Sanderson, Haigler & Eavenson, PA

CERTIFIED PUBLIC ACCOUNTANTS  
(A Professional Association)

JOHN M. KEENE, CPA  
PAMELA W. BOURNE, CPA  
C. RONALD SANDERSON, CPA  
T. ASHTON HAIGLER, CPA, CVA  
CHELLIE K. EAVENSON, CPA

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

### Compliance

We have audited the City of Picayune, Mississippi's, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2014. The City of Picayune, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Picayune, Mississippi's management. Our responsibility is to express an opinion on the City of Picayune, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Picayune, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Picayune, Mississippi's compliance with those requirements.

#### MEMBERS:

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In our opinion, the City of Picayune, Mississippi, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

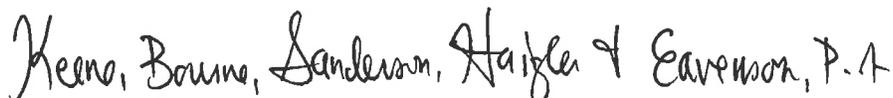
### Internal Control Over Compliance

Management of the City of Picayune, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Picayune, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Keene Bourne Sanderson Haigler and Eavenson PA  
Certified Public Accountants

March 3, 2015

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Picayune, Mississippi, as of and for the year ended September 30, 2014, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 3, 2015. 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.

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.

Due to the reduced scope, these compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. The results of our compliance tests and our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information disclosed no material instance of noncompliance with state laws and regulations.

This report is intended for the information of the City's management. However, this report is a matter of public record and its distribution is not limited.

*Keene, Bourne, Sanderson, Haigler & Eavenson, P.A.*

Keene Bourne Sanderson Haigler and Eavenson PA  
Certified Public Accountants

March 3, 2015

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CITY OF PICAYUNE**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2014**

**Section 1: Summary of Auditor's Results**

***Financial Statements:***

- |   |             |
|---|-------------|
| 1. Type of auditor's report issued on financial statements:                           | Unqualified |
| 2. Internal control over financial reporting:   |             |
| a. Material weakness identified?  | No          |
| b. Reportable conditions identified that is not considered to be a material weakness? | No          |
| 3. Noncompliance material to the financial statements?                                | No          |

***Federal Awards:***

- |  |             |
|--|-------------|
| 4. Internal control over major programs:   |             |
| a. Material weakness identified?   | No          |
| b. Reportable conditions identified that is not considered to be a material weakness?  | No          |
| 5. Type of auditor's report issued on compliance for major federal programs:   | Unqualified |
| 6. Any audit finding(s) reported as requirements as required by Section __.510(a) of Circular A-133?   | No          |
| 7. Federal programs identified as major programs:  |             |
| Department of Homeland Security – CFDA 97.039 – Hazard Mitigation Grant – FEMA Drainage Project  |             |
| 8. The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9. Auditee qualified as low-risk auditee?  | Yes         |
| 10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No          |

**Section 2: Financial Statement Findings**

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

**Section 3: Federal Award Findings and Questioned Costs**

The results of our tests did not disclose any findings and questioned costs related to federal awards.